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FOUNDATIONS OF THE STATE IN THEORY AND PRACTICE:  
READING BREMER AND THE COUNTERINSURGENCY FIELD MANUAL

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When social philosophers write about the foundations of the state, in the long tradition of Plato and Hobbes, their treatises may sometimes seem like abstract exercises in theoretical mythology. But the genre has recently taken a very practical turn. L. Paul Bremer's My Year in Iraq (2006) and the U.S. Army and Marine Corps's Counterinsurgency Field Manual (2007) express theories of the foundations of the constitutional state. Their theories have been used to guide practical policy-making in the reconstruction of Iraq, but we should also read them as exercises in social theory. In this paper, I want to examine the theories of nation-building that are expressed by Bremer and the Field Manual.

The state is like the proverbial elephant, and our theories tend to focus on one aspect or another of its complex reality. I have written some theories of my own (Myerson 2006), emphasizing the essential role of political leadership in the foundations of the state. My goal here is to show how the differences among such theories can imply fundamentally different approaches to the practical problems of nation-building that we have faced in this decade.

The Field Manual expresses the collaborative ideas of many people, while Bremer's book expresses the views of just one individual (albeit one of great intelligence, energy, and experience). So it may be simpler to begin with Bremer's book, and consider the Field Manual thereafter.

### **1. Bremer's theory of foundations of the state**

The core of Bremer's theory of the state is summarized by the essential goals that he described to Colin Powell after six months on the job of trying to reconstruct Iraq.

I've got three 'red lines' about Iraq. We must leave behind a professional uncorrupt police force, attentive to human rights; we must not have an army involved in internal affairs, and no militia; we should pass sovereignty to an Iraqi

government elected on the basis of a constitution. ([B] p 203)

So at the core of Bremer's theory, he sees that a democratic state must be based on a written constitution that establishes checks and balances in the government and defines rights of individuals and minority groups ([B] p 79). This constitutional system must be served by professional police and military personnel who have inculcated the values of respect for law, individual rights, and civilian political authority.

### *1.1 Primacy of the constitution*

Bremer's view of the fundamental primacy of the constitution justified his insistence that there should be no elections in Iraq until some form of constitutional law has been established. This policy against elections without a constitution put Bremer into direct conflict with Grand Ayatollah Ali Al-Sistani, who argued that a legitimate constitution could be established only by elected representatives.

To lay the foundations for successful democracy, Bremer understood that the new Iraqi constitution should be drafted by a council with representation from all the major strands of Iraqi society, including Sunni, Shia, Kurd, Turkmen, Christian, tribal, men, and women ([B] p 84). Then, according to Bremer's plan, the first national elections would follow a few months after the popular ratification of the new constitution. With elections following only after the adoption of the constitution, however, the members of the initial council had to be selected by Bremer's CPA, instead of by some political process within these groups themselves. Bremer describes how his staff worked long and hard, traveling all across Iraq, to identify and recruit a diverse membership for his governing council, so that all major groups in the population should see themselves well represented in the process of drafting the new constitution.

With such CPA-administered selections of representatives, however, the representation that Bremer achieved could be only demographic, not political. Constituting an interim council from a demographically representative sample of the population might be sufficient if these identity groups were understood only as categories of people with similar preferences. But Bremer clearly recognized that at least some of these groups were not merely categories of like-minded people but were social institutions with internal structures of leadership, and he worked to recruit much of the governing council from among these recognized leaders.

Bremer's view of the fundamental role of the written constitution closely fits the way that Americans think about our own republic. The popularly ratified constitution is the basis for everything else, defining limits and checks on the powers of our leaders. We hope that the agents who directly exercise the coercive force of our government should all be professionally indoctrinated to accept their roles as constitutionally subject to law and civilian political authority. When power is distributed widely and everybody accepts the constitutional rules, an official who tried to go beyond his constitutional authority should be checked and rejected by everybody else. Thus, a constitutional system like ours can be a stable equilibrium, and Bremer's problem would be just to get people in Iraq to all play according to a similar constitutional equilibrium in their country.

But when we think about more carefully about our history, we discover that constitutional democracies are not necessarily established this way. The British parliamentary system developed without any formal constitutional document, and America adopted a constitution several years after the revolution, when people wanted to expand the power of the central government. So there must be something else in society, other than a formal constitutional document, that can provide effective checks on the powers of political leaders.

