Order & Violence

Lecture 4: Commitment problems

Chris Blattman

1. Unchecked leaders
2. Uncertainty
3. Commitment problems
4. Intangible incentives
5. Misperceptions

Recall: World leaders are fond of invoking the Thucydides Trap to explain their fear of a Great Power war

Are their fears well founded?

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US, China and the 'Thucydides trap'

By Pamir Gautam | chinadaily.com.cn | Updated: 2018-08-15 11:02

During his visit to the United States in 2015, Chinese President Xi Jinping said "there is no such thing as the so-called 'Thucydides trap' in the world. But should major countries time and again make strategic miscalculations, they might create such traps for themselves." Aware of the likelihood of tension between China and the US and as a confidence-building measure between the two, Xi laid out the concept of "great power relations" based on mutual cooperation, respect and dialogue between the US and China. At a time when China is working toward ensuring international peace and stability, the US has been acting in a very arrogant and irresponsible manner.

ANALYSIS

Xi Jinping discussed the Thucydides Trap with Malcolm Turnbull, revealing his view of the world today

By Matt Bevan for China, If You're Listening
Posted Mon 5 Jul 2021 at 2:01pm, updated Mon 5 Jul 2021 at 4:07pm

Malcolm Turnbull and Xi Jinping discussed whether war between the US and China was inevitable. *(Lintao Zhang/Getty Images)*

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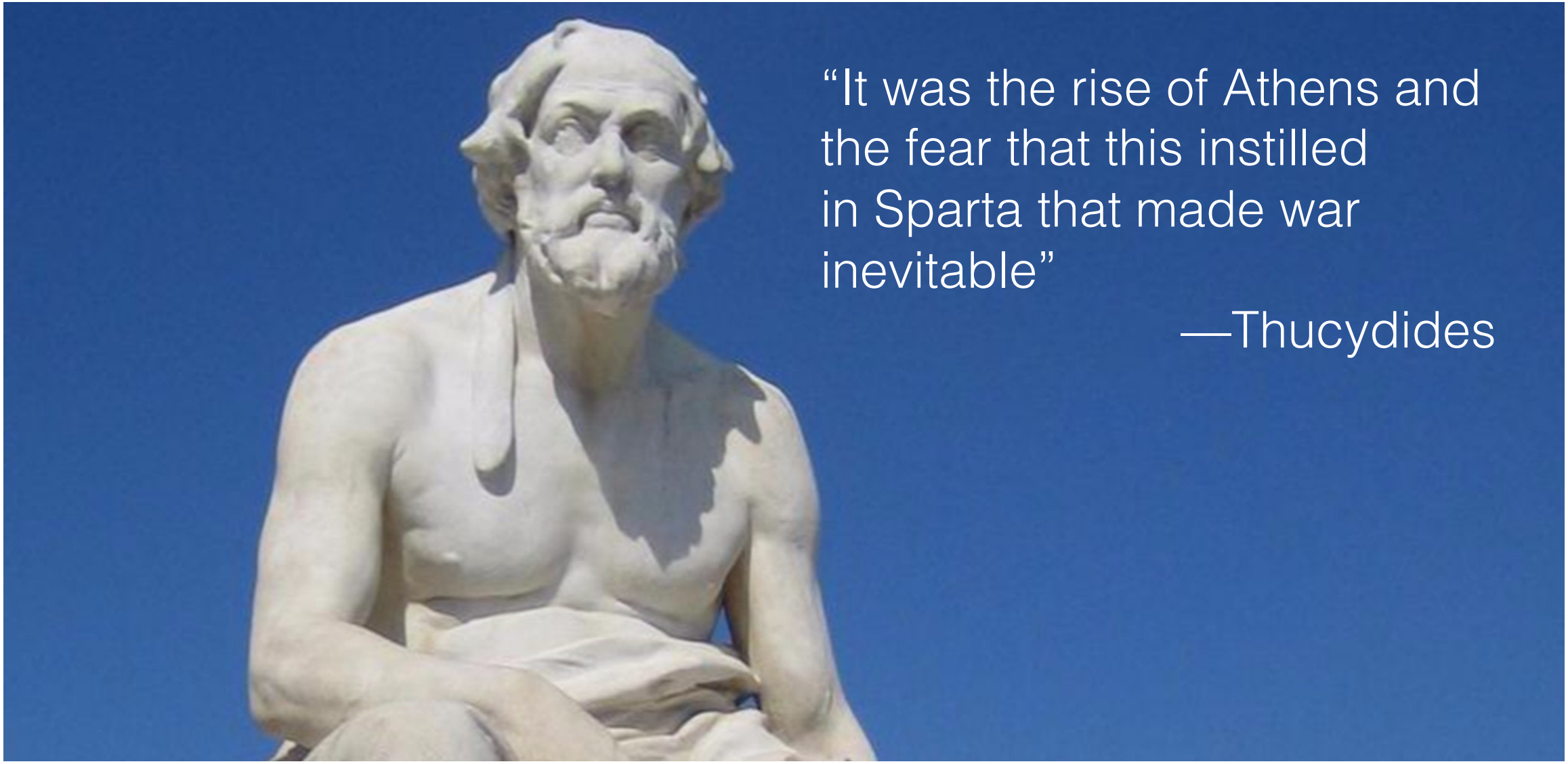
When describing his conversations with Chinese President Xi Jinping, there was one topic that excited former prime minister Malcolm Turnbull the most.

"Did you talk about ancient Greece?" I asked him.

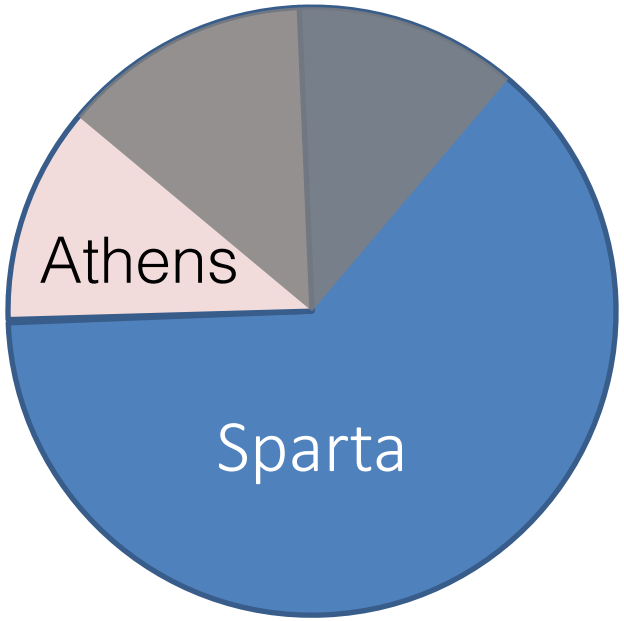
"Yes. Yes, we did," he said.

He pre-empted the next question.

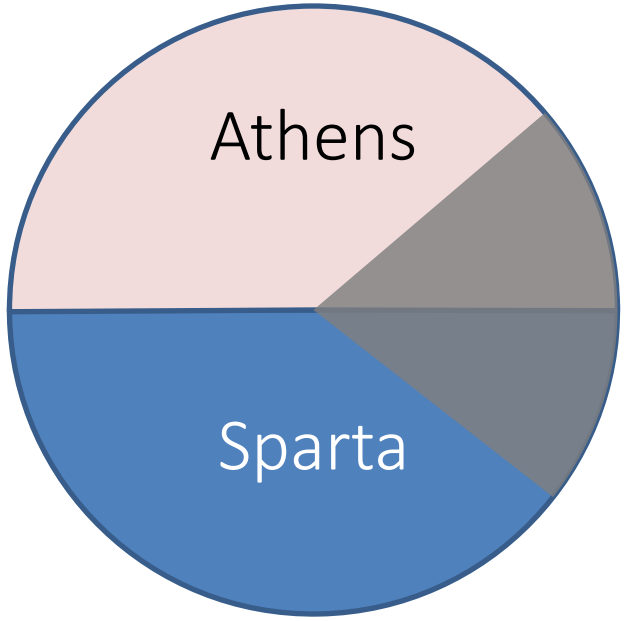
"Why would the Prime Minister of Australia and the President of China be talking


