The Empire Strikes Back:
Adam Smith, John Stuart Mill, and the Robust Political Economy of Empire[*]

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ABSTRACT:
Recent scholarship regarding the idea of a U.S. Empire has raised serious questions as to the feasibility and desirability of imperial ambitions. This paper traces the debate over the net-benefit of empire back to the Classical economists. Adam Smith argued that the British Empire was a net cost while John Stuart Mill concluded the same empire was a net benefit. Contemporary arguments about a U.S. Empire map neatly to the divergent views of Smith and Mill. In addition to engaging in an exercise in history of thought, we use Smith's political economy as a means of adjudicating between the different claims regarding the feasibility of empire. In doing so, we subject the claims of proponents of American Empire against the standard of robust political economy, which holds that intervention must generate desirable outcomes where less than ideal incentive and epistemic conditions hold. In doing so, we conclude that many of the claims made by proponents are fragile under less than ideal conditions.

KEYWORDS: Empire, Imperialism Adam Smith, John Stuart Mill, Robust Political Economy
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1 Introduction

"How is the Empire?" These words are attributed to King George V of England as he lay on his deathbed. The British Empire, having just survived the devastating effects of the First World War was arguably at a relative peak in its power, taking control of several new colonies as a result of the surrender of Germany and her allies. But beginning in 1947, with the nations of India and Pakistan gaining independence, the British Empire progressively weakened due to financial overreach and increasing indigenous resistance to continued colonization. The ultimate result was that Britain eventually relinquished most of its colonies and much of its political and economic influence throughout the world.

The rise and fall of the British Empire is not a unique tale. The Ottomans, the Holy Roman Empire, the Tsarist Empire of Russia, and the ancient empires of Greece and Rome each rose to power and prosperity only to be later reduced and, in some cases, collapse into economic ruin. But had George V asked his question, "how is the empire?" to economists of the period, he would have undoubtedly received different answers. Some would have emphasized the costs of maintaining his country's international influence—specifically the price of defending England and her colonies (see, for example, Purdy 1863, Hamilton 1872, Dilke 1900, Hobson 1902). Others would have praised England's empire as being of net benefit to both the colonies and the motherland due to increased exports and political stability (see, for example, Knowles 1930, Hamilton 1872). In short, there would have been no consensus answer.

Like their predecessors, modern-day economists have failed to reach a consensus as to the overall economic outcome of the British Empire. For example, there is evidence indicating that former British colonies have realized greater economic achievements than their "uncolonized" counterparts (e.g. India and Nepal) and that British colonialism had comparatively positive effects (Lange, Mahoney and vom Hau 2006). Acemoglu, Johnson and Robinson (2000) argue that former colonies may have experienced different growth depending on "colonization strategy." They conclude that colonies in which the British were able to live and set up English-style institutions experienced superior development then colonies in which the British could not establish settlements and subsequently developed extractive regimes. Others have examined investment throughout the tenure of the British Empire and found that returns on domestic ventures in England were actually *higher* than the returns on investments in the colonies. Further, they argue returns on colonial activities would have been much lower were it not for significant subsidies by the English government (Davis and Huttenback 1982).

Even though the net benefit of the former British Empire remains unclear, many current scholars have called for the U.S. to embrace its role as empire and act as a global hegemon. Among other things, they posit a U.S. empire would provide global public goods, increase financial stability, spawn higher exports, and promote peace (Lal 2004, Mitchner and Weidenmier 2004; Ferguson 2004, Ferguson and Schularick 2006). Still, others have drawn attention to the costs of empire, citing a myriad of unintentional consequences, negative externalities, and domestic fiscal burdens (Chomsky 2003a, 2003b, 2005, Coyne and Davies 2007).

Despite the current debate surrounding the U.S., and the lingering questions regarding the former British Empire, the controversies of imperialism are far from novel. In fact, the debate over the economic implications of empire can be traced back to the Classical economists and, specifically, the writings of Adam Smith and John Stuart Mill. Despite their similar views on a variety of issues, the two reached wholly divergent conclusions regarding the costs, benefits and the overall consequences of empire.

The purpose of this paper is twofold. The first is to engage in an exercise in the history of economic thought. The ongoing contemporary debate regarding the feasibility of the U.S. as an empire largely mirrors the divergent views of Smith and Mill. Indeed, although the focus has shifted from Britain to the U.S., modern writers on empire have largely “reinvented the wheel” without making significant advancements beyond the key issues identified by Smith and Mill more than a century and a half ago.

The second purpose is to offer a potential resolution to the lack of consensus regarding the net benefit of empire. Specifically, we employ the standard of “robust political economy” to adjudicate between the competing claims on both sides of the empire debate. Political economy entails considering alternative institutional arrangements, and how those arrangements influence human behavior for better or worse. Robust political economy refers to rules that generate desirable outcomes when there are deviations from ideal conditions of omniscience and benevolence. In the context of empire, we seek to understand whether the claims made by proponents of a U.S. Empire are robust to deviations from these first-best conditions. If they are fragile under less-than-ideal conditions, then this provides reason for skepticism of Mill’s, and more modern proponents, net-benefit view of empire.

We proceed as follows. Section 2 traces the views of Adam Smith and J.S. Mill regarding the benefits and costs of the British Empire. Section 3 addresses the current state of the debate and provides an overview of the relevant literature. Section 4 develops the robust political economy of empire and applies these ideas variety of claims made by proponents of an active U.S. empire. Section 5 concludes.

2 Two Early Contrasting Views of Empire

Adam Smith (1723-1790) and John Stuart Mill (1806-1873) are generally regarded as members of the Classical School of economic thought. Though they shared in common the ideas of self-regulation, flexibility of prices, wages and rents, and the general desirability of competition, their opinions differed radically as to the desirability and long-term feasibility of the British Empire. Both Smith and Mill commented at length on the imperial ambitions of Great Britain and their divergent views on the topic are as follows.

2.1 Smith's Net-Cost View

In his treatise, *An Inquiry as to the Nature and Causes of the Wealth of Nations*, Adam Smith, set out to understand the causes of prosperity and poverty throughout the world. As part of this analysis, Smith provided a detailed discussion of the implications of imperialism and the economic impact of the British Empire. He concluded that the costs of empire are staggering, and eventually contribute to economic stagnation instead of increased wealth. Smith provided several categories of arguments to support this conclusion.

Smith's central argument against empire was a two-pronged public choice critique. The first prong was based on the economics of special interests grounded in the logic of concentrated benefits and dispersed costs. Smith argued that the main beneficiaries of colonization were the British merchants who sold to the colonies. As the sole supplier to colonial importers, these merchants would be able to collect monopoly profits. Further, Smith saw that England would establish monopoly profits for some merchants in the colonies by placing greater import restrictions on competing goods from other foreign entities. By reducing the threat of foreign competition, those producing in the colonies would be allowed greater market share and higher profits. According to this logic, the benefits of monopoly trading accrued to merchants while costs fell on the citizens of the colonies through the costs of protectionism, and on the citizens of Britain who ultimately paid for the establishment and maintenance of these colonial trade routes.

