

BOOK REVIEWS

After War: The Political Economy of Exporting Democracy

Christopher J. Coyne

Stanford, Calif.: Stanford University Press, 2006, 238 pp.

Christopher Coyne's book seeks to contribute to an understanding of the "precise mechanisms and contexts that contribute to or prevent" successful efforts to "export liberal democracy" by means of "military occupation and reconstruction" (p. 7). Even if this were the only accomplishment of this fine book, it would represent one of the most important contributions to the field of political economy in recent decades. However, Coyne does more. He draws from economics to produce a full-fledged framework for analyzing the economic, political, and social effects of all reconstruction efforts. He also questions the long-standing view that reconstruction requires, or even benefits from, a suspension of the principles of liberty, free association, and free markets.

Coyne, an Assistant Professor of Economics at West Virginia University, begins by reviewing American nation-building efforts over the past century. He finds that military intervention and occupation has a poor record in exporting democratic institutions. Apart from the post-WWII administrations of the Axis powers by the Allies, few of the two dozen U.S.-led occupations have resulted in stable democratic institutions being established within 10 years following a U.S. withdrawal. The only exceptions are the 50-year occupation of the Philippines and the short interventions into Panama and Grenada in the 1980s. Why have U.S.-led reconstruction efforts produced such a catalogue of failure in their primary goal of turning conflict-ridden, formerly authoritarian states into prosperous democracies based on "liberal" values?

Cato Journal, Vol. 29, No. 1 (Winter 2009). Copyright © Cato Institute. All rights reserved.

Coyne brings to bear various schools of economics, political science, and sociology to answer this question. He arrives at four conclusions that “can be generalized and applied to all reconstruction efforts across time and place” (p. 20):

1. Policymakers may know what a successful reconstruction looks like, but know very little as to how to bring it about.
2. Uncontrollable parameters (“variables”) of the reconstruction process serve as important constraints on controllable ones.
3. Reconstruction efforts often suffer from the tendency to compare the current condition of weak, failed states to an idealized condition of prosperity that the efforts of the reconstructing (i.e., occupying) states may or may not achieve or even be capable of achieving.
4. Sustainable movement toward establishing liberal democratic institutions requires a modification of the underlying preferences, incentives, and opportunities available to those whose support is necessary for those institutions to prosper. In other words, “the challenge of reconstruction is to work with citizens’ broader goals and find incentives such that the pursuit of those goals will produce behaviors that align with the desired liberal institutions” (p. 31).

Coyne uses the well-known prisoner’s dilemma to illuminate the issues of conflict and cooperation inherent in a reconstruction effort. He depicts the “coordination game” of reconstruction as one in which individual players’ likelihood of choosing to converge toward the “good conjectures” necessary for the development of liberal institutions—such as fair dealing, transparency, honesty, lawfulness, empathy, equality, and choosing the rule of law over systems of patronage—depends at least partially on their conceptions of whether other players will also converge toward those same conjectures. In other words, accepting the pattern of “beliefs, opinions, and expectations that support activities that contribute to . . . the liberal democratic order” is in part a product of believing that others are “buying in” to the same (or similar) beliefs, opinions, and expectations (p. 36). Of course, players may also converge toward “bad” conjectures that are unsuitable for a liberal democracy (for example, in Stalin’s East Germany).

Coyne argues that this game-theoretic framework is consistent with the “stylized facts” of reconstruction: (1) Rapid reconstructions are, in principle, possible; (2) Some countries are never truly recon-

structed (i.e., long-term failed states); (3) Reconstructions tend to work either very well or hardly at all; and (4) Coordination is a necessary, but not sufficient, condition for a successful reconstruction (e.g., coordination can take place around “bad” conjectures).

Benevolent nation-builders thus need to elicit convergence toward good conjectures instead of institutionalizing either continued conflict or dictatorship, both of which contravene a stable, prosperous liberal democracy. Clearly, according to the historical record, the “hard power” approach of military occupation tends to produce either one or both of those results. The incentives necessary to produce sustainable liberal-democratic institutions are, thus, never present. Coyne points to the obvious inconsistency in the idea of “exporting democracy at gunpoint” to explain this, but then goes into a much deeper analysis of the inherent difficulty: the essential problem of *credible commitment*. How can an occupying force incentivize the behavior conducive to the evolution of liberal-democratic institutions prior to the existence of those liberal institutions and all of the norms and values that support them?

