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After War: The Political Economy of Exporting Democracy, C.J. Coyne. Stanford University Press, Stanford, California (2008). 238 + x pp., index, ISBN 0-8047-5440-3, \$24.95

Economics is at its best when it does not worship technique for technique's sake, but instead uses whatever tools are appropriate for shedding light on real world events or problems that need the analysis that economics can provide. American foreign policy in general and the current actions in Afghanistan, Iraq, and possibly Iran are surely matters of concern where greater understanding is most desirable and where the tools of economics might be helpful. Chris Coyne's *After War* fills in this gap in a very admirable way by using a variety of theoretical tools to bring the political economy of rules, institutions, knowledge and incentives to the quest to "export democracy" via the military. Coyne's analysis focuses on the broadest idea of "reconstruction" in war-torn areas and argues that the conditions for successful reconstruction, defined as a functioning liberal democracy, are rare. Such ventures, Coyne's analysis concludes, are much more likely to fail than succeed. Eschewing excessive mathematical and econometric formalism for the "thick description" of "analytic narrative," Coyne shows the power of a political economy informed by institutionally and behaviorally-rich conceptions of economics that take seriously the limits of human knowledge.

The question at the core of Coyne's book is "Is military occupation and reconstruction an effective means for exporting liberal democracy?" (p. 7) His answer to this question is a definitive "no." In getting to that answer he attempts to answer several more fundamental questions about the nature of conflict and cooperation and the constraints faced by occupiers attempting to engage in reconstruction. For Coyne, "post-war reconstruction requires the creation of political rules and can therefore be considered a problem in political economy" (p. 8).

Reconstruction is, therefore, an exercise in setting up a system of rules and institutions under which actors have both the knowledge and incentives to cooperate in creating a liberal democratic order rather than engage in conflict that undermines such an order. Successful reconstruction is “the achievement of a self-sustaining liberal democratic, economic, and social order that does not rely on external monetary or military support” (p. 10).

The argument behind Coyne’s definitive “no” is that the project of exporting democracy is ultimately doomed by its hubris. Reconstruction, as the name suggests, is an exercise in what Hayek called “constructivism” (i.e., the attempt to consciously construct social institutions through the use of Reason). As such, successful reconstructions, which are few and far between, have been cases where the occupiers have found themselves in a situation with the conditions for success already in place among the citizenry and where the occupiers acted with restraint. More common, however, is an occupier facing a complex set of social conflicts, many of which are deeply embedded in history and culture. In this more common scenario, the knowledge informing the plans of the occupiers will be woefully insufficient.

Coyne helps to make this point through the useful distinction that he lays out from the start between “controllable” and “uncontrollable” variables. The controllable variables are the levers of policy such as troop levels, monetary aid or even the timing of elections. The effectiveness of those, however, is highly constrained by the uncontrollable (from the perspective of the occupier) variables of history, values, and indigenous institutions. The uncontrollable variables cannot be ignored or dispensed with – they are essential to understanding what sorts of policies are most likely to promote effective reconstruction.

For example, successful liberal democracies necessitate more than just the usual formal institutions such as elections and constitutions. They require that people believe that they can

mutually benefit from these arrangements and that they will honor them in the breach. Furthermore, they rely upon numerous supportive informal institutions. The subtlety and complexity of what sort of informal institutions are necessary and how to bring them about and make them stick pose immense knowledge problems for those engaged in reconstruction. One of the nice contributions of Coyne's book is that he recognizes that although institutions that generate incentives toward mutually beneficial behavior are *necessary*, they are not sufficient. Democratic polities and market economies require supporting sets of values and beliefs. Coyne argues that moving from conflict to coordination is necessary but not sufficient as coordination "can take place around both good and bad conjectures, opinions and expectations" (p. 41). The hard part is generating coordination around "conjecture, opinions and expectations" that will promote liberal democracy.

One of the most valuable contributions of the book is Coyne's discussion of the "art of association" (p. 51). Coyne points to Tocqueville's analysis of voluntary associations and networks as central factors to the success of the more large-scale political and economic institutions of liberal democracy, certainly as bulwarks against the extreme individualism of the market and the potential for arbitrary rule from above, but also as a way of forming a "shared identity that facilitates social interaction" leading to productive cooperation (p. 52). The point *that* such associations are crucial has become more common in political economy in the last few decades, but Coyne notes that what we do not know is *how* such associations come into being and thrive. Such associations require values, habits, and beliefs that promote the development of social capital. This is the "art" of association and as Coyne points out, it is notoriously difficult to formalize or quantify. To that extent, it has often been ignored in reconstruction efforts and in academic work on reconstruction, most of which have focused on the formal institutions,

ignoring the supportive civil society infrastructure. In fact, Coyne argues that the successes of American reconstruction efforts in Japan and West Germany after World War II were largely due to the presence of the necessary “art of association.”

By implication then, parts of the world where the requisite “art” is not present will be notoriously hard to “reconstruct.” Coyne draws on the path dependency literature and recent work by Doug North to make the point that all attempts at reconstruction have to take history as a given. If that history has not produced the informal institutions and values to serve as complements to the formal institutions of democracy and the market, no attempt to create those formal institutions is likely to “stick.” Put differently, Coyne argues that the formal institutions cannot be effectively disentangled from the informal ones that support it. Given that we cannot transfer social systems whole hog, we cannot expect reconstruction efforts to be successful in societies lacking the art of association. This has certainly become clear in US involvement in Iraq, where despite some of the formal trappings of democracy (elections and the like), we do not see anything resembling a democratic order emerging, largely because the Tocquevillean art of association is nearly absent.