Smith emphasized that these costs applied to all of England's colonies, regardless of whether their citizens were of English descent or native inhabitants. Still, he chose to discuss Britain's role in maintaining the thirteen American colonies in greater detail. He argued that the costs of preserving the American colonies greatly exceeded the benefits they might generate for Britain. Smith explained that the benefits of exporting to the Americas accrued to a relatively small number of politically active merchants, but the costs of maintaining the colonies were paid by the entire English citizenry. The political minority who benefitted from the trade would work to guarantee its continuation and expansion. According to Smith, "For the sake of that little enhancement of price which this monopoly might afford producers, the home-consumers have been burdened with the whole expense" (Smith 1776, Book IV, Chapter VIII: 716). Further, "Statesmen...are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens to found and maintain such an empire" (Smith 1776, Book IV, Chapter VII: 663).

The second and related prong of Smith's public choice argument related to issues of public finance. In addition to the costs of protectionism and rent-seeking, Smith argued that the use of the British military to control the colonies, maintain their safety from outside aggressors, and preserve the established trade monopolies would result in ever-increasing expenditures that would burden British citizens. He argued that working to maintain the colonies had already put England into significant debt.

> The maintenance of this monopoly has hitherto been the principal, or more properly perhaps the sole end and purpose of the dominion which Great Britain assumes over her colonies.…The Spanish war...was principally a colony quarrel.

> Its principal object was to prevent the search of the colony ships which carried on a contraband trade. This whole expense is, in reality, a bounty which has been given in order to support a monopoly. The pretended purpose of it was to encourage the manufactures, and to increase the commerce of Great Britain. But its real effect has been to raise the rate of mercantile profit.…Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies" (Smith 1776, Part III, Book IV, Chapter VII: pp. 664-666).

But Smith's treatment of the debt associated with empire is more nuanced than simply pointing out that foreign interventions were expensive. Smith had a deep understanding of the political elite could use, and abuse, public finances in relation to foreign adventures. He posited that when undertaking foreign interventions, the political elite avoid raising taxes to cover the cost of the intervention because of fear of backlash by the populace. In order to fund the intervention, then, the political elite must turn to debt. As Smith writes:

> They are unwilling, for fear of offending the people, who, by so great and so sudden an increase of taxes, would soon be disgusted with the war; and they are unable, from not well knowing what taxes would be sufficient to produce the revenue wanted. The facility of borrowing delivers them from the embarrassment which this fear and inability would otherwise occasion. By means of borrowing, they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war; and by the practice of perpetual funding, they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. (Smith 1776, Book V, Chapter III: 996).

However, at some point the debt comes due and the political elite again face the specter of a backlash by the public for raising taxes to pay down the debt. In response, Smith argues, the political elite will have an incentive to make "pretend payments" through a debasement of the currency.

> When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of their having been fairly and completely paid.... publick bankruptcy has been disguised under the appearance of a pretend payment....When it becomes necessary for a state to declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is

> always the measure which is both least dishonorable to the debtor, and least hurtful to the creditor. The honour of a state is surely very poorly provided for, when in order to cover the disgrace of real bankruptcy, it has recourse to a juggling trick of this kind...Almost all states, however, ancient as well as modern, when reduced to this necessity, have upon some occasions, played this very juggling trick (Smith, 1776, Book V, Chapter III: pp. 1008-1009).

This "juggling trick" of debt and debasement, according to Smith, is ultimately what threatened the long-term fiscal viability of Britain's empire. It was this fear, in conjunction with his belief that the merchant class, as the main special interest group, would secure a significant portion of the benefits of foreign intervention, which were at the center of Smith's critique of the British Empire. The incentives created by the political institutions in Britain were such that special interests would secure the benefits while the political elite would mask the true costs of the interventions.

In addition to the two-pronged public choice argument, Smith offered two other arguments against British Empire. The first was a displacement argument which held that subsidizing expansion abroad would lead to a distortion in the broader allocation of resources. Specifically, Smith argued that that subsidizing trade with the colonies caused a disproportionate amount of resources to be invested in the colonies relative to otherwise profitable opportunities in England and elsewhere. He states, "[Trade with Europe] would be, at least, three times more advantageous than the boasted trade with our North American Colonies....France is a much richer country than North America...[and] therefore, could afford a market at least eight times more extensive, and...four and twenty times more advantageous than that which our North American colonies ever afforded" (Smith 1776, Book IV, Chapter III: 529).

The second was a retainment argument which held that Britain would not readily relinquish its colonies. Smith pushed his argument further, hypothesizing that Britain would attempt to maintain its colonies by force. He posited that vested interests would work against Britain voluntarily exiting the colonies and that the colonies would not willingly submit to English rule. He further suggested that England should ultimately expect to pay for its colonial ambitions in the Americas with bloodshed.

> *To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.* Such statesmen, and such statesmen only, are capable of fancying that they will find some advantage in employing the blood and treasure of their fellow-citizens to found and maintain such an empire.... To propose that Great Britain should voluntarily give up all authority over her colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they might think proper, would be to propose such a measure as never was, and never will be adopted, by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expence which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation, and what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it*….[I]t is not very probable that they will ever voluntarily submit to us; and we ought to consider that the blood which must be shed in forcing them to do so is, every drop of it, blood either of those who are, or of those whom we wish to have for our fellow-citizens.* They are very weak who flatter themselves that, in the state to which things have come, our colonies will be easily conquered by force alone (Smith 1776, Book IV, Chapter VII: pp. 663-693, emphasis added).

Smith's analysis of the costs and consequences of an activist empire were adopted by both his immediate—e.g., Jeremy Bentham and James Mill—and distant successors—e.g., the modern critics of empire discussed in Section 3. However, while Adam Smith's overall position on empire was clearly one of sharp criticism, the same cannot be said for fellow Classical economist John Stuart Mill.

2.2 Mill's Net-Benefit View

Mill spent much of his working life as an official of Britain's East India Company. Though he initially held opinions very similar to Smith and his father, James Mill, regarding the net costs of empire, J.S. Mill ultimately shifted his position and eventually rejected Smith's anti-imperialist conclusions. In doing so, Mill offered the first liberal defense of English imperialism. As Sullivan (1983: 599) writes, Mill "…inherited a liberal tradition which was primarily anti-imperialist. He served as the intellectual leader in the transformation of this tradition into a justification for a complex empire." Through interlinked economic, moral, and political arguments, Mill concluded that British imperial expansion and maintenance of the colonies was best for serving England's broader interests. Further, he argued that colonization served a civilizing function for much of the world and provided benefits to colonized peoples.

Mill's shift away from his initial, anti-imperialist position was heavily influenced by the work of his contemporary, Edward Gibbon Wakefield (Sullivan 1983). Wakefield developed his theory of "systematic colonization" which began from the premise that England suffered from excess capital, which would result in overproduction if invested domestically. At the same time, Wakefield believed that the labor markets of England's colonies were chronically "understocked." He further argued that the price of land in the colonies was so low that even those of relatively limited means could acquire it. If followed for Wakefield that if laborers could own their own property, they would prefer to work for themselves than a wealthier landowner. This preference for self-sufficiency would harm societal welfare because the dispersed land would limit the gains from the division of labor which otherwise could occur (see Kittrell 1973: 88-90). According to Wakefield:

> The first Spanish settlers in Saint Domingo did not obtain labourers from Spain. But, without labourers, their capital must have perished, or at least, must soon have been diminished to that small amount which each individual could employ

> with his own hands. This has actually occurred in the last Colony founded by England — the Swan River Settlement — where a great mass of capital, of seeds, implements, and cattle, has perished for want of labourers to use it, and where no settler has preserved much more capital than he can employ with his own hands....If all members of the society are supposed to possess equal portions of capital...no man would have a motive for accumulating more capital than he could use with his own hands. This is to some extent the case in the new American settlements, where a passion for owning land prevents the existence of a class of labourers for hire (1833, Vol. II: 5-17).