“It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable”
—Thucydides

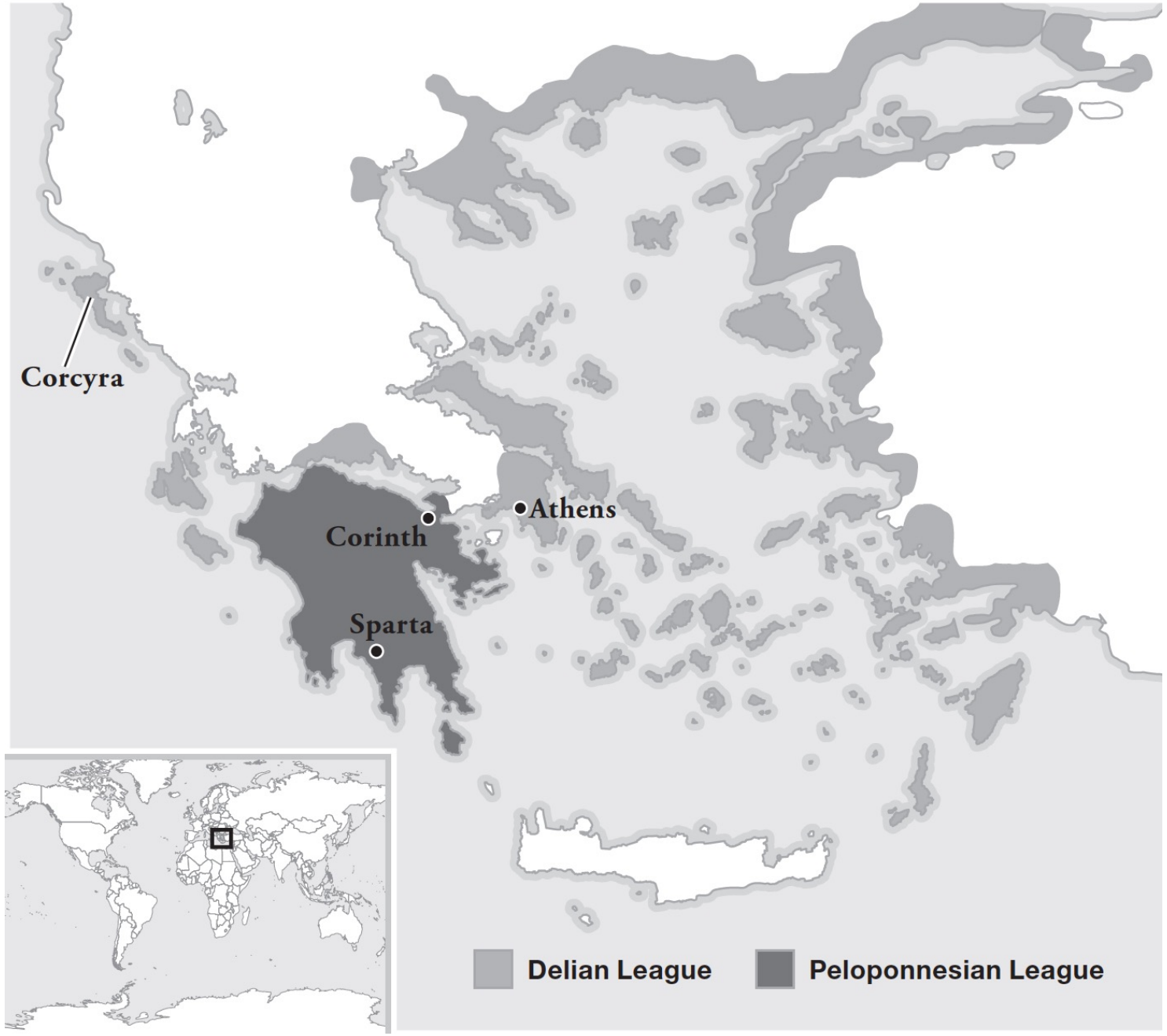
I want to use the same pies as before, but instead of representing uncertainty and private information, let's have them represent dynamics—how power is expected to change over time



Balance of power today



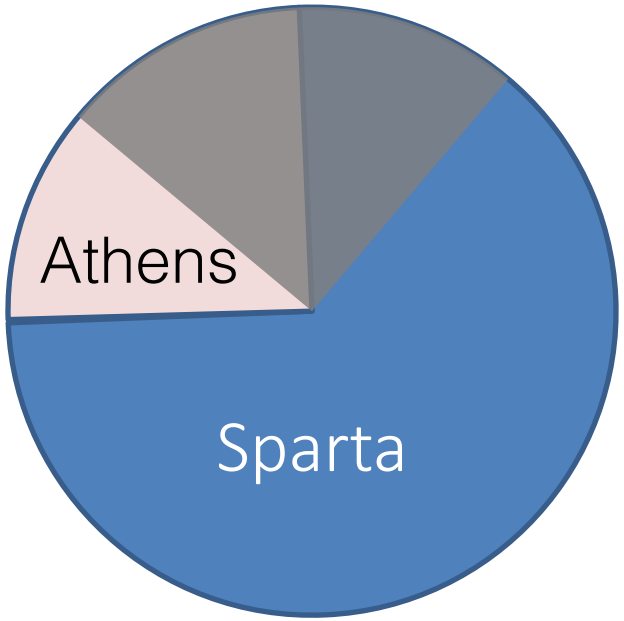
Balance of power tomorrow



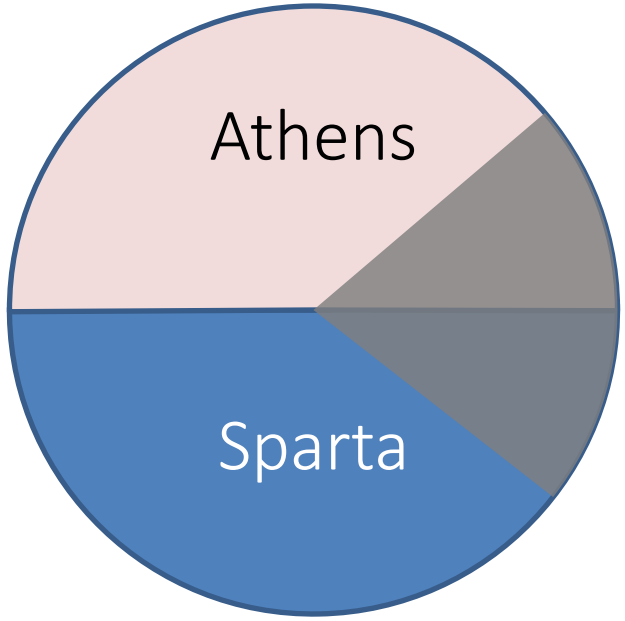
Athens' early rise

- Joint Athenian-Spartan victory over Persia allowed Athenian empire and economy to flourish
- Other city-states began to copy democratic constitution
- Development of a massive navy gave a huge offensive advantage
- Construction of the "long walls" gave a defensive advantage
- Paid for my massive amounts of tribute from maritime empire
- Athenian leaders sought hegemony over the Greek world

These are two pies, one today and one tomorrow, each worth $100. Launch a war today, and we flip a coin to see which power receives a damaged $80 pie for both periods.



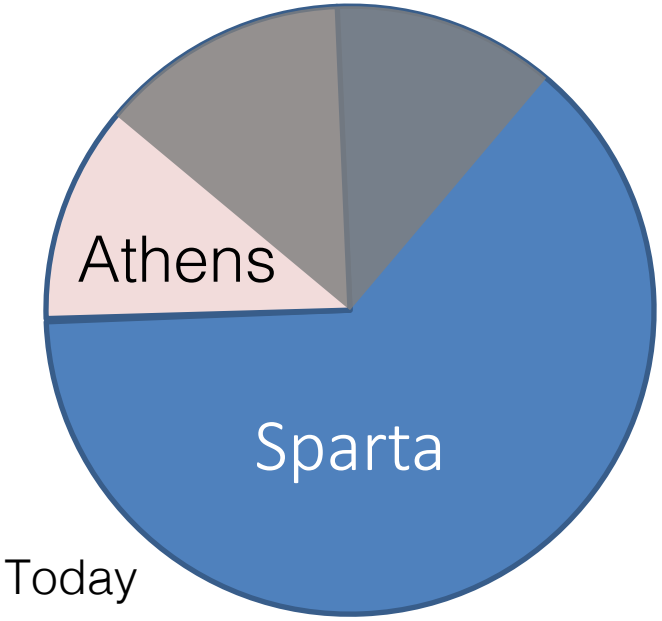
Today

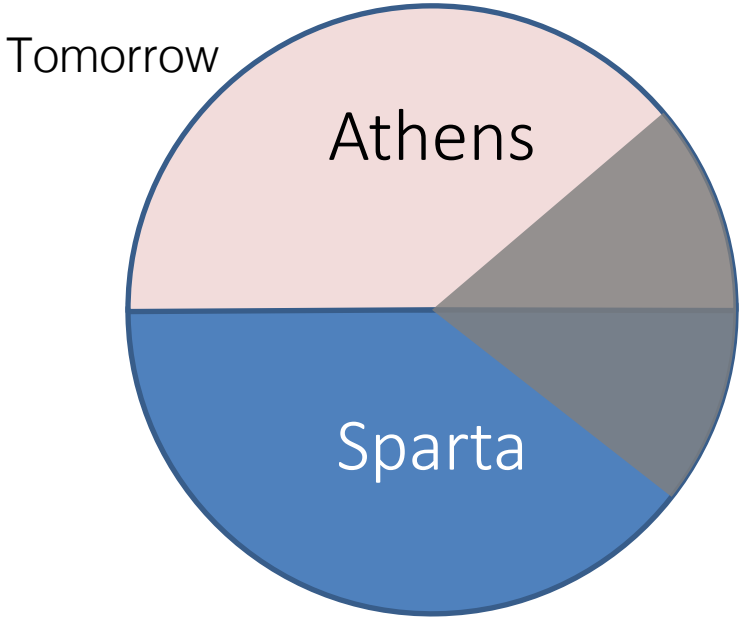


Tomorrow

This power shift is too small to prompt a war

- Today, Sparta's expected value of war is $120
  = 75% of 2($100–20)
- Athens' expected value of war is $40
  = 25% of 2(100–20)
- The bargaining range is $40 wide
  Equal to the total cost of war over the two periods
- Backwards induction tells us there should be no war