We should also note that the writing and ratification of a constitution is often one of the least democratic aspects of democracy. The drafting of the proposed constitution is typically controlled by a small committee directed by a few politicians. Then, in ratification process, voters are asked to choose between the output of this elite committee and an alternative of unspecified chaos. A more democratic approach would be to invite different factions to draft proposed constitutions that could all be offered as alternatives for the voters to choose among. Of course such a plan was never considered by Bremer, or anyone else, but it helps to focus our attention on the substantial power that is implicitly claimed by anyone who, like Bremer, take charge of the process of drafting a constitutional document. It was possible, of course, that Iraqis might later reject as illegitimate the constitutional laws that Bremer tried to introduce, in which case his constitution-writing would be an exercise in futility. But in the event that Bremer's constitutional laws were accepted as the foundations of Iraq's future government, his heavy influence over the process as an unelected foreigner could only be characterized as an

undemocratic aspect of the new political system.

### *1.2 Professionalizing the security forces with values of civil society*

Bremer's view of the essential priority for guaranteeing the professional and nonpolitical nature of the army and police justified both his dissolution of the old Iraqi army and his insistence that the new Iraqi military and police forces could not be recruited without a time-consuming process of extensive professional training for all personnel. This latter policy was implemented over the objections of US military commanders, who urgently called for much faster expansion of the Iraqi security forces.

The requirement for extensive professionally trained of all police in Bremer's system deserves some scrutiny. From a historical perspective, we may note that professional policing developed in America decades after the establishment of the republic. For example, the police department in New York city was established in 1845 (see Lardner and Reppetto, 2000).

On the other hand, it may well be universal in armies to make sure that soldiers are all indoctrinated to obey the existing leadership. But during Bremer's reign, any military indoctrination to accept constitutional civilian authority would have had an aspect of unreality, because at that time Iraq did not have any constitutional civilian authority. Soldiers and police could only be taught to obey an abstraction that did not yet exist. With no guarantee that future political leadership in Iraq would actually conform to the norms that Americans were prescribing in their military and police training programs, the trainees would be irrational to take their indoctrination too seriously.

### *1.3 Other themes in Bremer's social thought*

Bremer recognizes that the stability of a constitutional government may also depend also on the existence of other independent groups in civil society outside the government that serve as "social shock absorbers" ([B] p 12, 19), protecting individuals from the raw power of the state. The groups and institutions that he recognizes as such social shock absorbers included trade unions, political parties, professional associations, the free press, and PTAs. At no point, however, does he ever express the view that such social shock absorbers might also include tribes and religious institutions, although it seems clear that they played exactly this role of limiting and

moderating the influence of past Iraqi governments. So he does not contemplate the possibility that his agenda of creating new institutional shock absorbers might be seen as an attempt to displace the social role of other institutional shock absorbers.

Bremer also regularly expresses the importance of careful vetting to exclude criminals and active agents of the old repressive order from power in the new state. This concern might have been lessened, however, if he saw democratic competition as an incentive system to motivate better performance by political agents. Under such a theory of democracy, we might hope that people who acted badly under the old authoritarian regime might behave better when their political destinies depend on winning popular elections.

Bremer recognized the importance of economic reforms and secure property rights to foster growth and prosperity in the new state. He saw the most important of the CPA's economic reforms as being the repeal of old restrictions against foreign investment ([B] p 159), although bad security would actually discourage such investment in the near term. But Bremer also recognized that economic policy-making may be subject to political constraints, as when he avoided the politically sensitive problem of reforming Saddam's policy of providing fuel to the Iraqi public at a trivial fraction of world prices. When violence cut domestic production, this policy could require the government to import fuel which could then be profitably re-exported by smugglers. Ali Allawi described this vastly expensive system of fuel subsidies as a poisoned chalice that Bremer handed down to future Iraqi governments (Allawi, 2007, pp 263-264).

### **3. The Field Manual's view of the struggle to establish a state**

The Counterinsurgency Field Manual recognizes an insurgency as a violent struggle to establish a state. The counterinsurgents' strategy in this struggle is summarized as follows:

Killing insurgents – while necessary, especially with respect to extremists – by itself cannot defeat an insurgency. Gaining and retaining the initiative requires counterinsurgents to address the insurgency's causes through stability operations as well. This initially involves securing and controlling the local population and providing for essential services. As security improves, military resources contribute to supporting government reforms and reconstruction projects. As

counterinsurgents gain the initiative, offensive operations focus on eliminating the insurgent cadre, while defensive operations focus on protecting the populace and infrastructure from direct attacks. As counterinsurgents establish military ascendancy, stability operations expand across the area of operations and eventually predominate. Victory is achieved when the populace consents to the government's legitimacy and stops actively and passively supporting the insurgency. ([FM] pp 5-6.)

There are many ingredients in this recipe for nation-building: addressing the causes of the insurgency, attacking extremists and isolating the insurgent cadre, securing and controlling the local population in gradually expanding areas, providing essential services and reconstruction and supporting government reforms, and achieving predominance as the legitimate government. Let us consider each in turn.