From this premise, Wakefield argued for government to take an active role in allocating land to take advantage of a superior division of labor, relative to what would occur naturally. Specifically, Wakefield concluded that it would be necessary for the government to prevent the broader population from owning property. His solution was for the government to initially own the land and then sell it within a colony at an artificially high, or what called a "sufficient price." This sufficient price would prevent those without extensive wealth from owning land, which would prompt the poorer immigrant population to offer their labor to wealthier land owners. The sufficient price, according to Wakefield (1929: 208) was that which resulted in: "neither superabundance of people nor superabundance of land, but so limiting the quantity of land, as to give the cheapest land a market value that would have the effect of compelling the labourers to work some considerable time for wages before they could become landowners. A price that did less than this, would be insufficient; one that did more, would be excessive; the price that would do this and no more, is the proper price."

By keeping colonists as laborers, the sufficient price would ensure the adequate centralization of land and an effective division of labor. The result would be increased capital investment, efficiency, and economic growth. Wakefield further proposed that the price paid to the government for the land would generate the financing for further immigration. This cycle would allow the excess population and capital of England to be relieved, while simultaneously increasing the prosperity of those in England and the colonies.[1]

Mill's initial economic arguments for an active British empire were grounded in Wakefiled's logic. Mill argued that England's production had exceeded what could be invested profitably in domestic markets (Winch 1965). He posited that if England's population remained constant with the country's vast capital stock, wages would rise. As a result of rising wages, firms' input costs would increase and, as such, firms' profits would fall. If England's population increased this issue would be worse due to the increased demand in consumer goods (Sullivan 1983: 607). The prices of these goods would increase, leading to increased output, increased labor use, higher wages and still further declines in profit. The ultimate result, Mill maintained, was that England would enter a "premature stationary state" in its economic growth. As he wrote:

> A conscientious or prudential restraint on population is indispensable, to prevent the increase of number from outstripping the increase of capital, and the condition of the classes who are at the bottom of society from being deteriorated. Where there is not, in the people, or in some large proportion of them, a resolute resistance to this deterioration...the condition of the poorest class sinks....The density of population necessary to enable mankind to obtain, in the greatest degree, all the advantages both of co-operation and of social intercourse has, in all the most populous countries, been attained. (Mill 1848, Book IV, Chapter VI: 753).

The solution in Mill's mind was clear—England should expand trade with its colonies. "Up to a certain point," Mill wrote, "the more capital we send away, the more we shall possess

[1] Interestingly, in the first volume of his work, *Das Kapital,* Karl Marx (Marx 1867: 537-543) drew from this idea and expanded on Wakefield's broader theory of systematic colonization. Marx noted that Wakefield's scheme of colonization required the separation of people from the land in order for capitalistic markets to properly develop. It followed directly for Marx that workers were systematically expropriated by the capitalist colonial system. This exploitation prevented the working class from demanding wage increases and better conditions from the landed classes. Marx further proposed these observations as proof of the "chimera of free contracts" between independent actors in the labor market and concluded that the capitalist system of private property rights rests on the exploitation of the working class.

and be able to retain at home" (Mill 1848, Book IV, Chapter IV: 746). Through the colonies, the excess capital and populations of England would be reduced and wages would increase, avoiding the premature stagnation in economic growth. Specifically,

> If one-tenth of the labouring people of England were transferred to the colonies, and along with them one-tenth of the circulating capital of the country, either wages, or profits, or both, would be greatly benefited, by the diminished pressure of capital and population....There would be a reduced demand for food: the inferior arable lands would be thrown out of cultivation, and would become pasture; the superior would be cultivated less highly, but with a greater proportional return; food would be lowered in price...every labourer would be considerably improved in circumstances, an improvement which...would be permanent (Mill 1848, Book IV, Chapter V: 749).

In Mill's later writings, he added a second line of economic argumentation for an activist British Empire. Noting the protectionist tendencies of the United States, France, and Germany, Mill argued that the colonies may become the only trade outlet for England and suggested that maintaining the empire was the only way of guaranteeing the liberal ideal of free trade. He states,

> Though Great Britain could do perfectly well without her colonies...should the time come when...[the colonies] deliberately desire to be disserved, there are strong reasons for maintaining the present slight bond of connection....It is a step...toward universal peace and general friendly co-operation among nations. It renders war impossible among a large number of otherwise independent countries, and moreover, hinders any of them from being absorbed into a foreign state....It at least keeps the markets of the different countries open to one another, and prevents that mutual exclusion by hostile tariffs (Mill 1861, Chapter XVIII: 311).

While Smith's analysis made no clear distinction between different types of colonies, Mill argued for white settler colonies as opposed to the colonization of native populations. He proposed that populations had to be treated differently depending on their "stage of civilization" and established political institutions prior to colonization. White colonies like Australia, Canada, and the former American colonies were clearly capable of governing themselves. He proposed that, in such cases, England should only interfere in the colonies' foreign and international policies. Otherwise, internal governance should be left to qualified individuals within the colonies (Mill 1838, Chapter XVIII). "Canada ought to be governed; and if anything can allay her dissensions and again attach her to the mother country....[had policies of self-governance not been put in place], the colony was lost; having been set...the colony may be saved....[self-governance is] the system on which the North American Colonies may be preserved and governed hereafter" (Mill 1838, Chapter XVIII: 314).

This idea is in stark contrast to Mill's view of colonies of natives. Mill argued that economic relationships with many "barbarous" nations were only possible through English governance, security, and investment (Mill 1848, Chapter XVIII: 313). Moreover, Mill viewed the non-white colonies as extensions of England, as opposed to separate populations. "[Non-white colonies are like] outlying agricultural or manufacturing establishments....[they are] the place where England finds it convenient to carry on the production of sugar, coffee, and a few other tropical commodities. All the capital employed is English capital, almost all the industry is carried out for English uses" (Mill 1848, Book III, Chapter XXV: 693).

While Mill's arguments for empire placed a great deal of emphasis on the economic benefits to England in terms of relieving excess population, capital, and ensuring free trade, he made a further case for empire in terms of gains to the colonized nations. Indeed, a second category of argument put forth by Mill related to the institution building and civilizing function of an interventionist British Empire. Mill contended that native populations were uncivilized and were therefore incapable of self-governance. In these cases, England would serve as a benevolent despot, bringing backward populations into the modern era of production. He contended the overall governance of these “uncivilized” colonies should be relegated to expert groups, like the East India Company, as opposed to Parliament, since these entities would have greater knowledge of the individual colonies and be better able to formulate effective policies (Mill 1853: 1189). “There is no safety but in associating with the Indian Minster a Board or Council possessing...special knowledge, and sufficiently independent of him to command his deference and, when necessary, to resist his will....The Court of Directors are to remain, as they have been hitherto been, a power in the Indian government (Mill 1853: 1189). In addition to setting up institutions in these “backward” countries, Mill posited that English imperialism served a civilizing purpose stating that,

> The same rules of international morality do not apply between civilized nations and between civilized nations and barbarians....it is already a common and is rapidly tending to become the universal condition of the more backward populations to be either held in direct subjection by the more advanced or to be under their complete ascendency (Mill 1874: 252-253).

In particular, Mill argued that England should remain in colonies like India and Ireland for the good of the people in those countries. He believed that “English virtues,” institutions, and rule of law would afford security and stability to these countries, providing them with opportunities for advancement (Mill 1867: pp. 233-236).