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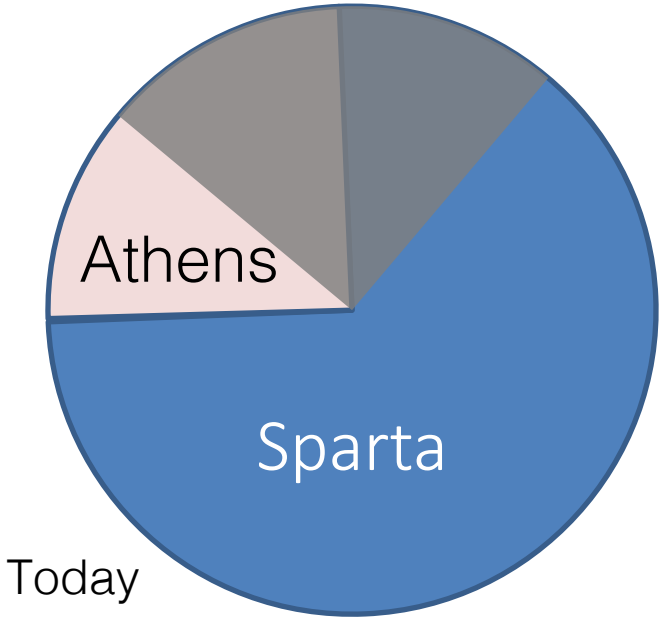
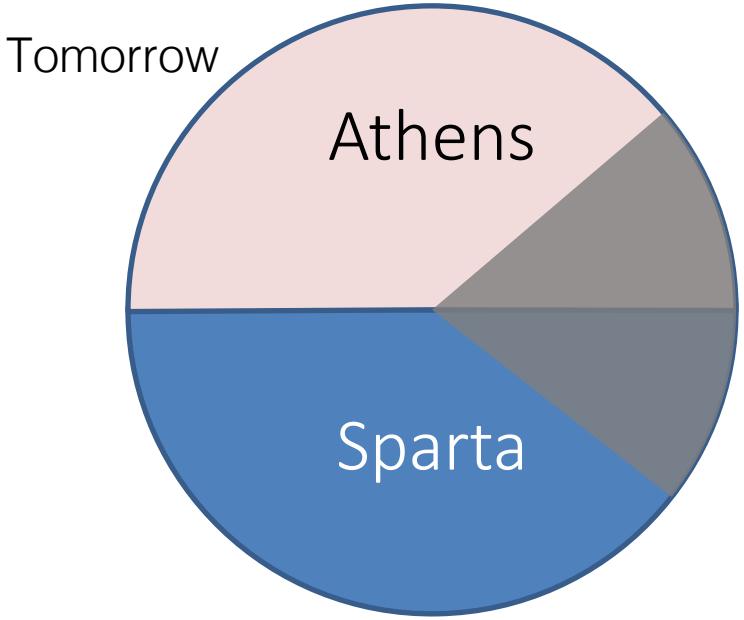
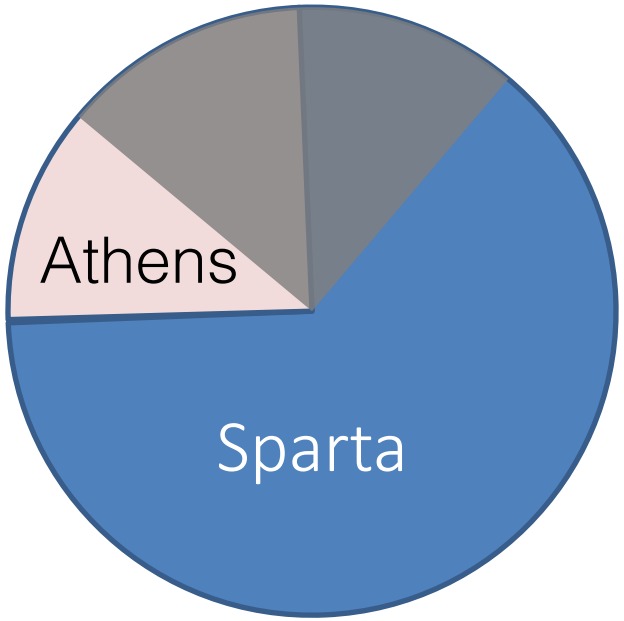
  Equal to the total cost of war over the two periods
- Backwards induction tells us there should be no war
  - Tomorrow, when playing for $100 pie, Sparta knows it is assured of at least $40
  - Thus, it only needs to get $80 today
  - $80 is easily within today's bargaining range

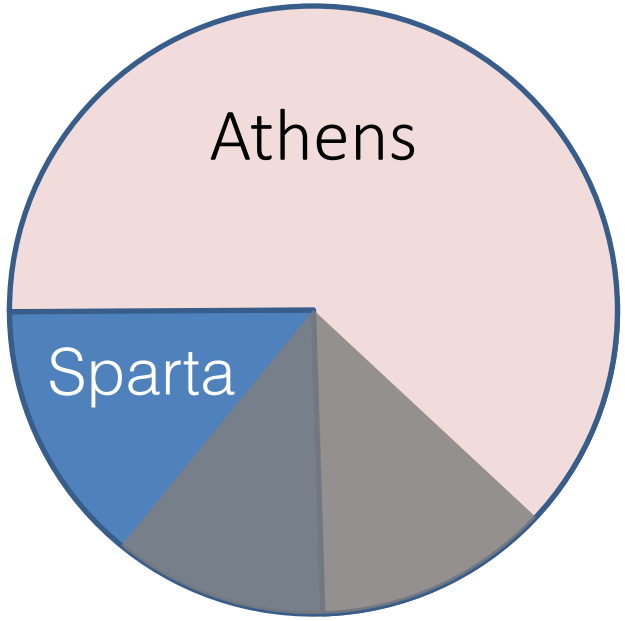




What if the power shift enlarges?



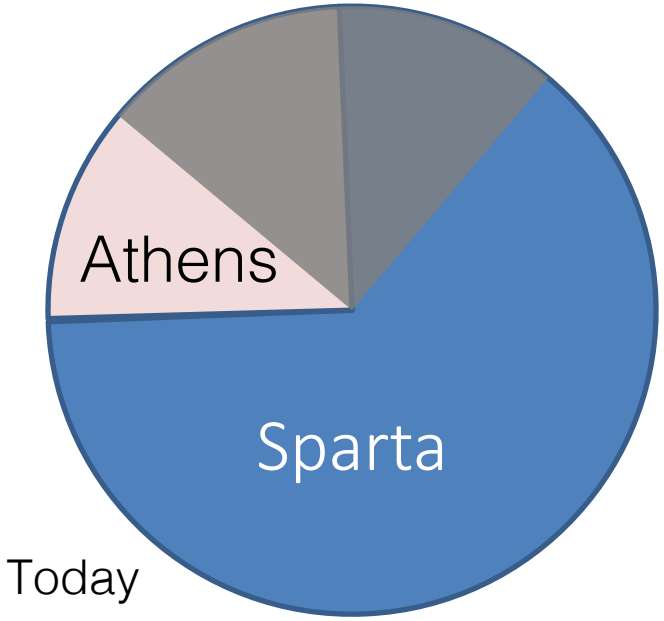
Today

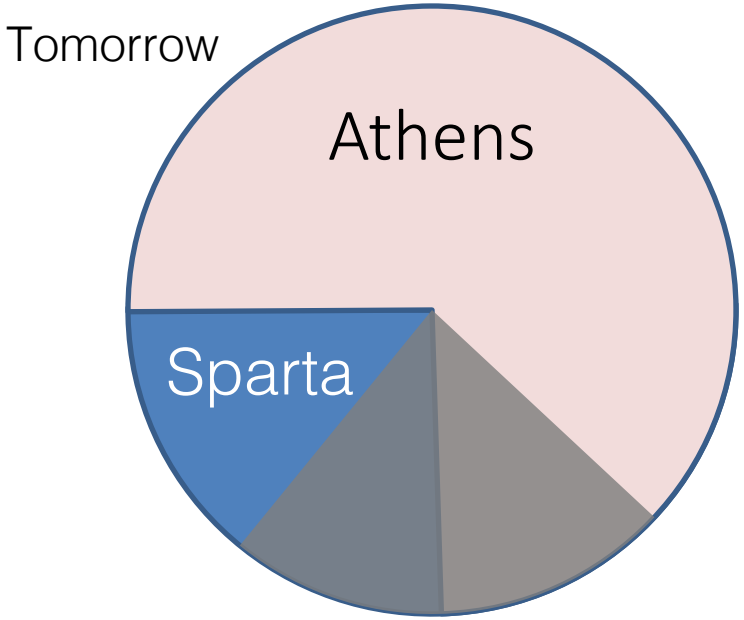


Tomorrow

Now we are on treacherous ground

- Today, Sparta's expected value of war is <u>still</u> $120
  = 75% of 2($100–20)
- And Athens' expected value of war is still $40
  = 25% of 2(100–20)





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  = 75% of 2($100–20)
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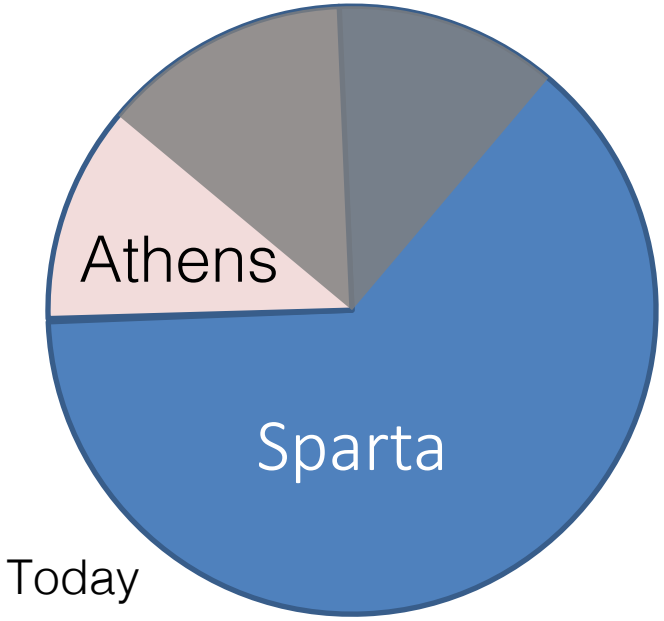
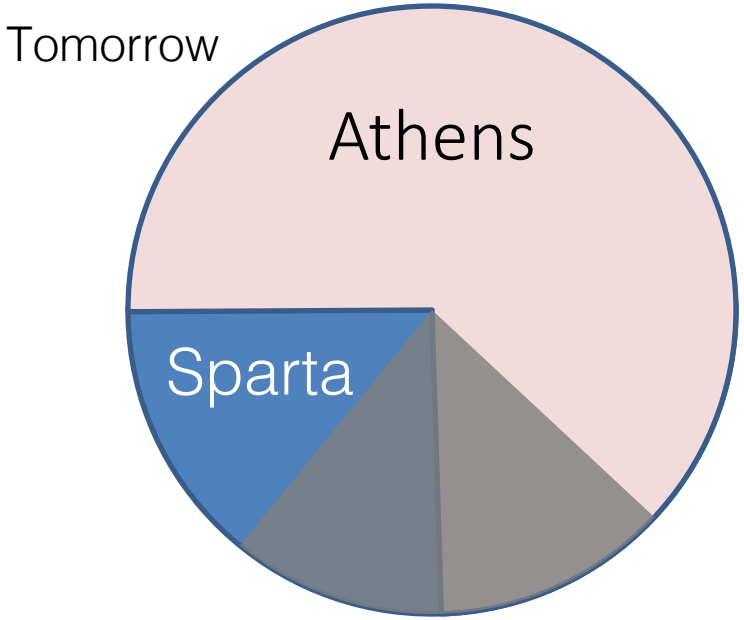
  = 25% of 2(100–20)
- But backwards induction tells us there should be no war
  - Tomorrow, when playing for $100 pie, Sparta knowns that it is no longer assured of at least $40
  - It is only assured of $15 (maybe more, but no guarantee)
  - So, it would prefer $105 today not to attack
  - That's more than the entire pie