### *2.1 Addressing the root causes of the insurgency*

The Field Manual advises that the counterinsurgents must analyze the causes of the insurgency. When large groups in the population have specific grievances against the government, insurgents can gain broad support by promising popular satisfaction against these grievances. If the government can address these grievances first, then the insurgents' popular appeal may be reduced. Notice, when we think this way, we are framing the competition between the government and the insurgents in terms of the popular appeal of their policies, which is exactly the way that we like to think about competition between political parties in a democracy.

But the Field Manual recognizes that such policy grievances may actually have a limited role once an insurgency is actively started. David Galula's Counterinsurgency Warfare (which is acknowledged as uniquely influential in John Nagl's forward to the Field Manual) lists two essential prerequisites for a successful insurgency: an attractive cause to gain initial popular support, and an administrative weakness of the government. (He also lists favorable geography and outside support as other contributing factors that are not essential. [G] p 44.) He emphasizes, however, that the importance of the ideological cause tends to decrease over time, as the war itself becomes the principal issue ([G] p 25). So the ideological aspect should not be allowed to

distract us from the essential struggle over power.

## *2.2 Attacking extremists and isolating the insurgent cadre*

The main offensive goal in counterinsurgency is to attack the elite cadre who lead the insurgency. The Field Manual's chapter on intelligence in counterinsurgency includes an introduction to basic concepts of sociology, with the ideas of social network analysis developed further in an appendix, because the insurgency must be understood as a social network that is held together and directed by the central leaders at the top and the activists of the cadre around them. This vital leadership at the top may keep themselves hidden, but to gain influence and control over the population, their cadre must make contact with others in the population, and then their network becomes vulnerable if many people will provide intelligence to the government.

But the Field Manual refers to the killing of extremists as necessary but not sufficient for defeating the insurgency. In this statement, it is responding to military doctrine in traditional warfare where the destruction of the enemy's organized armed forces can indeed be the key to victory. Against insurgents who have avoided fixed investments in standing armies, however, victory cannot be determined from relative casualty figures.

Of course nobody can deny that insurgency is war and counterinsurgents will have to kill people. But a rational-choice economist may pause at the suggestion that, among the insurgents, there may be some specific individuals who must be killed or captured because they are "extremists whose beliefs prevent them from ever reconciling with the government" (p. 2). Such statements beg questions about what are the extreme beliefs that make these individuals so dangerous, and whether these beliefs may be rational or not. A crazy person might believe anything, but it is difficult to see how his beliefs could influence large numbers of people unless they have some rational appeal to people with normal beliefs and tastes.

Let me suggest that the core belief that makes extremist insurgents so dangerous may be their rational belief that their role in the insurgency gives them a substantial positive probability of winning great power in the nation. As the Field Manual recognizes, different insurgencies may derive some initial motivation from different religious, ethnic, or ideological causes. But the essential driving motivation behind the leaders of the insurgency must be a shared belief that, by working together in the insurgent struggle, they can hope ultimately to gain great political

power and all the material rewards that follow from it. Such a belief may indeed be rational and dangerous.

As noted above, the central leadership of the insurgency may keep themselves hidden, but to gain influence and control over the population, the cadre whom they direct must make contact with outsiders. Then the insurgent network becomes vulnerable if many people will provide intelligence to the government. So when there are people who trust and support the government in all segments of the population, then the insurgent cadre can be isolated and rendered ineffective or destroyed. All security and governance operations should be designed to achieve this end, so that widespread acceptance of the government induces people everywhere to stop supporting the insurgency even passively by hiding it.

### *2.3 The crucial question of legitimacy*

Individuals' decisions about whether to provide information about the insurgents to the government emerge as crucial transactions in the struggle with insurgency. The Field Manual recognizes that such human intelligence is vital for success of the counterinsurgency and advises that special offices should be established to receive such intelligence and protect the sources. But a potential informant must weigh the government's rewards for information against the very serious possibility of retribution by the insurgents. If the insurgents are powerful in his neighborhood or are expected to take power in the future, then a rational individual would be unlikely to provide intelligence to the counterinsurgents. So an expectation of future success or failure can become a self-fulfilling prophecy for or against the insurgents. Thus the struggle to establish a state must be seen as a game with multiple equilibria where Schelling's (1960) focal-point effect applies. Anything that focuses people's attention on the expectation that either side will hold power in this society in the future can make that expectation true. I would argue that such focal expectations of future power are the true meaning of legitimacy, a concept that the Field Manual has some difficulty with.