Lastly, Mill offered a domestic political argument for the British Empire. Specifically, he argued that the Empire worked to maintain England’s status and power in the global order. He posited that if England were to relinquish her colonies, other powers may overtake them and threaten England. “Any separation [between England and its colonies] would greatly diminish the prestige of England, which....I believe...a great advantage to mankind” (Mill 1863: 783).

Essentially, maintaining the colonies was a matter of not only maintaining trade, but of preserving England's standing in the broader geopolitical order (Mill 1861, Chapter VIII).

Though not in keeping with his contemporaries, Mill's analysis of empire had an immense impact on the scholars who followed him. Although the topic of empire would fall away from academic interest in the following years, parts of Mill's arguments would be echoed by proponents of an active American empire.

3 "Modern" Views of Empire

In recent years, the subject of empire has again come to the forefront in academics and public policy. But now, dialogues on imperial ambition focus almost exclusively on the United States. The typical starting premise (either stated directly or indirectly) is that the United States has assumed a position of global dominance. Some call for the U.S. to embrace this role, expounding in one way or another on the benefits of empire first offered by Mill. Citing the benefits the U.S. gains from trade, the supposed achievement of certain foreign policy objectives in countries in which the U.S. is highly active, and the social and economic benefits to American "colonies," many are calling for the U.S. to embrace its role as a global hegemon.

Lal (2004, 2005) argues that the United States, despite its lack of formal title, *is* an empire. Further, he argues that multinational organizations, specialized global agencies, and Non-Government Organizations (NGOs) have been of little employ, have outlived their usefulness, and have been corrupted by internal bureaucracy. He posits, as Mill did over a hundred years before, that the U.S. Empire (British Empire for Mill) provides a cache of valuable services to citizens at home and abroad. Lal claims that empires throughout history have worked to promote prosperity and maintain peace in a variety of contexts. Just as Mill suggested, Lal also argues it was necessary for the British Empire to institute and maintain free trade. Further, he argues that the U.S. has not used its power as it should move to instill the same principles today (Lal 2004: 505). Lal suggests that the U.S. utilize its imperial influence regardless of the feelings of the international community. Mill argued that failure to exercise imperial authority by the British would lead to a decline in the Empire's global position and invite interference by other world powers. Lal echoes these sentiments and applies them to the U.S. He argues that by making at least some effort to acquire international approval for many of its actions, the U.S. only makes matters more complicated. Allowing other governing bodies to become involved in U.S. policies, he posits, often prevents the U.S. from doing what ought to be done in a timely manner.

Boot (2001) provides a similar line of argument. He suggests that the U.S.' general reluctance to wield its imperial power has resulted in serious adverse consequences. Specifically, he argues that the present foreign policy problems faced the by U.S., including the attacks of September 11, 2001, have been the result of "insufficient American involvement and ambition" (Boot 2001). The solution, Boot (2001) contends, "is to be more expansive in our goals and more assertive in their implementation." Moreover, he argues that troubled nations "cry out for some sort of enlightened foreign administration....building a working state administration is a more practical short-term objective that has been achieved by countless colonial regimes." The U.S., as global hegemon, has the chance to spread democracy throughout the world and create "beacon[s] of hope for the oppressed peoples" (Boot 2001). This sentiment of using imperial power to instill "superior institutions" and the notion that other nations are "incapable" and have a "need" for external governance is clearly in keeping with the aforementioned propositions of Mill concerning the British Empire.

Ferguson (2004) traces the imperialist roots of America back to its founding. The expansion of the U.S., he notes, was the result of the displacement, and in many cases the destruction, of the indigenous people. After expanding its occupation over the continent, America began its overseas expansion—Puerto Rico, Hawaii, Guam, Philippines, etc.—which has continued to the present day. America, Ferguson argues, is in denial of its global role as a liberal empire. As Mill argued for the British Empire, Ferguson posits that if the U.S. embraces this role, it can provide a variety of global public goods. He writes, "Think, then, of liberal empire as the political counterpart to economic globalization. If economic openness—free trade, free labor movement and free capital flows—helps growth, and if capital is more likely to be formed where the rule of law exists and government is not corrupt, then it is important to establish not only how economic activity becomes globalized but also how—by what mechanism—economically benign institutions can be spread around the world" (Ferguson 2004: 183-4).

In addition to spreading liberal economic institutions, Ferguson also argues that American occupiers can do a superior job, relative to the indigenous status quo, of governing weak and failed states. He writes, "[I]n many cases of economic 'backwardness" a liberal empire can do better than a nation-state….[W]e may therefore make what might be called an altruistic argument for the United States to engage in something resembling liberal imperialism in our time. A country like—to take just one example—Liberia would benefit immeasurably from something like an American colonial administration" (Ferguson 2004: 198). Like Mill in the case of England, Ferguson sees an active American empire as a net-benefit both for U.S. citizens as well as citizens in other countries.

James Mitchener and Marc Weidenmier (2005) furthered these positive ideas of empire by providing statistical analysis of the impact of the Roosevelt Corollary on countries in Central America. They conclude that the United States was able to provide the public goods of peace and stability to countries throughout the region. They claim that the abnormally high return on bonds in countries around the Caribbean Sea were the result of U.S. policy intervention. They further posit that the cost of U.S. hegemony has declined as European powers have declined.

Ferguson and Schularick (2006) provide further support for these positive "empire effects." They find that countries under the control of an imperial entity have lower risk premiums, lower interest rates, and overall greater economic development. Their contention is that these "global public goods" are the result of a virtuous cycle. Colonial administrators favor things like sound money, balanced budgets, and openness to trade—exactly the items Ferguson and Schularick claim are provided by empire. Their conclusion is that the solution to the ills of many underdeveloped countries today may be a tradeoff of sovereignty and the financial stability provided by empire.

Taken together, the modern literature supporting the "net benefit" view of America as an empire emphasizes how an imperialist American empire can produce global public goods in the form of economic trade, financial stability, and peace. In doing so, it is argued, a liberal American empire contributes to regional and international stability. That said, this support for an activist American empire has not gone unchallenged. A variety of scholars, many echoing Adam Smith's arguments against the British Empire, have emphasized the costs associated with a U.S. Empire.

Similar to Smith, many critics of U.S. Empire argue that an activist foreign policy benefits a small group of privileged elite who secure monopoly profits and other benefits through foreign interventions. For example, Laxter (2003) has criticized the U.S. Empire, arguing that the capitalism embraced by the U.S. has tended to foster a sort of aggressive globalization which is driven by, and furthers, U.S. corporate interests. He claims the since the 1990s, the U.S. has been able to expand its imperial influence through "globalization babble" (Laxter 2003: 141). Laxter argues that resisting this neo-imperialism requires that the individuals of a nation to fight to maintain national sovereignty. "The main task...is to confront the corporate-oriented state backed by the U.S. Empire, and to turn it into a citizen-oriented state" (Laxter 2003: 140). He posits that the development policies adopted following the "Washington Consensus"—trade liberalization, private property rights, and fiscal policy discipline—have promoted "national globalism" among a neoliberal elite in which capitalists within the U.S. Empire have used their wealth to repress the world's peasants and wage-earners.