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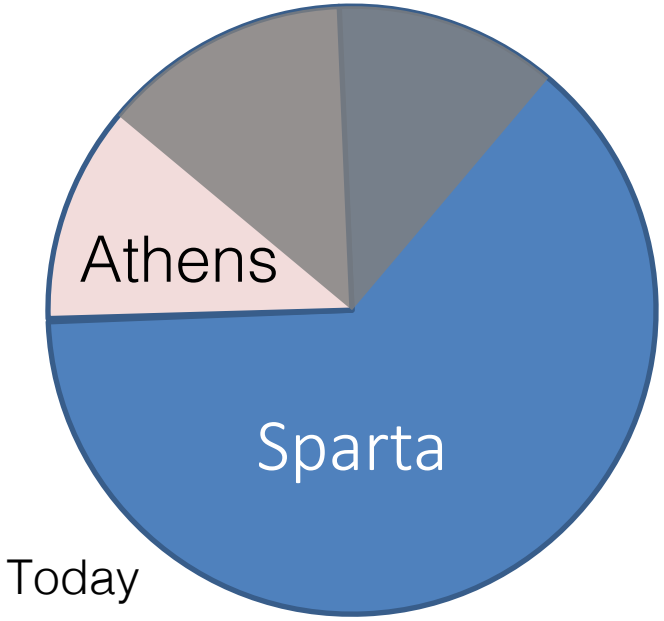
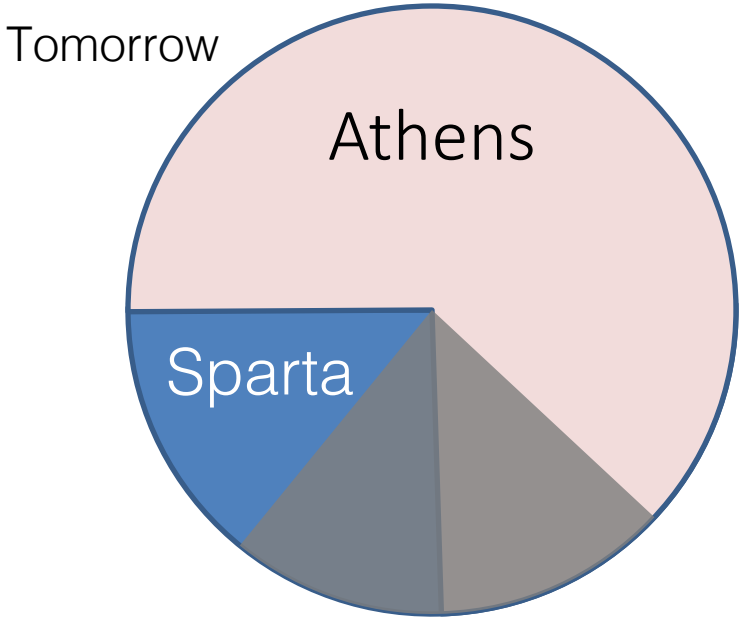
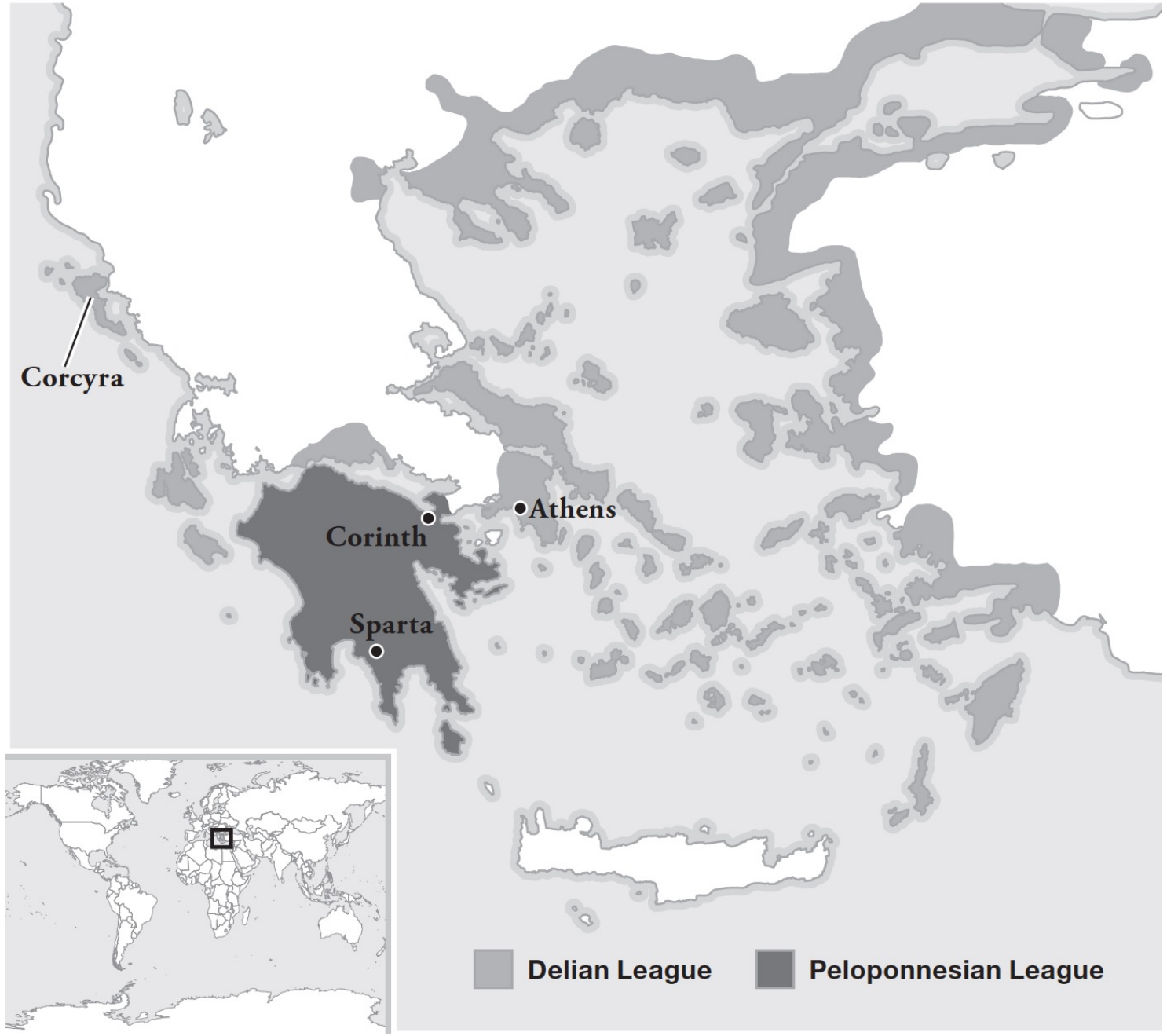
  - That's more than the entire pie
- This is why commitment problems are sometimes called a problem of limited transfers