This perspective may help us to understand why Galula finds that an ideological cause with broad popular appeal is so essential at the start of an insurgency. If a weak band of insurgents can present themselves as activists for the common good of some group of people, then members of this group might feel that anyone who provided information to the government

against such patriots should be stigmatized as an unreliable traitor to the group. So ideological identification with collective welfare can be particularly valuable at the start of the insurgency, before the expectation or reality of local power can provide the insurgents with a stronger deterrent against local informers.

The Field Manual states emphatically that the main objective for both sides in the struggle is to be accepted by the population as the legitimate government of the country ([FM] p 37, 137), but it sometimes seems unclear about how such legitimacy is to be achieved. A point of confusion may be indicated by the awkward wording of the last sentence in the passage quoted above from the Field Manual: "Victory is achieved when the populace consents to the government's legitimacy and stops actively and passively supporting the insurgency." This sentence might read better if the word "consents" were replaced by "recognizes." The use of the word "consent" here seems to suggest that legitimacy is given by the people as an act of choice. We know that people's choices of votes in elections determine the legitimate government for a democratic society, and such democratic ideals seem to color the Field Manual's language here. But elsewhere the Field Manual recognizes that many governments have achieved recognized legitimacy without any election or expression of free popular consent ([FM] p 39).

As Hume (1748) argued against Hobbesian theories of an original contract, the foundations of political power generally depend, not on any prior consent of the population, but merely on a common recognition by the population. From a contemporary perspective, Hume's argument can be seen as a fundamental application of Schelling's (1960) focal-point effect in games with multiple equilibria, because the social process of identifying leadership in a society is essentially a coordination game that has multiple equilibria. Nobody wants to be the last person to acknowledge a political leader who has been acknowledged by everyone else. So anything that makes people expect that their neighbors will accept the authority of some political faction can become a compelling reason for all of them to accept it.

And yet the Field Manual regularly works from a premise that a government builds its legitimacy by providing security and effective governance for citizens and sustaining the rule of law ([FM] p 154). From this point of view, the importance of providing basic public goods to the population follows from the goal of winning legitimacy. Victory depends on the host nation

developing an effective administrative apparatus that can deliver the public goods that the people demand. Among these public goods, the Field Manual makes it clear that the most important is basic security. In particular, the Field Manual at one point remarks that a government's respect for preexisting impersonal legal rules, ideally those of a written constitution and of laws that have been democratically adopted, as the key to assure widespread acceptance of the government's authority and thus its legitimacy ([FM] p 39). So the Field Manual sometimes seems to agree with Paul Bremer about the fundamental importance of a written constitution and of security officials demonstrating respect for impersonal rule of law.

But as the Field Manual emphasizes security as the most important public good that a legitimate government must provide, it sometimes expresses a more Hobbesian view that the people accept a sovereign government to escape from the horrors of war and anarchy. With observation that "legitimacy is accorded to the element that can provide security, as citizens seek to ally with groups that can guarantee their safety" ([FM] p 16), the Field Manual concedes that victory may be won whichever side can more effectively manage violence.

#### *2.4 Expanding areas of control*

The execution of the counterinsurgency operations, according to the Field Manual, is composed largely of a series of operations that are focused on small regions or districts, one at a time, first to get basic security and control in the region, and then to build effective governance there. The long-term goal is to win national power by gradually expanding these regions of effective governance and control. Concentrating efforts in selected regions makes sense, because the positive externalities in getting members of a community to recognize and accept a leader's authority imply that local efforts to win recognized control can have increasing returns to scale.

In the first stage of such local operations to secure and gain control of a local population, according to the Field Manual, a neighborhood may be trapped in a closed cordon and invaded by armed searches with artillery support. Then identity cards may be issued to strictly control the enclosed local population. Such a terrifying process may not seem designed to win any local supporters. But once basic security has been achieved, the Field Manual recommends that local paramilitary security forces should be trained and organized so that the people of the village or neighborhood can protect themselves. In this way, an effective national network can be

developed to provide security for the host nation, although it seems possible that such local defense units might see themselves as depending for broader sponsorship and protection on the US army rather than the national government of the host nation.

### *2.5 Providing effective governance*

For the population, the positive aspect of the government's expanding control is that it should then establish its legitimacy by providing essential services and public goods that improve people's quality of life. Success at this stage requires that the host government must be able to deliver the necessary public goods and services. To make sure that the host government gets political credit for administrative accomplishments, the Field Manual quotes T. E. Lawrence's advice that it is better for the host government to do something tolerably than for American forces to do it well ([FM] pp 49-50).