Johnson (2000: 7) argues that the U.S. Empire has remained unacknowledged as the result of a lack of "genuine consciousness [among American citizens of how]...Washington exercises its global hegemony." Just as the few British shopkeepers reaped the benefits of empire while the majority paid the price in Smith's story, Johnson argues that similar factors are at play in the U.S. case and that the consequences of such a political arrangement have not been properly considered. As Smith predicted that colonization of the Americas would end in violence, Johnson proposes that the U.S.'s continued interventions abroad will lead to progressively more "blowback" (i.e. unintended violence as the result of intervention) against the U.S.

Chomsky (2003a, 2003b, 2005) argues that those who *do* take into account the costs of U.S. Empire typically understate these costs by failing to account for the negative externalities experienced under the direct influence of U.S. policy. Specifically, "they do not take into account the likely effects...that millions may be at very serious risk in a country that is at the edge of survival...after a terrible war that targeted basic infrastructure−which amounts to biological warfare−and a decade of devastating sanctions that have killed hundreds of thousands of people and blocked any reconstruction, while strengthening the brutal tyrant" (Chomsky: 2003a). Just as Smith contended that continued colonization would result in increased violence toward the British, Chomsky argues that U.S. imperialism is likely to increase terrorist activities and the proliferation of weapons of mass destruction. He further argues that that the U.S. government has not considered the consequences of propping up repressive regimes and groups which have routinely engaged in mass human rights abuses (Chomsky 2003a, 2003b). In doing so, he argues that the U.S. quest for global domination is an immense threat to global peace (Chomsky 2005) in stark contrast to those that argue that the U.S. delivers global public goods and stability.

Also in the tradition of Adam Smith, Coyne and Davies (2007) provide nineteen separate negative consequences of empire. Among other things, they argue that imperialism is connected to the rise of paternalistic governance and poor policies in the colonizing country and diverts attention from issues of government and liberty to foreign activities. They posit that imperialism results in increases in military spending, and "imperial overreach," induces the creation of corrupt ruling elites abroad, and retards social change. Further, the short-term goals of imperial ambition often give way to negative long-run system effects and "crony capitalism." U.S. imperial activities have undermined cooperation between economic actors abroad, imposed both direct and indirect costs on colonized populations, and generated xenophobia and racism. Coyne and Davies cite the rise in organized crime in Afghanistan, Pakistan, and Burma as direct results of U.S. interferences. Moreover, they demonstrate that many present failed states may attribute at least a portion of their present economic malaise to their former colonial status. They find that imperialism tends to emphasize the use of force over other methods of cooperation, leads to the stagnation of political structures, fosters ethnic and religious conflict, and confuses legitimate domestic processes with those of the imperial force.

Similar to Smith and Mill, the modern literature on American empire highlights both benefits and costs with conclusions differing as to net outcomes. Given this lack of consensus, what conclusions can we draw about the viability of an activist American empire? In order to answer this question we consider the robustness of the claims made by proponents of empire.

4 The Robust Political Economy of Empire

4.1 Robust Political Economy

The idea of "robust political economy" is as old as the discussion of empire. Classical economists like Smith took care to consider how imperfect people would behave under alternative institutional arrangements. Hayek captured this when he wrote:

> [T]he main point about which there can be little doubt is that Smith's chief concern was not so much with what man might occasionally achieve when he was at his best but that he should have as little opportunity to do harm when he was at his worst. It would scarcely be too much to claim that the main merit of the individualism to which he and his contemporaries advocated is that it is a system, under which, bad men can do least harm. It is a social system that does not depend for its functioning on our finding good men for running it, or on all men becoming better than they now are, but which makes use of men in all their given variety and complexity, sometimes good and sometimes bad, sometimes intelligent and, more often, stupid (1948: 11–12).

In general, social scientists have two courses of action when engaged in analysis. They can pursue the "easy" route of analysis which begins by assuming the ideal conditions that make the theorist's system work in the desired manner. The "hard" route, in contrast, begins by assuming less than ideal conditions to understand the extent to which the system under consideration maintains the desirable properties under deviations from ideal conditions (see Boettke and Leeson 2004, Leeson and Subrick 2006, Pennington 2011). As Leeson and Subrick (2006: 107) write, "Robust [political economy] refers to a political economic arrangement's ability to produce social welfare-enhancing outcomes in the face of deviations from ideal assumptions about individuals' motives and information" (Leeson and Subrick 2006: 107).

This has direct implications for the ongoing debate regarding the viability of an activist American Empire. According to the standard of robust political economy, in order to make the case for imperialism one must relax the assumptions of (1) omniscience and (2) benevolence in order to see how an imperial system would likely respond in the face of less than perfect conditions. As no political system operates under conditions of pure benevolence and complete omniscience, such considerations offer us a new way in which to examine the feasibility of American Empire. In what follows, we subject several of the claims made by proponents of American Empire to the standard of robust political economy. We consider the evidence for and against each claim with particular emphasis on the knowledge and incentive issues at work.

4.2 Foreign Aid and Growth

One of the central claims of the net-benefit view of a U.S. Empire is that American interventions will bring about economic growth in otherwise backward and underdeveloped countries. A primary form of achieving this end is the delivery of aid and assistance. In order to understand the reach of the U.S. in this regard, consider that in 2011, the U.S. provided aid to 149 of the 194 countries it officially recognizes (Norris 2012). This aid is given for a variety of purposes—short-term humanitarian goals, long-term development goals, strategic policy goals, etc. If the claim made by proponents of empire is robust, then we can be confident that aid will result in growth. If this claim is fragile, however, aid will have no effect, or worse a negative effect on the recipient's growth.

One means of evaluating the robustness claim made by proponents of empire is to consider the existing evidence regarding government-provided foreign aid on economic growth. A large literature empirically analyzes whether aid has a positive effect on economic growth. These studies can be broken into three general categories based on their findings regarding the relationship between aid and economic growth (see Radlet 2006, Leeson 2008).

The first category consists of studies finding that aid has a positive, but conditional, effect on growth. Burnside and Dollar (2000), for example, found that aid had a positive effect on growth conditional on countries having "good policies" (e.g., trade openness, property protection, fiscal responsibility) prior to receiving aid.[2] A second category of studies finds that aid has a positive, and unconditional, effect on growth irrespective of other factors (see, Hansen and Tarp 2001; Clemens, Radelet, and Bhavnani 2004). Finally, a third category consists of studies which find that aid has either no, or worse, a negative impact on growth (see Bauer 1957, 1981, 2000; Easterly, Levine, and Roodman 2004; Rajan and Subramanian 2008). Researchers in this category identify a variety of channels to explain their findings including: aid theft, the perpetuation of bad policies and institutions, and inefficient aid distribution due to perverse incentives, among others (see Radelet 2006 for a discussion of these explanations).

Given this conflicting evidence, can we draw any general conclusions regarding aid effectiveness in terms of growth and the robustness of imperial policy? One meta-analysis of 97 econometric studies on aid effectiveness by Doucouliagos and Paldam (2009) concludes that "When this whole literature is examined, a clear pattern emerges. After 40 years of development

[2] However, see Easterly, Levine, and Roodman (2004) for a refutation of Burnside and Dollar (2000). Brumm (2003) corrects for measurement error in Burnside and Dollar and finds that aid negatively affects growth even where countries have good policies.

aid, the preponderance of the evidence indicates that aid has not been effective" (2009: 433). Even if one was to grant that government-provided aid potentially can have positive effects in some instances, one must also admit that our knowledge is severely limited regarding the causal channels through which these effects emerge on any kind of systematic basis. Indeed, an existing literature points out both the knowledge problems and incentive issues involved in aid delivery. Specifically, those involved in distributing aid face issues of economic calculation regarding decision making of how to allocate aid to its highest valued use (see Williamson 2010, Skarbek and Leeson 2009, Coyne 2013). In addition, the aid complex suffers from a variety of perverse incentives which make waste and the persistence of resource misallocations likely which negatively impacts growth and produces unintended consequences (see Easterly 2002, 2006, Williamson 2010, Coyne 2013 and section 4.4 below).