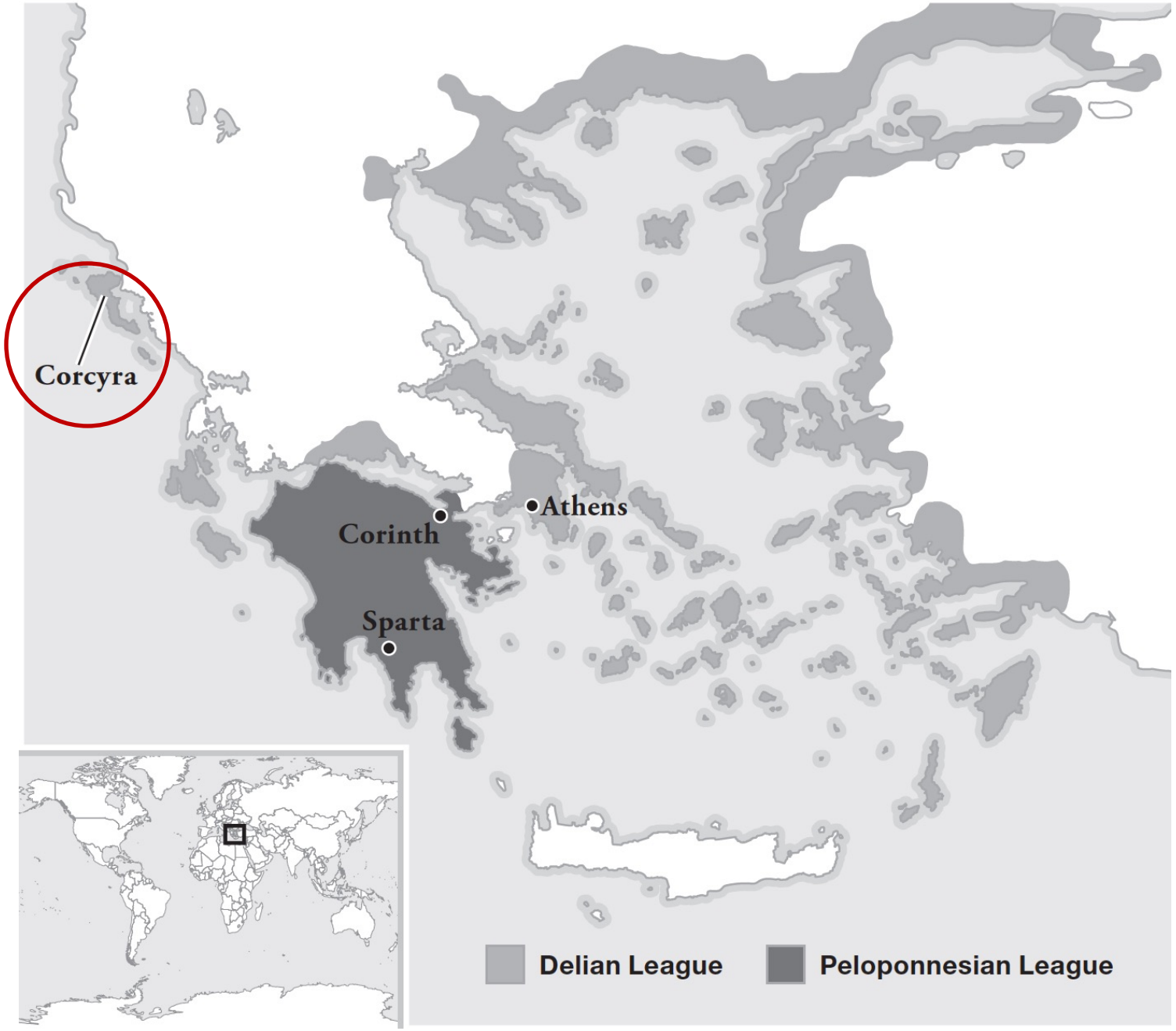






The two powers anticipated this risk

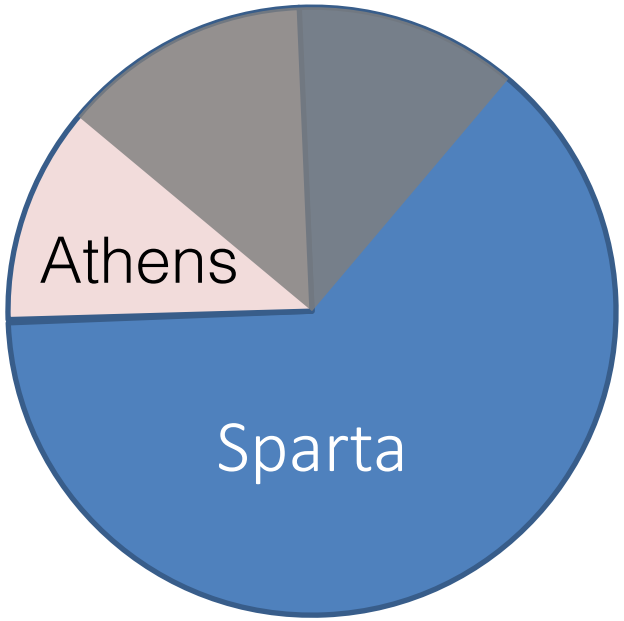
- Sparta feared a chain reaction, in which its allies in the Peloponnese defected to the Delian League
- Both sides knew the risk, so they tried to avoid it
- When a renegade Peloponnesian polis tried defecting to the Delian League, Athens returned it to Sparta
- Later, the Thirty Years Peace agreement explicitly barred one side's allies from defecting to the other



But they never agreed what to do about neutral states

- Corcyra, with the Greek world's 2nd largest navy, has been neutral
- Corinth, a Spartan ally, begins feuding with Corinth
- Sparta tried to rein in Corinth
- Athens tried to avoid getting dragged into the fight, but then a Corinthian expedition sank peaceful Athenian observer ships
- Sparta saw Corcyra and Athens tipping closer together…

Goes to show that it is crucial that the shift in power must be (1) sufficiently large and (2) anticipated



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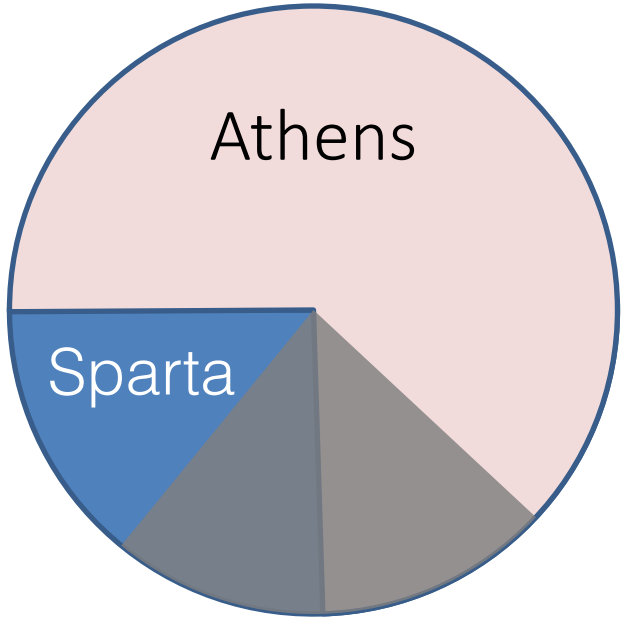
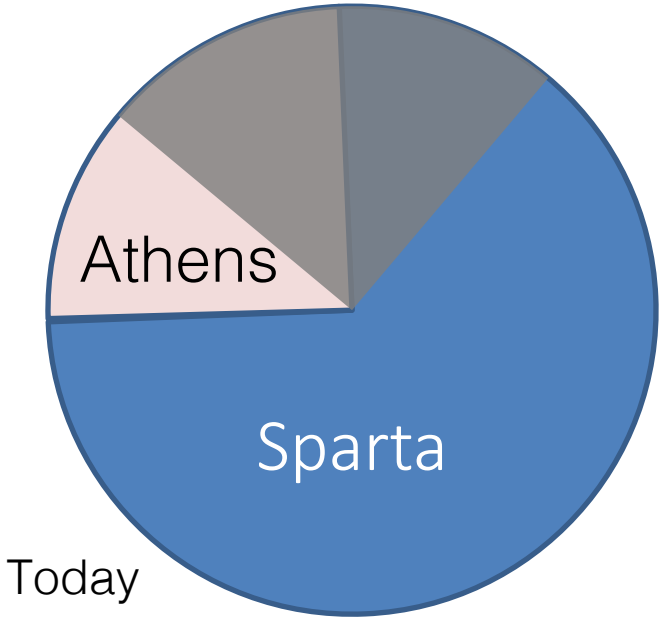
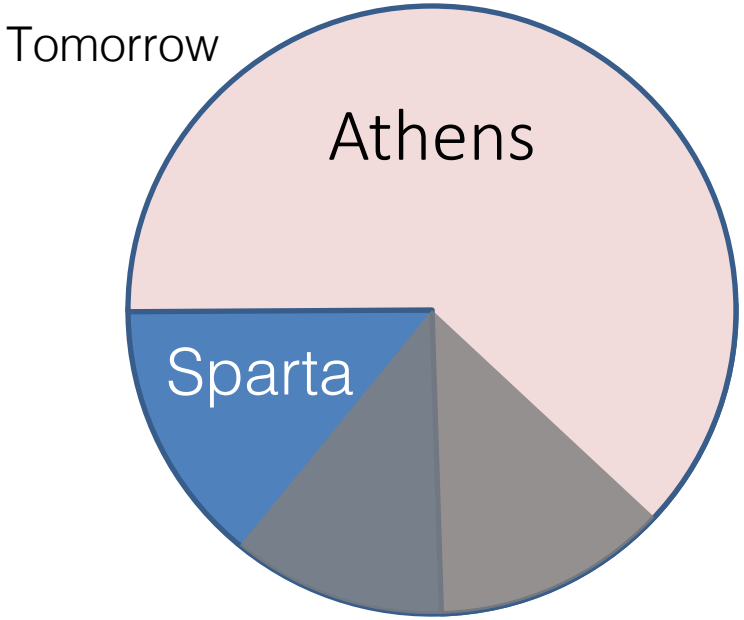


Tomorrow

But also, the shift has to be (3) too big for available transfers, and (4) difficult to prevent

- Expecting $15 tomorrow, Sparta needs $105 today
- What can Athens do?