Coyne next subdivides the mechanisms “that can either contribute to or prevent” coordination and cooperation on the basis of good conjectures into two types: internal (indigenous) mechanisms operative within the occupied country, and mechanisms that are external (exogenous) to the occupied country. Both sets, argues Coyne, represent substantial and essentially uncontrollable constraints on the exportation of liberal democracy through military occupation. Internal mechanisms include what economists and political scientists commonly refer to as “social capital”—that is, those networks and associations based on religious, political, social, and cultural ties that serve as mutually reinforcing traditions upholding civil society and, specifically, liberal democratic institutions. Strongly related to this notion is the idea of *path dependency*—the recognition that the institutions of civil society arise from a complex array of individual decisions over long periods of time. Thus established, norms and values, and the mutually reinforcing sets of networks and institutions that develop from them, cannot be made or unmade out of thin air. In fact, it is doubtful that they can be made at all. They evolve over time only on the basis of a set of preconditions that are poorly understood and hardly replicable. Military intervention, in particular, is ill-suited to even approximate the conditions necessary

for the evolution of these vital norms, values, networks, associations, and resulting institutions.

External mechanisms include the level (or lack) of knowledge regarding how to construct liberal institutions where they do not previously exist; the political decisionmaking process that determines what the occupiers will do in the occupied country; and the unintended consequences of those actions that cannot be reliably forecast beforehand. Policymakers trying to construct a liberal democracy do not know how to do so and their efforts are likely to be captured by vested interests. Furthermore, there will be significant unintended consequences from even the best-formed policies, and those consequences are likely to be magnified in cases where knowledge is incomplete and information unreliable. Given these barriers, says Coyne, “we have a very strong argument for refraining from foreign interventions aimed at exporting liberal democracy” (p. 117).

Do viable alternatives to foreign intervention exist? Coyne briefly examines, but ultimately rejects, alternatives such as “brute force” colonization (i.e., imperialism) and “peacekeeping” due to the fact that these alternatives suffer from the same problems and constraints affecting the short-term interventionist (“light footprint”) model. Furthermore, historical evidence, some of it very recent, weighs against the successful implementation of these models. Coyne contends that a third alternative, principled nonintervention combined with a commitment to free trade, will be the most effective means of repairing weak, failed, or conflict-torn states and promoting the spread of liberal democracy around the world. This proposed strategy “offers an alternative mechanism for shifting the trajectory of these countries, one that does not entail brute force and that avoids many of the pitfalls to which the other strategies for liberal democratic nation building are prone” (p. 181).

Within the “coordination game” framework introduced earlier in the book, free trade is proposed as “a means through which mechanisms can develop to transform situations of conflict into situations of cooperation” (p. 181). Coyne recognizes that free trade creates material wealth in weak, conflict-torn states and exports the norms, values, and ways of thinking that support liberal democratic institutions and ideas. With free trade, the means of exporting these ideas and values is based entirely on voluntary interaction. William Cline has estimated that the economic benefits of free trade would be the equivalent of

\$200 billion annually and the removal of five hundred million people from poverty (p. 182). The cultural impact could be even more pronounced. In Coyne's words, "cross-cultural trade has the dual effect of allowing cultures to simultaneously maintain and develop certain aspects of their unique identities while partially merging with other cultures and becoming similar in other aspects" (p.183).

Coyne is quick to point out that he is "not claiming that markets are a panacea" (p. 193). Given the failures of other alternatives, however, Coyne makes a strong argument that a policy of principled nonintervention and free trade should be given a hearing. What better way, Coyne asks (p. 194), to preserve the unique identity of Anglo-American liberal democracy "than to return to the position of America's forefathers—a position of nonintervention and free trade?"

Gregory M. Dempster
Hampden-Sydney College

**Capitalism at Work: Business, Government, and Energy;
Book 1 of Political Capitalism (A Trilogy)**

Robert L. Bradley Jr.

Salem, Mass.: M & M Scrivener Press, 2009, 485 pp.

Robert L. Bradley Jr., for many years had to balance loyalty to his employer, Enron, with his belief in Austrian economics. With the collapse of Enron came the opportunity to resolve the conflict in favor of Austrian economics. Bradley chose to undertake the slow development that would produce a definitive study rather than an instant bestseller. He ultimately decided to produce a three-volume treatment. The first of these, the book under review here, deals with two overriding conceptual issues relevant to the Enron collapse and their implications to Enron and earlier debacles. The first is what is the essence of free-market economics and whether the Enron experience undermines the case for free markets. The other is the invalidity of resource pessimism. Later volumes will deal with similar problems such as the Insull holding-company collapse in the Great Depression and then a concluding volume on Enron itself.

The essence of free-market economics is a classic issue in which the defenders must deal with the standard attack by interventionists