Once these realities are taken into account, in addition to the dismal record of past aid and assistance, it is far from clear that government-provided foreign aid passes the test of robust political economy. Indeed, once we take these less-than-ideal realities—epistemic and incentive issues—into account, the argument for the desirability of foreign- or imperially-provided aid that exists under the "easy" case—i.e., a situation where aid planners are omniscient and benevolent—is significantly weakened. It is not that aid can never have positive effects, but rather that the knowledge and incentives to generate success on a consistent basis across contexts is lacking.

4.3 Military Intervention and Nation Building

In addition to fostering economic growth, another claim of proponents of empire is that it will generate institutional change in occupied countries. As noted, Mill (Section 2.2) made this argument regarding England's colonies. More recently, Ferguson (see Section 3) has made similar claims regarding the U.S. One way of evaluating this assertion is to look at the evidence regarding the performance of military interventions and institution building. If this claim is indeed robust, then we should find a preponderance of evidence indicating that foreign military interventions have led to sustainable growth and intervention.

One strand of recent literature (beginning in the 2000s) empirically analyzes the effectiveness of peacekeeping missions across a large sample of cases. This literature differentiates between two types of peacekeeping outcomes. One focuses on the effectiveness of peacekeeping in preventing the reemergence of conflict after a peace agreement has been negotiated, while the other focuses on peacekeeping amidst conflict and emphasizes the importance of containing, terminating, or preventing hostilities.[3] Further, studies of peacekeeping can be categorized by their focus on the effectiveness of peacekeeping missions following interstate conflicts or intrastate conflict (i.e., civil war).

The empirical studies of interstate conflict are inconclusive. Some studies find that the presence of UN peacekeepers has no effect on the reoccurrence of conflict and that the presence of UN forces creates only an illusion of peace (see Diehl, Reifschneider and Hensel 1996). In contrast, other studies indicate that peacekeepers have a positive effect on the maintenance of peace following interstate conflict (Fortna 2003, 2004).

A larger number of empirical studies focus on traditional peacekeeping in civil wars or intrastate conflict. They find is that peacekeeping missions are effective *after* a ceasefire agreement already has been established (see Fortna and Howard 2008). However, studies indicate that the presence of peacekeepers *prior* to the establishment of peace either has no

[3] For a complete literature review of the various historical trends in the peacekeeping literature, see Fortna and Howard 2008. See also, Johnstone 2005.

effect, or in some cases, actually discourages diplomatic efforts, reducing the chances of achieving an initial peace settlement (See Gilligan and Sergenti 2007, Greig and Diehl 2005).

The findings are more pessimistic when military interventions move beyond traditional peacekeeping to other issues such as democratization and state- and nation-building. Consider, for instance, the case of establishing sustainable political institutions, which is often considered to be one of the central goals of an activist empire. A number of studies indicate that attempts by foreign military interveners (U.S.-led and UN-led) to establish consolidated democratic institutions where they do not exist beforehand are likely to have no effect, or even negative effects (Weinstein 2005, Bueno de Mesquita and Downs 2006, Coyne 2008, Fortna 2008, Easterly, Satyanath and Berger 2010).[4] Other research indicates that certain types of regime change (those that bring entirely new leaders to power) can increase the likelihood of civil war, not only because of the fragility of the new regime, but because grievances and resentment emerge when the new regime is viewed as a puppet controlled by the occupiers (see Downs 2011). In contrast to the more negative findings regarding institutional reform and nation building, a recent paper by Acemoglu et al. (2011) shows that French armies brought about "radical reform" to institutions in Germany which contributed to growth, demonstrating that in certain instances exogenous intervention can generate sustainable institutional change.

Another strand of literature considers the effect of troop presence on economic growth. Biglaiser and DeRouen (2007) explore the connection between U.S. troop presence and foreign direct investment (FDI). They find that security provided by troop presence affects FDI in terms of both the initial decision of foreigners to invest as well as the amount invested. They find that both effects are at work for U.S. investors, but not for global investors more broadly. Jones and

[4] Pickering and Peceny (2006) find mixed results with UN military interventions having more success than U.S.-led interventions.

Kane (2012) empirically explore the link between the presence of U.S. troops and economic growth in the occupied country. They find that "Each tenfold increase in U.S. troops is associated with a one–third percentage point increase in average host country annual growth" (2012: 225). They suggest that the security umbrella created by foreign troops is the driving factor behind this finding. These findings lend support for the pro-empire argument that foreign interventions open markets and provide local and regional security which allow for trade and development.

Taken together, the empirical findings indicate a lack of consensus regarding the feasibility and net benefit of foreign intervention. According to the existing research, however, it is very clear peacekeeping military interventions have been successful historically in a very narrow range of activities, such as maintaining peace once it is established. Further, there is evidence that the presence of troops is correlated with economic growth. At the same time, studies show that military interventions and occupations have been less successful, and even detrimental, when interventions occur prior to the establishment of peace, or when they go beyond these narrow limits in the attempt to foster broader institutional change.

One issue of importance with these studies is the issue of causality. Although many of these studies hint at causal mechanisms, there is a lack of knowledge regarding the underlying factors which can generate success in interventions in a consistently systematic manner. As Acemoglu et al. (2001: 3304) note, "results from one historical episode cannot always be extrapolated to other eras." And regarding their finding that a greater presence of U.S. troops is correlated with more growth, Jones and Kane (2012: 246) conclude, "it would be a mistake to read this paper's message as a call for military deployments to nations where policymakers want to boost growth, for no other reason than that most deployments described here evolved slowly and with mutual consent. We are skeptical that the effect will or possibly can occur in an environment where American forces are unwelcome."

In addition, even those providing evidence of positive growth due to interventions note that the resulting claims regarding the net-benefit are limited. For example, in their analysis of radical reform in Germany that resulted in economic growth, Acemoglu et al. (2011: 3304, fn 19) note that "…even if the imposition of French institutions did spur long-term growth, this would not mean that they were 'welfare enhancing' since they were imposed by force, they entailed various short-run and medium-run costs, and, most importantly, French occupation created major distractions and human suffering."

Regarding the robustness of foreign interventions, the central question is not if we can find instances where some good outcomes result from intervention—most certainly we can. Instead, robust political economy places emphasis on the structure of the system and the knowledge it generates, as well as the incentives to act on that feedback. Identifying historical instances of success is fundamentally different from knowing how to carry out future interventions to achieve the same outcome on a consistent basis across different contexts and instances of intervention. Given our lack of knowledge about how to carry out radical institutional change (see Boettke, Coyne and Leeson 2008; Coyne 2008), combined with human infallibility likelihood of systematic success is a genuine concern. Given what is at stake both in purely monetary terms, but also in terms of human lives and well-being, proponents of an activist empire must demonstrate the robustness of interventions in the face of these limitations on our knowledge and the realities of domestic and international political institutions. Indeed, the questionable robustness of state-led interventions becomes evident when one looks at the array of negative unintended consequences associated with interventions the systematic feature of political institutions which allow such errors to often persist.