But the provision of public goods and services must be accomplished at least tolerably well. The Field Manual sees corruption and inefficiency in the host government as a serious failing that can fatally undermine the counterinsurgency, as may have been the case in the failure of Chiang Kai-shek's government in China ([FM] p 159). A host government's tendency to promote officials based on personal connections rather than on demonstrated competence is seen as a potential problem, and American counterinsurgency forces need to guard against such corruption ([FM] p 202). The Field Manual advises that counterinsurgents should not be afraid of boldly supporting government reforms and may sometimes even have to arrange for corrupt officials to be removed from office in the host government ([FM] p 172). In its own transactions, American counterinsurgents should set a good example of clean dealings that avoid any hint of corrupt favoritism ([FM] p 276).

The problem of developing the effective security forces for the host government, both army and police, is a central concern of the Field Manual. The host government should be urged to recruit from all major groups in the population, resisting tendencies to exclude disaffected minority groups, but the Field Manual recommends that no military or police unit should contain too many people who have belonged to any one tribal militia or militant faction ([FM] p 215). Members of the security forces should be given extensive training to develop skills and inculcate appropriate values. Police should be well paid and should be subject to independent review. The

Field Manual recommends that the process of developing a security force for the host government should begin with training of effective commanders and staffs for small units (at the level of a company or battalion or a police station) and should only later progressively move to training leadership for higher echelons ([FM] p 224).

### **3. The unexamined host network**

Although the Field Manual emphasizes the importance of analyzing the social network among insurgents, it does not encourage counterinsurgents to think as systematically about the social network of the host government. It seems that the rational incentives of people who make up the host government may have been obscured by the ideology of constitutional democracy, according to which the heart of the host government is supposed to be a written constitution, enforced by the honest and loyal service of officials whose professional training has inculcated a dedication to the law.

To see what is missing, consider the Field Manual's discussion of local business suppliers of American counterinsurgency forces ([FM] p 284). The Field Manual observes that such local business contacts may develop into relationships from which counterinsurgents can begin to derive valuable intelligence information. Then the Field Manual remarks that such local vendors may be putting themselves at serious risk of attack by insurgents, and it suggests that the task of protecting them may be more of a challenge than is worthwhile for US forces. But a few pages earlier, the Field Manual also warned against admitting any favoritism or corrupt practices in local business transactions ([FM] p 280). The unspoken question is, what could induce local suppliers to take such serious risks of being killed, if all the transactions really are competitively priced with a minimal profit margin? Surely anyone who is not coercively drafted into supplying the counterinsurgents would provide such risky services only if he believed it to be part of a very profitable long-term relationship. In particular, he would have to trust the counterinsurgents to not cut him off from profits and protection because he was not worthy of favoritism.

This argument can be applied much more broadly than just to commercial suppliers; it can be applied to all the agents and officials in the host government whose active voluntary

efforts are needed to make it function. In a struggle for power, some expectation of favoritism within the governing elite may be essential to recruit people into the service of the host government against its deadly opponents.

Evidence for this key point can be found in Banerjee and Iyer (2005) analysis of British colonial rule in India. The British used several different systems for collecting revenue from taxes on land in different regions of India. In some regions, great landlords called zamindars were given local authority and responsibility for collecting tax revenues in their districts. The zamindars' local authority was granted as a property right that could be sold or bequeathed to their heirs. But in other parts of India, the British collected local revenues directly from individual cultivators or from village councils. Banerjee and Iyer find that the regions where the British governed through zamindars have had significantly lower agricultural investments and productivity than other regions of India. For example, they find that local wheat yields are 23% higher and infant mortality is 40% lower in non-zamindar districts. The zamindar system was instituted mostly in the regions that came under British rule early, in the 1700s, but (happily for Banerjee and Iyer's statistical estimation) there are other scattered districts where the zamindar system was also applied by the British, in those districts which happened to come under direct British rule after the great Indian mutiny of 1857. So Banerjee and Iyer (2005) conclude, as British reformers had two centuries before, that granting local privileges to a feudal zamindar elite had severe economic costs for India.

But we should ask whether these economically costly privileges may have been rationally granted by British imperialists for an essential political benefit. In particular, the fact that the granting of zamindar privileges was resumed by the British when they felt threatened by the 1857 Mutiny is evidence that its value to them was greater when the threat to their regime was greater. The logic is clear: To suppress insurgent enemies throughout the country, a regime needs active supporters throughout the country, and a straightforward way to motivate a network of such supporters is by giving them a privileged stake in the regime.