Coyne also makes clever use of basic game theory to illustrate the significant knowledge problems facing reconstruction efforts. In particular, he notes that the problem of reconstruction is one of nested games. At the most general level, the game of liberal democracy is a “meta-game” under which the players are involved in “a network of embedded or nested games.” The challenge is that such nested games might preclude even an obvious solution to the overarching meta-game, or, even worse, they might be of such complexity that the meta-game “cannot easily be characterized let alone solved by occupying forces” (p. 59). These nested games also constrain the formation of the art of association noted above. Building the ties of reciprocity and

trust necessary to generate cooperative social institutions may be frustrated by the various embedded games that involve various social groups and even major change agents who could be vehicles for more productive coordination. The embedded network of games thus becomes a very binding constraint on reconstruction as occupiers are likely to be largely ignorant of the wide range of games and their various players and payoffs. Coyne's call for "humility" in attempts at reconstruction rests on the "inability of outsiders to objectively comprehend the payoffs with the array of nested games, let alone to find a stable cooperative solution" (p. 65). Iraq again is used as an effective illustration as our inability to understand the various conflicts among the ethnic Arabs and Kurds and the religious Shi'a and Sunni Muslims has been a major roadblock for reconstruction efforts. These deeply culture-specific games are classic uncontrollable variables.

Beyond insights from new institutional economics and game theory, Coyne makes use of public choice economics as well as Ludwig von Mises's theory of the "dynamics of intervention." Public choice can help to understand why particular attempts at reconstruction have been embarked upon (the logic of concentrate benefits and dispersed costs) and how such attempts can, as in Iraq, spiral into being vehicles for enriching those special interests with the best access to political power. Mises's argument is that one form of government intervention will often cause undesirable unintended consequences that lead to calls for further intervention, which leads to further problems and so forth. Often referred to as "blowback" in the context of the relationship between US foreign policy and 9/11, Coyne adds a dimension to this analysis by distinguishing between those unintended consequences that are internal to the occupied country and those that are external. Reconstruction efforts must pay attention to the possibility of undesirable unintended consequences in both areas.

After setting out this theoretical framework, Coyne spends a chapter each on three different categories of empirical case studies that support the argument. The first looks at the “pinnacle of US imperialism” in the post-war reconstruction of West Germany and Japan. He finds in those cases that the solution to the meta-game of liberal democracy pre-dated US involvement, thus the task of finding the coordinating outcome and thereby resolving cooperatively many of the nested games was much simpler. These countries had the necessary supportive informal institutions and art of association. The second explores the “fool’s errands” of Somalia and Haiti and the third tackles the current cases of Afghanistan and Iraq. In these two chapters, Coyne offers powerful evidence for the abject failures of these attempts at reconstruction, focusing particularly on the inability of the US to understand the nested games and the lack of informal supporting institutions and values in those countries. That the latter two have turned into vehicles for the enriching of special interests comes as no surprise once the difficulty of achieving the public interest becomes clear.

Coyne’s last chapter sketches out an alternative path forward for helping to address the very real problems in post-war polities and economies. He offers a call for humility to replace hubris. More specifically, he argues for military non-intervention and the opening up freedom of movement for goods, services, people, and ideas. Importantly, this is not an “isolationist” position. Rather it is, in Thomas Jefferson’s words, “peace, commerce and honest friendship with all nations; entangling alliances with none.” Coyne argues that trade not only will materially enrich these nations, but that it will also provide the sorts of ideas and practices that can, albeit slowly, help to coordinate the various sub-games around more cooperative solutions and produce the values and informal institutions that can support the formal institutions of democracy and the market. Moreover, increased levels of wealth enable the citizenry to increase

their levels of education and provide them with the time to develop such informal institutions and the Tocquevillean art of association that accompanies them. In this way, although Coyne does not make this connection, he is echoing Deirdre McCloskey's (2006) argument in *The Bourgeois Virtues* that market capitalism nourishes all kinds of social virtues. Finally, by titling the chapter "liberal means to liberal ends," Coyne makes the point that we need to demonstrate the power of liberal values in the way in which we try to promote them. The illiberal use of force to make people engage in more voluntary coordination suggests that the very voluntary action we wish to promote is not as effective as we are trying to get others to believe. Though the argument of the last chapter is persuasive, Coyne's treatment of the non-intervention/free trade alternative is fairly brief and could have easily been developed into a richer case for the broad social benefits of free trade.

The strengths of this book are many. In particular, Coyne has provided a template for how to bring together various strands of what Bruce Caldwell (2004) has called "basic economic reasoning" (i.e., the core of marginalist microeconomics since the early 20th century) supplemented by insights from basic game theory, new institutional economics, Austrian economics, and public choice into a framework for doing a rich analytic narrative in political economy. In addition, he has demonstrated how such a framework can shed valuable light on the immense challenges that face attempts at exporting democracy through the barrel of a gun. In these ways, *After War's* defense of free trade and demonstration of the failures of military intervention is truly in the spirit of the classical liberalism and moral philosophy out of which economics first emerged. It is a theoretically sound and empirically rich reminder of the role economics should play in deflating the hubris of those who think they can "reconstruct" what no one ever consciously constructed.

References

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Steven Horwitz
Department of Economics
St. Lawrence University
Canton, NY 13617 USA
Tel.: +1 315.229.5731
E-mail address: sghorwitz@stlawu.edu (S. Horwitz)