4.4 Negative Unintended Consequences

The fact that interventions have unintended consequences is a well-known fact. In some instances these unintended consequences weaken the positive effects of interventions. In other cases negative unintended consequences impose significant costs. Unintended consequences emerge because interventions take place in the context of complex systems that cannot fully be understood through human reason. Complex systems have two defining properties: "…a set of units or elements is interconnected so that changes in some elements or their relations produce changes in other parts of the system," and "…the entire system exhibits properties and behaviors that are different from those of their parts" (Jervis 1997: 6). Human reason is able to grasp certain parts of the system, but not the system in its entirety. This means that the design and implementation of humanitarian activities is necessarily simple relative to the complexity of the system within which those activities are carried out.[5] Given the unavoidability of negative unintended consequences, the main issue, from the standpoint of robust political economy, is: how effective political institutions are at providing the relevant feedback regarding errors and the incentive to act on that feedback appropriately? A robust system will contain mechanisms to alert the relevant actors to the emergence of negative unintended consequences and the incentive to make adjusts accordingly. Before considering that aspect of the issue, it is important to consider some of the main categories of negative unintended consequences of foreign intervention.

[5] For further discussion of why interventions generate negative unintended consequences occur see Jervis (1997) and Coyne (2013).

One category of negative unintended consequences deals with the adverse effect of aid and assistance on the recipient government. P.T. Bauer (1981: 104) argued that transfers of assistance promote the politicization of life in poor countries, noting, "The tendency toward politicization operates even in the absence of these transfers, but is much buttressed and intensified by them." Empirical studies have provided support for Bauer's claim.[6]

Svensson (2000) finds that foreign aid, on average, is associated with more corruption in the recipient country as various groups seek to maximize their shares of the windfall profits associated with assistance. Similarly, a cross-country study by Knack (2001) finds that foreign assistance undermines the quality of political institutions in the recipient country. He identifies several channels through which assistance erodes institutions, including weakened accountability of political actors, more rent seeking and corruption, greater chances of conflict resulting from efforts to secure and control assistance, and a lessening of the incentive to reform inefficient institutions and policies. Hodler (2007) provides evidence that, in the absence of high-quality institutions that limit misappropriation, rent seeking in the recipient country can reduce the effectiveness of aid. This last finding indicates that assistance is likely to be less effective precisely where it is likely needed most because low-quality institutions fail to minimize let alone prevent rent seeking, which results in aid being directed away from its intended uses.

A second category of negative unintended consequences is the dependency effect created by outside assistance whereby recipients become dependent on continued support. This paradox, which has been termed the "Samaritan's Dilemma," refers to the fact that, in providing assistance, the donor also provides a disincentive to the recipient to exert effort to become self-sufficient. The recipient instead becomes dependent on handouts from the donor (See Buchanan

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[6] In addition to the studies discussed in the text, other relevant empirical studies include: Goldsmith 2001, Alesina and Weder 2002, Tavares 2003, Brautigam and Knack 2004, Knack 2004.

1975). The logic of the Samaritan's Dilemma manifests itself in a number of ways, including but not limited to creating disincentives for citizen recipients to invest in their human capital, start private business ventures, or maintain infrastructure funded by external assistance (see Ostrom et al. 2002: 31-2). This dynamic of dependency was evident in a recent Senate Foreign Relations Committee report on the state of Afghanistan which noted that "According to the World Bank, an estimated 97 percent of Afghanistan's gross domestic product (GDP) is derived from spending related to the international military and donor community presence. Afghanistan could suffer a severe economic depression when foreign troops leave in 2014…" (United States Senate Foreign relations Committee 2011: 2). The report also noted that U.S. assistance to Afghanistan has "created a culture of aid dependency" throughout the country (United States Senate Foreign Relations Committee 2011: 3).

A third category of negative unintended consequences relates to the realization that foreign intervention can create, or escalate, conflict. Polman (2004, 2010) documents how warlords and corrupt politicians actively seek to harm citizens in order to attract more humanitarian resources because of the associated profits. This can create a vicious cycle whereby an initial intervention worsens the situation for those in need by encouraging continued harm, which in turn requires more assistance, which in turn gives rise to more harm. Similarly, Keen (2008, 2012) analyzes how conflicts are willfully sustained by parties who benefit from the conflict due to resource inflows. An empirical study by Nunn and Qian (2012) analyzes the effect of U.S. food aid on conflict in recipient countries and finds that on average, U.S. food aid increases the incidence of civil war both in terms of the probability of the onset of conflict and the duration of conflict. They explain this finding by highlighting the role of "aid stealing," which refers to armed groups funding conflict through expropriated aid provided by outsiders with the intention of assisting those in need.

Yet a forth category of negative unintended consequences are crimes committed by the interveners against citizens in the host country. Historically, grave abuses and human rights have occurred in some instances of colonization as illustrated by King Leopold's brutal governance of the Congo (see Hochschild 1998). However, more recently, a variety of crimes perpetuated by external interveners have been reported, including assault, fraud, smuggling, theft, and torture (see for instance, Casert 1997). Among the most disturbing crimes are the sexual exploitation and abuse of women and children by interveners who were in the country under the flag of "humanitarianism" (See Ladley 2005, Defeis 2008, and Smith and Miller-de la Cuesta 2010 for a discussion of some of these abuses.). To provide one example, a 2005 UN report indicated ongoing, systematic sexual abuse by both military peacekeepers and civilian humanitarians against women and children in the Democratic Republic of the Congo (United Nations General Assembly 2005). Similar incidences of sex crimes have been reported in numerous other instances including: Cambodia (1991), Mozambique (1992), Bosnia (1995), Sierra Leone (1999), East Timor (2002), Burundi (2004), Sudan (2005), Haiti (2006 and 2012), Liberia (2006) and Côte d'Ivoire (2007) (see United Nations General Assembly 2005, Ladley 2005 and Defeis 2008).

These crimes occur for a variety of reasons. For one, it is common practice for interveners to be granted immunity from domestic laws and courts of the host country. Second, there are typically weak accountability mechanisms regarding reporting, instigating, and punishing criminal behavior. Further exacerbating the problem is that many interventions take place in geographically isolated areas making monitoring and investigation of alleged crimes difficult. Finally, the victims of criminal behavior often lack an adequate voice to seek justice and retribution when a crime is committed against them. Taken together, these factors reduce the cost of interveners engaging in crime against citizens in the host country.

These four categories of negative unintended consequences are by no means exhaustive (see Coyne and Davies 2007 for a detailed list), but they do illustrate some of the common perverse outcomes that emerge from intervening in complex systems. Regarding the feasibility of an activist U.S. Empire, this matters because a robust system will include mechanisms to anticipate and address negative system effects when they emerge. A fragile system, in contrast will fail to provide adequate information regarding negative unintended consequences or the incentive to correct them when they occur.

Foreign interventions are carried out by people in a variety of domestic and political institutions. The success or failure of interventions will therefore depend on the robustness of these institutions to respond from deviations from the first-best conditions of omniscience and benevolence. There are good reasons, however, to believe that political institutions are fragile in the face of these negative unintended consequences. First, consider the knowledge aspect of negative unintended consequences. As noted, by their very essence, complex systems are beyond the grasp of human reason. As Jervis (1997: 72) writes: “To claim that we can be certain of how each actor will respond, how the different behaviors will interact, and how people will then adjust to the changed circumstances goes beyond the knowledge we can have.” This limits the ability of the intervener to anticipate the emergence of negative unintended consequences before they occur. Further complicating the situation is that the emergence of negative unintended consequences is often long and variable meaning an intervention in one part of the system may generate an unintended consequence that emerges only in the future. Further, given the complexities of systems, identifying the causal relationships and specific factors responsible for negative unintended consequences is extremely difficult, if not impossible.