There is one point in Appendix A where the Field Manual actually seems to express this idea. In a section entitled "Build Trusted Networks," the Field Manual advises that a counterinsurgent unit's first task in its area of operations is to build trusted networks ([FM] p

294). Then the Field Manual reveals, "This is the true meaning of the phrase 'hearts and minds.' 'Hearts' means persuading people that their best interests are served by counterinsurgency success. 'Minds' means convincing them that the force can protect them and that resisting it is pointless." Two paragraphs later, however, Field Manual begins to describe the interests in question as community needs or local public goods, so that a reader might not see the key members of this network and its principal local beneficiaries as a privileged elite.

Even when we interpret this network as one of privilege, we can see the cogency of the Field Manual's advice here that the trusted network should be diverse. When there are substantial social groups whose members have no place in the governments' network of trust, then the insurgents can operate among these groups and offer leadership for them without fear of detection or competition by the government. Indeed, the failure to reach such excluded groups may be the political and administrative weakness that Galula (1964) saw as a primary cause of insurgency. Galula emphasizes that the ultimate goal of all counterinsurgency operations is to extend the political network of the government to reach people throughout the nation ([G] p 136).

As Becker and Stigler (1974) have shown, moral hazard provides another fundamental economic reason (in addition to compensation for risk) why the people who serve as local political agents of the government's authority must be promised substantial future rewards for their service. The local representative of the government's authority has substantial power over people in his district, and counterinsurgent success depends on his using that power to establish effective governance and fight the insurgents, rather than using it for his personal short-term profit. In the chaos of war, local agents who avoid action against insurgents or who loot their district may be able to profit considerably before their malfeasance is detected by the central government. To provide an economic incentive for them to act vigorously for the government, such powerful local agents must expect greater rewards for loyal service.

Thus, when we read the Field Manual's description of how corruption undermined Chiang Kai-shek's government in China ([FM] p 159), we should recognize that the problem was not that highly connected government agents took profits from their positions, it was that they took profits from their positions without providing the governance and services that was expected of them. In the Becker-Stigler incentive model, the great future rewards of office must be

conditional on evidence of good service. It was Chiang Kai-shek's job, as the nationalist leader, to monitor the performance of his high officials and make sure that they were well rewarded only when they did their jobs correctly, withdrawing privileges of elite favor from officials who were seen to fail in their responsibilities. (Of course a perception that Chiang's regime was doomed, so that he would soon lose his power to reward anyone, could also have motivated officials to defeatist short-term profit-taking before the fall.)

So we now come to a crucial point. Although Bremer may see the written constitution as the foundation of the state, it should be obvious that the constitution can only be enforced by the actions of people. So the fundamental problem of constituting the state is to get people to take actions that implement and enforce its provisions. The problem of getting people to take appropriate actions is called moral hazard in economic agency theory. So we should understand that agency incentive problems are fundamental to the constitution of any political system. In particular, the agents whose actions are most critical to the enforcement of constitutional rules are political leaders and officials who hold high offices of the government under the constitution. These leaders and officials must be motivated by an expectation of rewards and privileges as long as they fulfill their constitutional responsibilities. So the survival of any political system depends on its providing appropriate incentives for political and administrative agents to take actions that may be subject to moral-hazard temptations and imperfect observability.

For the constitutional system to function, officials of government, from ministers to local magistrates, must exercise great power over others, and this power can be abused for the personal enrichment of the officials. To deter the individual officials under him from such abuse of power, a political leader must be able to assure these powerful officials under him that their loyal service will bring even greater future rewards than corrupt abuse of power can bring them now. But such rewards will be very costly for the state, and so the leader may well prefer ex post to minimize them or deny them.

This raises the question of leadership in the foundations of the state, which we should now examine in some detail.

#### **4. The essential role of political leadership**

The role of the host government's political leadership is curiously absent from the Field Manual. Again, this view could be derived from an ideology of constitutional democracy which teaches that leaders fill constitutionally-defined niches after election by the people. From such a perspective, the only question would be whether the people will be able to agree on honest and effective leaders. Counterinsurgents could then play a useful role (as Bremer did) by working to put forward good candidates in the first place, sweeping corrupt and ineffective individuals out of the way. But a common view of history sees states as being principally established by the political and military accomplishments of their leaders.

Galula (1964) asserts that a single boss must direct all the state-building operations of counterinsurgency, including the military operations to provide overall security, the police and judicial operations to arrest and judge individual insurgents, and ultimately the political operations to control and organize the population. The Field Manual recognizes that civilian and military operations must be well coordinated to achieve a unity of effort, but never suggests that US counterinsurgent forces should be under the direction of the boss who heads the host government's political organization.