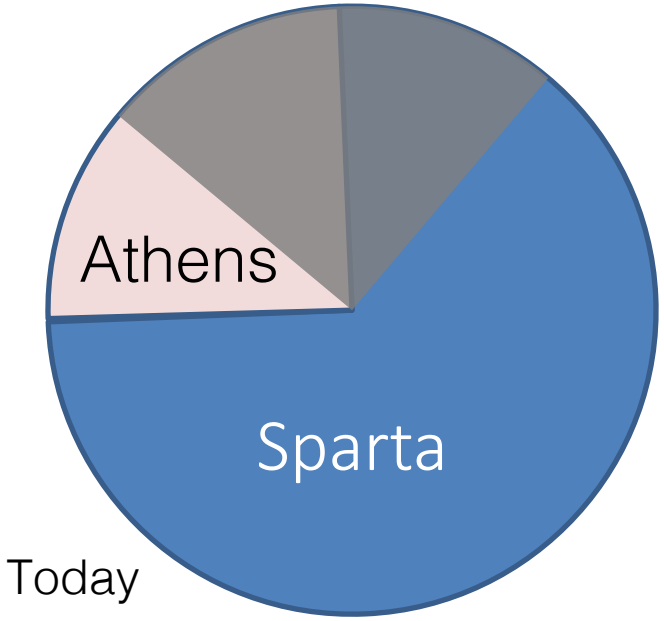


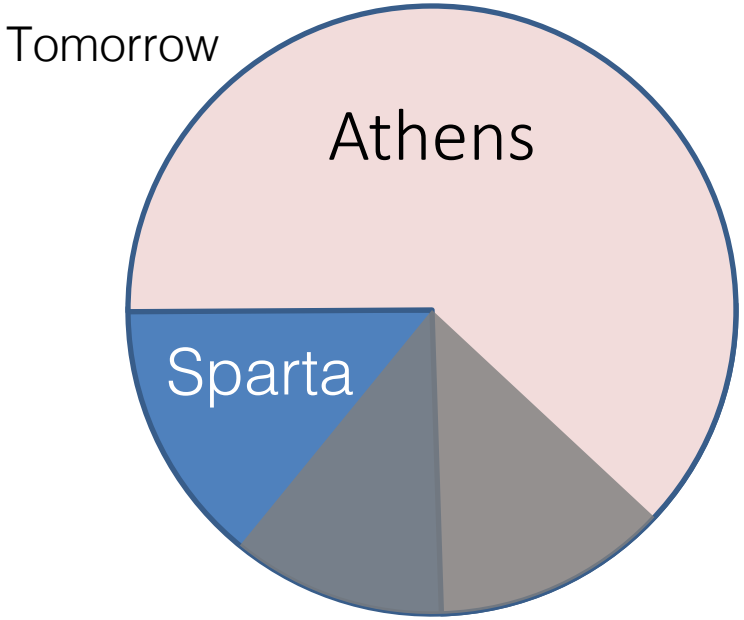
But also, the shift has to be (3) too big for available transfers, and (4) difficult to prevent

- Expecting $15 tomorrow, Sparta needs $105 today
- What can Athens do?

1. Borrow funds from future
2. Give up some basis of its future power, reducing ease of winning a war tomorrow
   - Hand over mines or allied powers
   - Destroy or hand over a fraction of its military
   - Split the Corcyran navy
3. Bind its hands, credibly promising >$15 tomorrow
   - Find a powerful third-party state to enforce
   - Stake reputation with other rivals

All require limits on transferring resources or power





What are other examples of impossible bargains, where one side has an irresistible incentive to attack?

- First-strike advantages
  - An element of stealth or surprise provides a significant advantage to the attacker
  - Gives both sides an incentive to attack first
- Indivisible resources
  - e.g. Sacred territory
  - Strategic
- Transfers of resources alter ability to win future conflicts
  - Opponent can gain an advantage over you slice by slice
  - Better just to attack now?

How are each of these a case of large swings in power and limited transfers?

In what sense are these “commitment problems”?

Breakout exercise and discussion

Which of these scenarios could pose commitment problems?

1. Taiwan and its allies expect China's economic and military might to grow even further
2. A few weeks before a Taiwanese election, China receives intelligence that the DPP plans to declare Independence if they are elected with a sufficient majority
3. Hamas and Fatah progress in talks to form a new PLO, creating a united front, renouncing violence, with the EU expected to back them in the goal of creating a single state of Israelis and Palestinians, with full democratic participation
4. The Mexican government is at peace with the cartels, but as drug profits are expected to rise, the state realizes it will have to invest a massive and increasing fraction of its budget in counter-narcotics just to maintain the status quo balance of power. These future costs will threaten growth and the President's continued grip on power.

Are these true commitment problems? Under what circumstances?

Some advanced topics

1. What happens when other forces shrink the bargaining range?
2. Some commitment problems other than preventative war
3. The problem of centralized power

What happens when other forces shrink the bargaining range?

- Suppose unchecked rulers or intangible incentives halve the net costs of war that leaders consider
- Today, Sparta's expected value of war is $135
  = 75% of 2($100–10)
- Athens' expected value of war is $45
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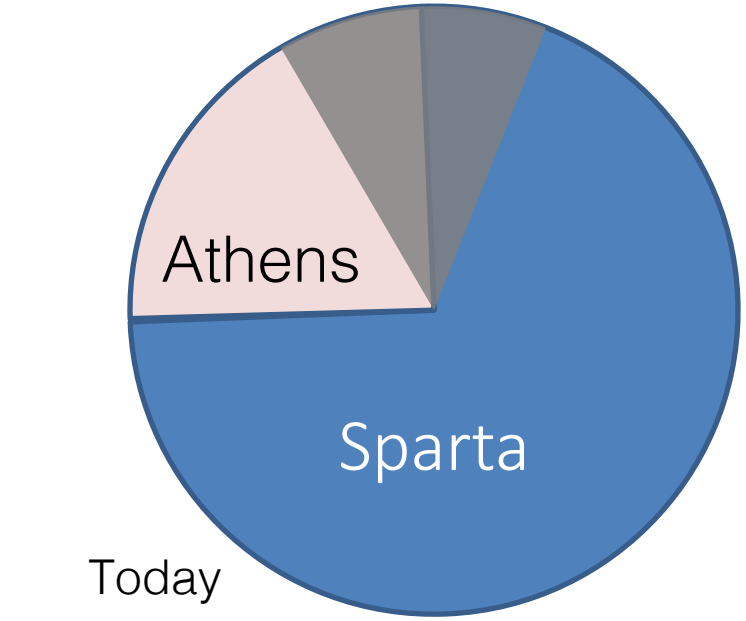
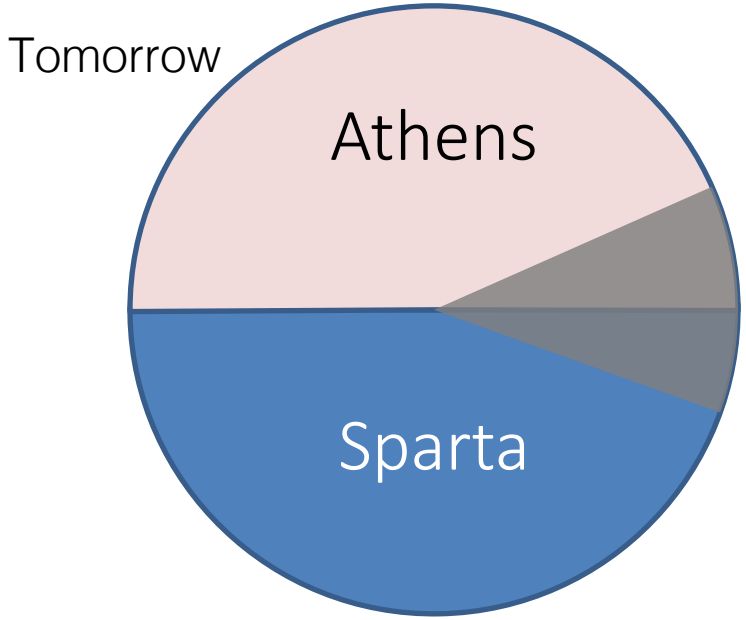
- The bargaining range is just $20 wide





Addendum: What happens when other forces shrink the bargaining range?

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- Athens' expected value of war is $45
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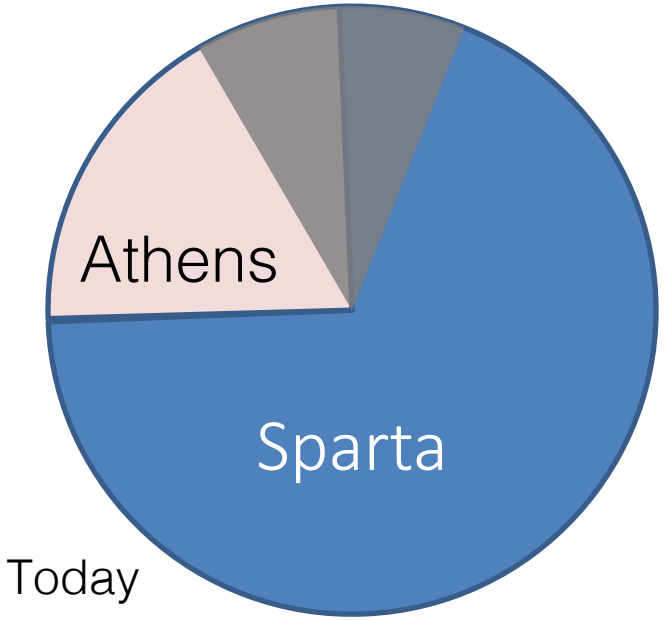
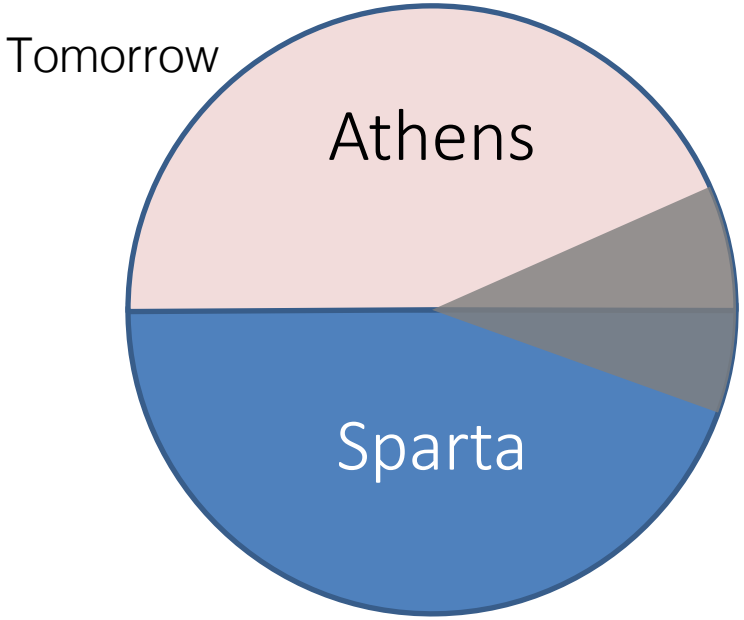
- The bargaining range is just $20 wide
- Backwards induction tells us there should be no war—barely
  - Tomorrow, when playing for $100 pie, Sparta knows it is assured of at least $45
  - Thus, it needs to get $90 today
- Athens can transfer this today, provided there are no limits on its ability to hand over territory or spoils
  - Especially in ways that avoid decreasing its future power





1. What happens when other forces shrink the bargaining range?
2. Some commitment problems other than preventative war
3. The problem of centralized power

Other situations that can create a commitment problem

1. First strike advantages
   - Also known as “offensive advantages” or “preemptive war”
   - e.g. Imagine if Athens and Sparta were evenly matched, but whichever moved first had a 75% chance of victory
   - How would this apply to the situation of nuclear war?