What about after negative system effects emerge? A robust system would be able to respond quickly to address unanticipated negative unintended consequences. However, a large public choice literature indicates that political institutions are slow in responding to changing circumstances. On the one hand large-scale bureaucracies face issues of information transmission up and down the chain of command (see Tullock 1965). And even when information is available, bureaucrats have a weak incentive to respond quickly. Instead, bureaucrats face strong incentives to focus on spending and producing larger quantities of output while ignoring the negative unintended consequences associated with their behaviors (see Coyne 2013: 108-142). This is precisely why we observe persistent waste in many foreign interventions as interveners face weak feedback regarding preferable resource allocations, as well as weak incentives to change their behaviors even when negative unintended consequences emerge.

This has implications for the earlier discussion in the previous subsections regarding the connection between aid and growth (section 4.2) and military intervention and growth (section 4.3). Recall that some studies find that these interventions generate positive economic growth. However, the discussion here implies that these studies typically neglect the negative unintended consequences of intervention meaning that they overstate the net benefits of interventions. While interventions may produce positives on one margin (e.g., growth rates measured through per capita GDP) they can simultaneously produce negatives on other margins. Engaging in a clean cost-benefit analysis is near impossible meaning that instead of focusing on specific point estimations in specific contexts, we must focus on broad pattern predictions given the realities of political institutions through which interventions are carried out. The knowledge limitations and perverse incentives inherent in political institutions is reason for skepticism regarding consistent success of an activist empire across instances of intervention.

4.5 Public Finances

Public finances play a central role in a government's foreign interventions. Adam Smith viewed England's military adventures as a net drain on its public finances. John Stuart Mill, in contrast, viewed England's colonies as net contributors due to increased opportunities for trade, investment, and as a means of easing excess population at home. Which view is correct? Robust political economy would require that mechanisms are in place to ensure that interventions are net benefit to a country's public finances as emphasized as Mill. A fragile system, in contrast, is one where foreign interventions are a net-cost to a government's public finances as emphasized by Smith.

According to the historian John Kennedy, the answer is that both Mill and Smith were correct to some degree. In his study of the "rise and fall of great powers" over a 500 year period, Kennedy (1987: xv-xvi) argues that, "Wealth is usually needed to underpin military power and military power is usually needed to acquire and protect wealth." Countries rise in prominence when they are able to use their military strength to support productive, wealth-enhancing activities. However, when too many resources are shifted from productive activities to military expenditures, decline sets in and great powers become ordinary. Kennedy emphasizes that historically great powers have hastened their decline by engaging in imperial overreach. He writes, "If a state overextends itself strategically—by, say, the conquest of extensive territories, or the waging of costly wars—it runs the risk that the potential benefits from external expansion may be outweighed by the great expense of it all…" (Kennedy 1987: xvi). This logic, he argues, explains the ultimate decline of Spain, the Netherlands, France, and Britain which all declined because of overinvestment in the military.

Although each instance is different in its specifics, in a general sense the process of ascent and decent of great powers is as follows. Countries ascend to power through the prudent use of resources in productive, wealth-creating activities. This includes some investment in the military to protect wealth. However, at some point countries begin to overinvest in military expenditures and pull resources from productive activities. Further, as Adam Smith predicted, governments are hesitant to raise taxes to pay for military expenditures abroad. Instead, they turn to budget deficits and inflation to fund these expenditures. Over time, this results in economic decline and stagnation relative to other countries that ascend through the same process of investing in wealth-creating activities.

Kennedy's core thesis lends support to both Mill and Smith's arguments for empire and public finances. In line with what Mill argued, initial investments in the military which support wealth-enhancing activities can generate net-benefits. However, over-investments in military expenditures lead to decline in line with Smith's argument. The relevant question then is: what are the incentives facing politicians regarding constraining spending on military expenditures to prevent military overreach? As Kennedy's review of the fall of great powers over the past 500 years indicates, appropriate incentives have been missing. Ultimately then, the historical evidence supports Smith's prediction that over time, although perhaps not initially, foreign intervention will be a net-cost on the public finances of empires.

Similar logic applies to the U.S. today. The argument has been made that the U.S. government has overextended its military commitments such that it is adversely affecting the country's public finances and contributing to its decline (see Mason 2009: 13-30). Ferguson

(2004) emphasizes that the real concern of the U.S. is domestic finances and especially the burden of debt. Buchanan and Wagner (1977) provide insight into the mechanism that has led to this situation. They argue that absent appropriate constraints, there is a strong incentive for politicians to run deficits, even in times of inflation, in order to maintain, or increase, political support. The reason is that politicians seek to spend public money to benefit their constituents but seek to avoid raising taxes to fund these expenditures in order to remain political popular. Absent the requirement to balance the budget, politicians will increase spending more than tax revenues resulting in permanent budget deficits. The result is that even politicians who claim to be against deficit spending will be pushed to accept deficits because of the incentives created by political institutions.

This has important implications for the robustness of the American Empire. If politicians were benevolent and enlightened then perhaps they could strike the optimal balance between deficits and surpluses, or between military spending and productive spending. But when we ease these assumptions of benevolence and omniscience we see that the system is fragile. As Buchanan and Wagner (1977: 98) write, "Political decisions in the United States are made by elected politicians, who respond to the desires of voters and the ensconced bureaucracy. There is no center of power where an enlightened few can effectively isolate themselves from constituency pressures." The result is Adam Smith's juggling trick which threatens the long-term economic health of the U.S. as it did previous empires.

5 Concluding Remarks

The ongoing debate over the desirability of empire is not at all novel. Both Adam Smith and John Stuart Mill expounded greatly on the imperial ambitions of Great Britain in their respective works and came to starkly different conclusions. The new debate over the so-called U.S. Empire maintains arguments strikingly similar to those of Smith and Mill. Our contribution has been to demonstrate the link between the past and the present debates on this topic and to offer a means of adjudicating between alternative claims regarding the feasibility of an activist American empire.

We are fully cognizant of the fact that foreign policy analysis is a particularly messy and difficult subject. The consequences of intervention are far-reaching—the target country, the neighboring countries, others within the region, rival countries, and the imperialistic country itself—and measuring the specific costs and benefits is extremely difficult, if not impossible. Further, each instance is highly specific with cases of success and failure.

That said, subjecting the claims made by proponents of an activist American Empire to the standard of robust political economy leads us to be extremely skeptical of the net benefits of foreign intervention. While we can, no doubt, identify cases of successful foreign intervention in specific contexts, there are numerous cases of failure. Further, instances of success are typically accompanied by a variety of adverse domestic and international effects resulting from the intervention. Most importantly, all great historical empires, whether motivated by greed, benevolence, defense, or some combination of these factors, have eventually collapsed. The dismal historical record of the sustainability of past empires is cause for strong skepticism that an activist American empire will be any different.

Others, no doubt, will disagree with our general conclusion. But robust political economy provides an analytical burden that proponents of empire must ultimately meet in order to make their case convincing and, more importantly, to avoid undermining the long-term well being of American citizens and other innocent people around the globe.

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