Both Bremer and the Field Manual suggest that the chain of command in host government forces can be built from the bottom up, beginning with lower echelons that operate under American direction and sponsorship until the higher echelons are ready to take charge. But insurgencies develop in the opposite direction, with an initial inner leadership building units under their direction and extending more echelons below themselves as they grow. Even as a young insurgent, Mao was willing to pay great cost of internal bloodletting to eliminate Communist units that had developed separately under independent leadership (Sun, 2006, p 53-55, 239). The feasibility of building a disciplined organization before its top leadership is in place should be seriously questioned, but to do so we need to think more carefully about the essential role of top leadership.

The key may be Alchian and Demsetz's (1972) argument that the role of the boss is to actively monitor the people who work for him and to guarantee, by his personal reputation, that they will be appropriately rewarded according to their observed performance. In the context of a commercial firm, the essential importance of this leadership function may be reduced by the

possibility that contractually promised rewards may be guaranteed by higher courts of law. But for a political organization that aims to take and hold supreme power in a nation, there is no higher court of appeal. The political leadership must be able to credibly guarantee that their agents will be appropriately rewarded.

The problem of guaranteeing these rewards is sharpened by the fact that officials who wield great powers of the state in one domain or another may have great moral-hazard temptations, and so must be promised correspondingly great compensation for good service. So others should be willing to pay richly for such a privileged office, and thus the leader may be regularly tempted to judge an official's performance inadequate and resell his office to someone else. Somehow a successful leader must credibly commit himself to judging and rewarding his supporters and agents appropriately, even when the rewards are great and costly.

I have argued (Myerson, 2008) that this problem of moral hazard at the center can be solved by leaders holding court in regular meetings with their inner circle of supporters. That is, the leader's key supporters become courtiers who take high offices and meet regularly to monitor the leader's treatment of others in high office. In such a court, the leader can credibly maintain his reputation for appropriately judging and rewarding powerful officials under him, provided that his mistreatment of one official would cause the others at court to lose trust in his future treatment of themselves. The leader could gain his privileged status only by the active support of many people in an equilibrium of mutual trust, and his power could be lost if his supporters switched to a distrustful equilibrium where each acts only to maximize the short-term benefits that he can extract from his current office.

From this perspective, we should expect to that the highest positions of state power will be held by political leaders whose first imperative is to maintain their reputation for rewarding loyal supporters. The standards of behavior that active political supporters collectively expect of their leader, if he is to keep their trust, become a primary constraint on the leader's actions and may be viewed as an informal personal constitution for him.

The establishment of formal constitutional structures in a state may depend critically on their compatibility with such personal constitutions for the leaders who hold high offices. On the one hand, if a politician has built relationships of trust with supporters while professing loyalty to

formal constitutional norms, then it may be difficult for him to suddenly begin violating these constitutional norms without raising doubts among his supporters whether he might suddenly break faith with them too. On the other hand, a politician is most likely to disregard formal constitutional norms when they stipulate that he should do something that would be viewed as a breach of faith by his active supporters.

In this sense, we may see political leaders' reputations for rewarding their supporters as the fundamental building blocks on which state are established. From this perspective, the crucial steps of state-building occur when politicians have opportunities to distribute the benefits of their patronage. Their reputations depend on whom they choose to reward, with how much, and what effective service they demand for these rewards.

I have argued elsewhere (Myerson, 2006) that, during the occupation of Iraq, what the CPA should have done to cultivate democracy was hold local elections as soon as possible and allow local councils to allocate as much of the budget for reconstructing Iraq as possible. The goal should have been to give as many future politicians as possible opportunities to begin cultivating reputations for allocating patronage while also providing public goods. By doing so while the national administration was still under American control, local leaders could hope that relative success in serving the public could make them serious contenders in subsequent national elections. Keeping the budget under Bremer's control may have reduced corruption, or may have directed patronage opportunities to American politicians instead of Iraqi politicians. But in either case, we should recognize that what politicians do with their patronage opportunities is how they build their political reputations, and building Iraqi political reputations was essential in building a new political system for Iraq.

Along these lines, Bremer's role in forming the interim government of Iraq at the end of his reign seems to have been particularly dysfunctional. Bremer describes how he carefully distributed ministerial positions to form a broadly inclusive interim government, and only at the end did he consult the designated prime minister Ayad Allawi to make sure that he had no objections to any of them ([B] p 372). But the distribution of ministerial portfolios is the highest level where a leader can build his reputation for distributing patronage benefits. So a crucial step towards constitutional democracy could have been realized if Ayad Allawi had distributed the

ministerial positions, subject to an inclusiveness criterion that could have been enforced by a veto from Bremer at the end.