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     - Perversely, led to investments in “mutually assured destruction” and deterrence

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2. “Indivisibilities”
   - Just another kind of limited transfers
   - There are practical (or ideological) difficulties to finding a split in the bargaining range

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   - There are practical (or ideological) difficulties to finding a split in the bargaining range

3. Laying down arms
   - A particular problem in civil wars, where enemies must live together afterwards
   - Also, typically one side must give up its arms, leaving itself vulnerable

1. What happens when other forces shrink the bargaining range?
2. Some commitment problems other than preventative war
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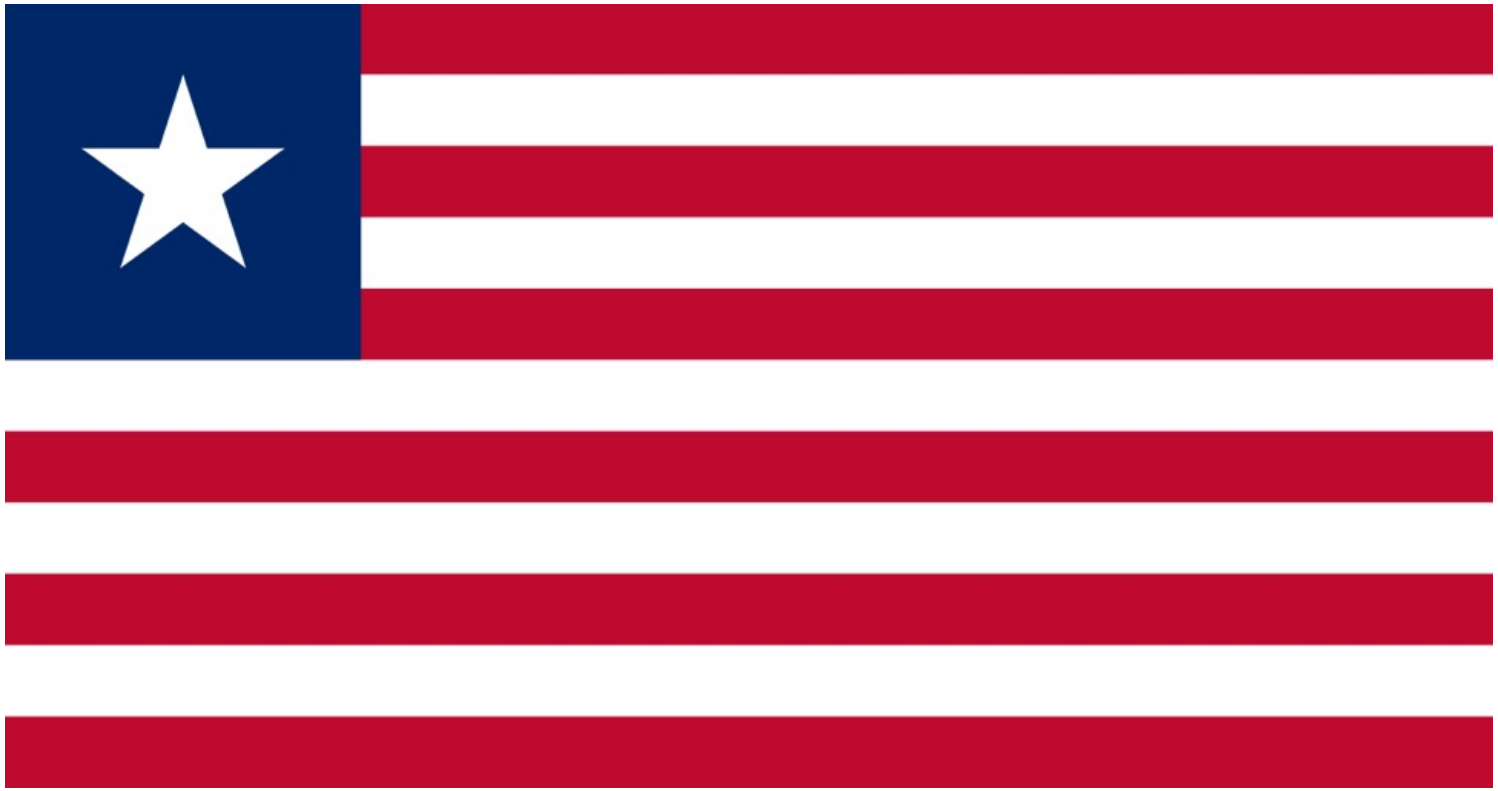
Let’s look at the example of Liberia

And Amos Sawyer’s diagnosis and cure

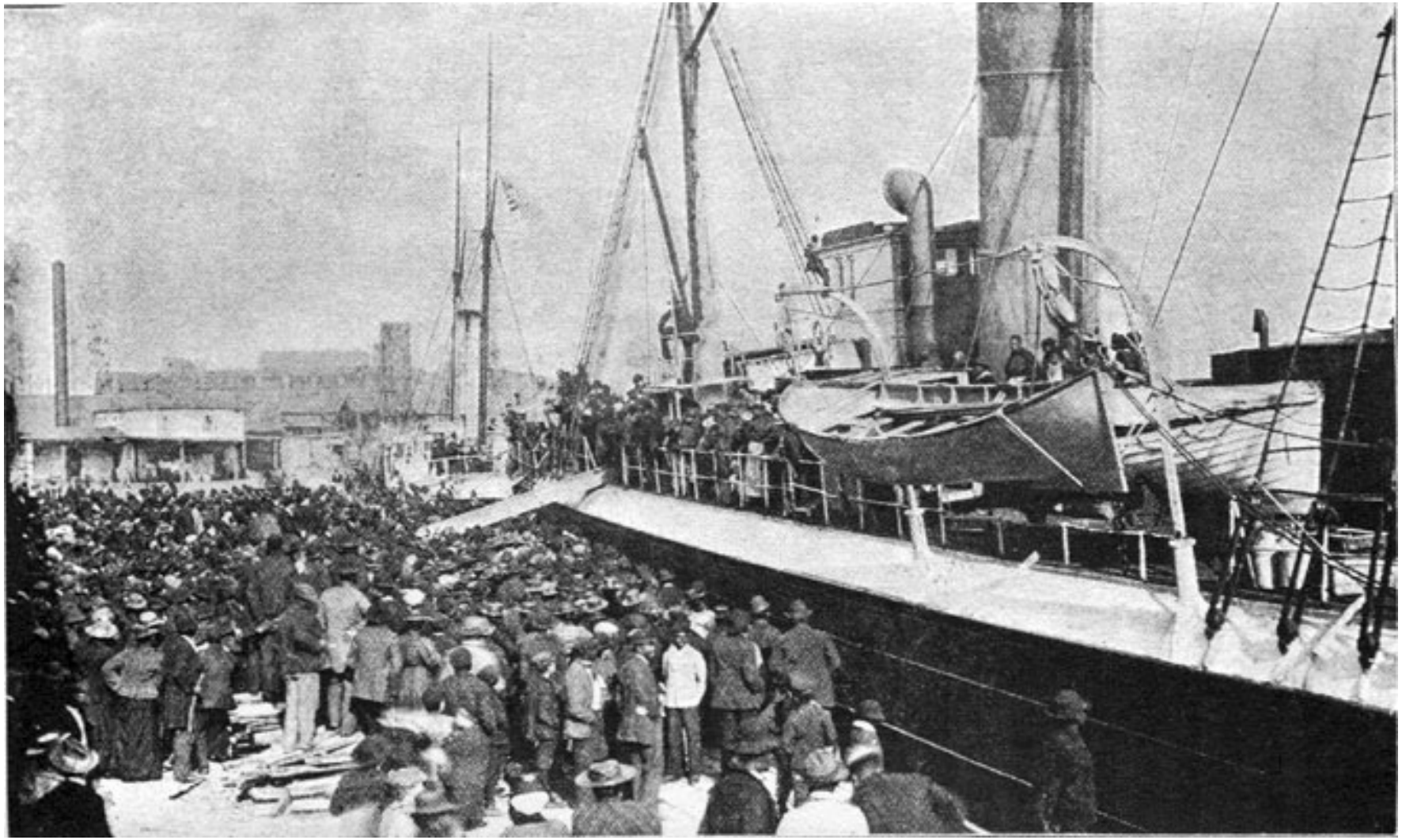


Liberia

- ~4 million people
- Colonized by African-Americans in early 19th century
- Independent republic since 1847
- Two devastating civil wars 1989-2003
- Relatively stable and growing 2003 – present
- Still one of the world's least developed nations

The first American colony

Born of the 19th century Back-to-Africa movement



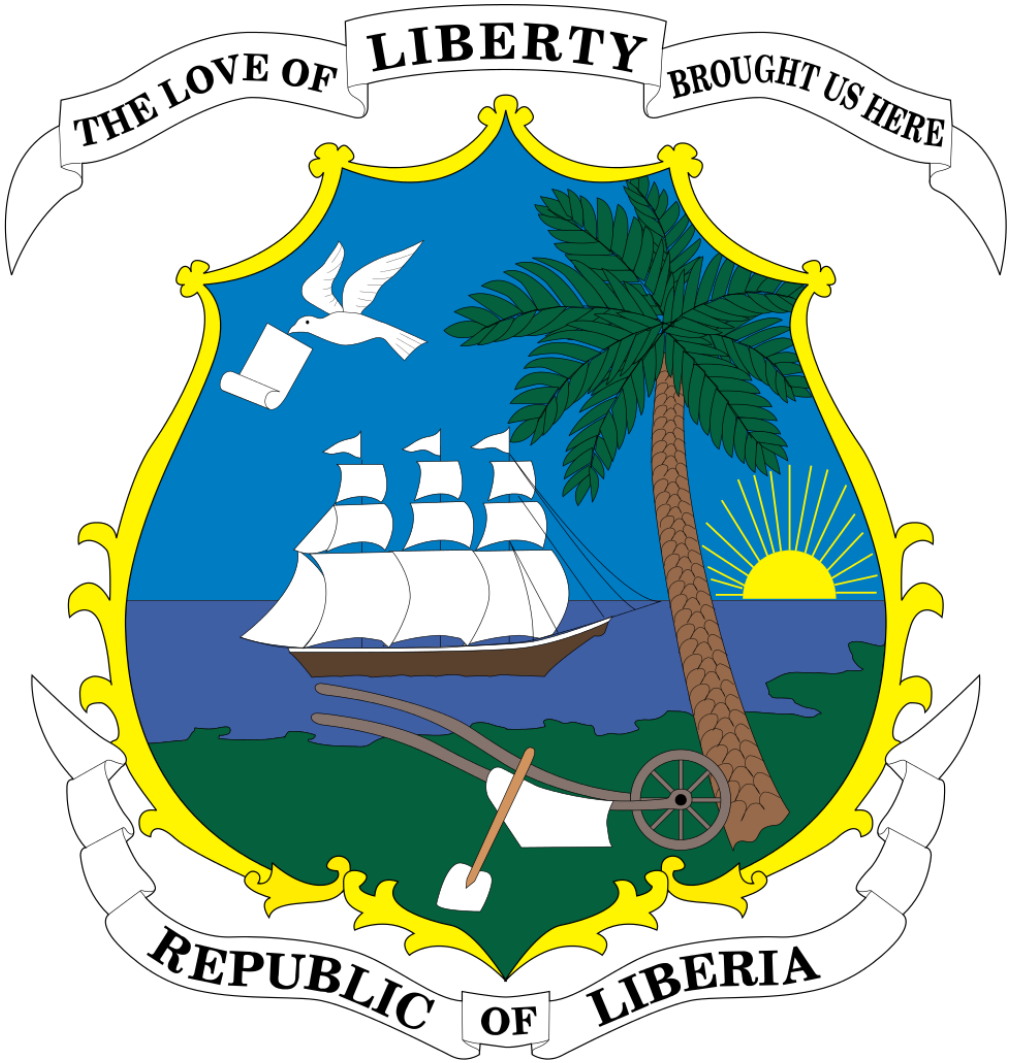
Departure of the Back-to-Africa Movement ship Laurada bound for Liberia with approximately 300 passengers, half of them from Arkansas; March 1896.

How concentration in economic power favored concentration in political power

- Major commodities and exports in Liberia
  - Iron
  - Rubber
  - Diamonds
  - Gold
- What differentiates these products from:
  - Grains
  - Light manufactures

Increasingly centralized politics

- Relatively stateless, diverse region before settlement
- Americo-Liberian colonization (1821-1847) and dominance of politics
  - Merchant oligarchy dominated country through patron-client relations and military control
  - Relative exclusion of indigenous tribes
- All power concentrated in the Presidency
  - Had American institutions in loose imitation and form, but not function
- Augmented by US Cold War support to President
- Post WWII President cultivated a cult of personality

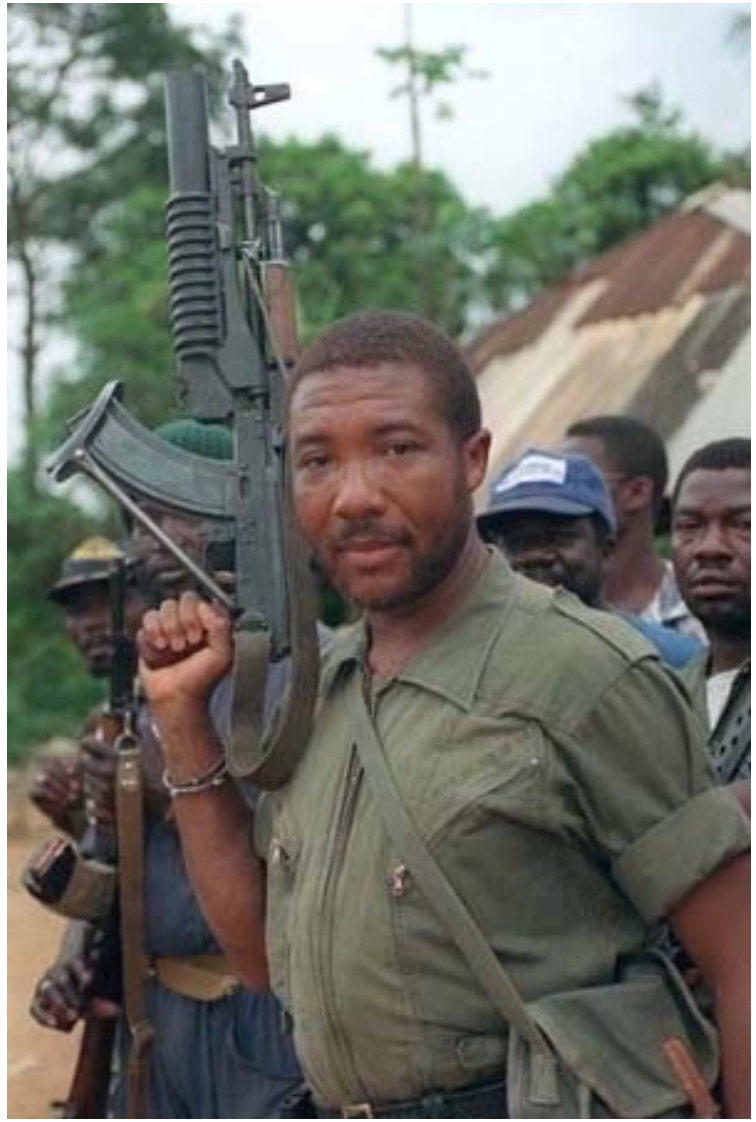


1980-89: Junior officer coup followed by decade of military rule

- Like much of Africa, a highly centralized regime
- (Indigenous) Samuel Doe overthrows government in a coup
- Has US support and aid
- Increasingly brutal and repressive rule
- Tribes aligned with Doe's Krahn group favored, rivals are disfavored, intimidated, increasingly persecuted
- Doe loses aid and military support with end of Cold War

Charles Taylor and the invasion of Liberia, Christmas Eve 1989

- US intelligence agents reportedly help Charles Taylor escape from a maximum security prison in Boston in 1985
- Received guerrilla training and funding from Libya and Cote d'Ivoire
- Leads 100 soldiers over Cote d'Ivoire border, igniting a civil war
- Fails to capture the capital



Nigerian “peacekeeping” force occupies capital, civil society installs a civic leader/activist/academic as President (of Monrovia)

“World War I” and “World War II”
Become iconic examples of civil wars in Africa

Amos Sawyer, political scientist and former President, emphasizes over-centralization of power in the executive

- Like many African countries, almost no formal checks on Presidential power
  - No local fiscal or decision-making governments
  - Weak parliamentary bodies with little power
  - All revenues, aid travel through the President's cronies in national ministries
- Rule is largely personalized
  - No party system or professional bureaucracy to check the power of the President
  - Only a narrow relatively ethnically-focused set of elite actors
- The Presidency, which has near absolute power, becomes a prize to be captured through coups or invasion

How might over-centralization of power lead to bargaining breakdown?

Can it help us explain why Charles Taylor couldn't demand a deal?

1. Unchecked leaders
2. Uncertainty
3. Commitment problems
4. Intangible incentives
5. Misperceptions

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In short, <u>all of them</u>

Example: Unchecked leaders:

1. A personalized dictatorship
   - Insulated from many costs of war

2. Private benefits from war
   - Magnified by the presence of “lootable resources”: Diamonds, gold, lumber

3. Foreign powers unchecked as well
   - Funded proxy wars at little cost to themselves

Outside powers can give actors private incentives to fight & impede bargains

Precisely because outsiders are not bearing the costs of war (i.e. they too are unchecked)

We also have several ingredients for a commitment problem

- 1989: Sudden downward shift in Doe regime's power
  - With end of Cold War, US decreases aid and military support for its more thuggish client states
  - A growing push to democratization in Africa reduces legitimacy of thuggish coup leaders
- Limited transfers
  - Like most African governments, already in fiscal crisis even before the plummet in foreign aid
  - Limited ability to borrow or allot revenue sources
- Personalized dictators can't make credible commitments
  - Institutions are sticky, and so power-sharing agreements are extremely difficult
  - No President can credibly commit to giving opponents a future share of the spoils

- This is a kind of "indivisibility" argument
  - There is a split of the pie that would give Doe and Taylor large shares (a bargaining range)
  - But the rules and apparatus of government means this bargaining range is institutionally infeasible
  - Rather, the rules and organizations have created a "winner take all" situation

Finally when rule is centralized and personalized, a ruler's individual tastes and irrationalities will not be constrained or mitigated by institutions

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We will tackle these two buckets next week

Sawyer: Argues for a set of constraining institutions

- Shared, divisible power would:
  - Reduce commitment problems
  - Reduce elite's private benefits of war and force them to face costs
  - Reduce the role of a leader's idiosyncratic preferences and biases
- What would it take to make power more divisible and shared?
  - Fundamental Constitutional change
  - Complete restructuring of government to make it polycentric
    - Empower local government jurisdictions (elections, budgetary power)
    - Independent, task-specific bureaucracies crossing space
    - Regional security and economic apparatus
- Echoes elements of European and American constitutional principles:
  - E pluribus unum, Checks and balances

We will come back to this again in Part 2