For the 2007 surge to actually make a political change in a district of Baghdad, the surge of troops should have followed by agents of the government offering patronage jobs to build networks of loyalty in the district (see [G] pp 68-9). When our counterinsurgents are trying to sustain a multiparty coalition government at the national level, such a plan begs the question of which party should get to build its political network under the protection of American forces in each district. Basic common sense would suggest that the surge would not go forward until that question was satisfactorily settled for all districts. But it is worrisome to see the Field Manual describe operations where US counterinsurgency forces cultivated local leadership structures under their own patronage, without asking whether these independent local leaders would actually find a place in the political network of the host government. The British could credibly promise long-run privileges to designated zamindar leaders of districts in India when the British were planning to stay as colonial masters. If US counterinsurgents are not colonial imperialists, then they cannot be the ones to credibly install a local political leadership, and a local political vacuum only invites the insurgents to return after US forces leave.

Galula's emphasis on the need for a single boss begs the question of whether democracy may be a disadvantage for counterinsurgency efforts. As we have seen, promises of future benefits of power may be invaluable during the struggle to motivate activists whose greater efforts and risk-taking are essential for victory. We normally hope that democratic political competition will reduce the profits of power to political leaders, so that more benefits of government should reach the broader public instead, including those who free-rode during the war. So in principle, an authoritarian faction that intends to rule without opposition should have a larger expected fund of power-benefits to distribute. But the credibility problem that we have emphasized above is particularly acute for the authoritarian leader, as his greater power after victory will make it easier for him to deny past promises to people who are lack identifiable connections with the inner circle of his movement. A system of representative democracy with substantial devolution of power to local government may then make it easier to credibly guarantee a share of power to local elites. But some electoral barriers to entry may be helpful to

increase the existing parties expected stake in future political power. In this respect, the tendency of plurality voting in single-member districts to discourage more than two serious political parties in any one district could make it a good electoral system for a democratic government in a counterinsurgency struggle.

In recounting the history of another insurgency, John Marshall (2000, p 49) observed that English colonial institutions were well designed to lay the foundations for representative democracy in America. The American republic was born with political leaders who were already committed by their past reputations to democratic competition and representative assemblies, because election to provincial assemblies had been a vital step in the political careers of so many of them. Furthermore, the existence of 13 separate governments guaranteed many opportunities for many leaders to establish independent political reputations in the new republic. But the division into separate state governments also created free-rider problems among the states, which hindered revolutionary efforts throughout the struggle. Foreign assistance may indeed have been essential to the insurgents' success.

## **5. Conclusion**

Counterinsurgency is about the establishment of government in a state under the most challenging of circumstances. So the foundations of the state are not just an abstract topic for the study of political philosophers. Politicians and soldiers are actively involved in the practical art of establishing the state. Indeed, the problem of establishing the state is solved anew in every generation by political leaders who rise to the summit of political power. They understand that the political and administrative efforts needed to take power and wield it effectively require promises of patronage benefits that can be credibly communicated only through political networks of trust. The problem of maintaining that trust, at least within his faction, compels every successful leader to develop a reputation for adhering to social norms that underlie the enforcement all the other laws and constitutional provisions of the state.

So we may safely assume that those who have attained that the highest political offices in our country should understand such principles of patronage and political reputation far better than any soldier or diplomat or academic theorist, at least as far as these principles are applied in

our own country. But when it is a question of helping to establish a state in a foreign land, people who understand how things work at home may become confused by the ideals that we prefer to express. A social theorist may, with some care, have a better chance of avoiding such confusion. Thus, although the reality of state-building is too complex for my simple theories, I have tried here to expose some of the gaps in the theories that more practical diplomats and soldiers have articulated under the direction and guidance of our most successful political leaders.

In contrast with Bremer's perception that the fundamental corner-stone of the democratic state is its constitution, I have argued that the state is established by its political leaders and their network of trusting supporters. Where the Field Manual recognized the vital importance of the network of trust among leaders and their cadre of active supporters in the insurgency, I have argued that the network of political leadership is equally vital to the state that the counterinsurgents are trying to establish.

So the key to democracy should have been recognized as encouraging two or more independent networks of political leadership which have accepted the principle of peaceful coexistence under a system of democratic competition for power in the host government. But such political networks begin with their leaders, and political leaders define themselves by the reputations that they cultivate by the way that they exercise power and spend the public funds that they control. So the first step in a project of democratic state-building should have been to encourage individual politicians to develop independent reputations for responsible and tolerant governance. To build effective government against violent opposition, the problem is not to provide a clean administration without favoritism but to make sure that favoritism is effectively managed by political leaders whose judgments are trusted by their supporters.

Counterinsurgency operations to pacify a region should be understood as opportunities for specific political factions from the host government to extend their patronage networks into the pacified region. Democracy will be established, not when a constitution has been formally ratified by popular plebiscite, but when the political reputations of successful leaders include their fundamental acceptance of peaceful democratic competition for power.

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