

BOOK REVIEW

Failed States: A Framework for Rebuilding a Fractured World

By Ashraf Ghani and Clare Lockhart

Oxford University Press, Oxford, UK, 2008

Review by Chris Coyne

Chris Coyne is Assistant Professor of Economics at West Virginia University and the North American Editor of *The Review of Austrian Economics*.

Email: Chris.Coyne@a=mail.wvu.edu (replace =a= with @)

The problems caused by weak and failed states are among the most pressing issues of our time. States in this category suffer from significant governance and economic crises resulting in what the authors term the 'sovereignty gap.' This gap refers to the disconnect between the assumption that all states are sovereign entities and the inability of many of these states to effectively engage in governance. Governments in most weak and failed states provide citizens with few beneficial services and often act in an exploitative manner. This in turn stymies economic development. The international community has a history of intervening in weak and failed states with the aim of remedying these problems. There are few successes to show for these efforts. The central goal of this book is to assess why past interventions have failed and to provide a new framework for the future.

In the Introduction, the authors identify several reasons why efforts to correct the problems that plague weak and failed states have so often failed. For one, policymakers tend to have a poor understanding of the functions of an effective state. Their interventions tend to lack coordination and the means necessary to achieve the desired ends. This problem is magnified by the one-size-fits-all approach typically used by the international community, treating all weak and failed states the same and proposing the same remedies. Also lacking, according to the authors, is a realistic understanding of the time required for the development of the interdependencies necessary for effective state functioning. Finally, interventions tend to neglect shared responsibilities between the international community and indigenous actors. Instead, interventions typically take one of two extremes – the international community imposes a plan on

citizens or the international community takes on the role of an interested observer who is not directly involved.

Following the Introduction, the book is broken into three distinct parts. Part I (chapters 1–5) focuses on the previously mentioned sovereignty gap in weak and failed states. Also discussed is how certain countries have 'reversed history' by making significant changes in policies and governance. Finally, the authors consider how the 'aid complex' exaggerates many of the very problems it is supposed to solve.

The major flaw in this, first part of the book is that many of the examples of reversing history are too shallow to offer significant insight into the process of change. For example, the authors rely on the Marshall Plan and the post-World War II reconstruction of Europe to demonstrate successful coordination on the part of the international community. Numerous historians and economists have called into question the role that the Marshall Plan actually played in the reconstruction of Europe (see Milward 1984, Cowen 1985). Further, even to the extent that the Marshall Plan did play a positive role in generating change, a complex array of factors allowed the aid to be used in an effective manner. The result of such broad brush examples is that the reader is offered few details of how sustainable change emerges. The only conclusion that can be drawn is that some societies have adopted changes for the better.

The second part of the book (chapters 6–7) provides an overview of the ten core functions of the state. The authors place the state budget at the center of state policy. The underlying idea here is that effective budgeting, including the collection and allocation of funds, is the key mechanism through which the state delivers

on its core functions. The authors also propose creating a 'sovereignty index' which attempts to objectively measure the sovereignty gap. If such a metric could be developed, potential interventions could then be evaluated through expected changes in the index.

The final part of the book (chapters 8–9) reviews several mechanisms which can contribute to state building. The authors' strategy is grounded in a 'citizen based approach,' which recognizes the importance of local actors in the state-building process. Central to this approach is a 'double compact' consisting of a compact between country leaders and the international community and a simultaneous compact between country leaders and citizens. In theory, the double compact creates shared responsibilities between the international community and country leaders while also ensuring that citizens are not disenfranchised. In the end, within the authors' framework, successfully fixing failed states entails aligning the efforts of the international community with the local circumstances of country leaders and citizens.

This book has several strengths. The authors are correct to recognize the limits on the use of force by the international community to effectively impose exogenous plans. Afghanistan and Iraq are only the latest in a long line of interventions illustrating the limits of what force can achieve. A related strength is the recognition of the importance of change grounded in indigenous actors as compared to top-down planning and imposition by outsiders, although as I will note below, they do not go far enough in this regard. The chapter on foreign aid (chapter 5) is perhaps the best in the book and provides important insights into the perverse incentives created by aid. Chief among these is the creation of a massive 'aid complex' which sustains itself by undertaking activities which are harmful to the failed states that it is supposed to be assisting.

Despite these strengths, the book suffers from several weaknesses. The first is a lack of consistent focus on the incentives of individual actors. As noted, the authors do recognize the perverse incentives facing individuals within the aid complex, although they do not explicitly use this terminology. However, they fail to extend similar reasoning to their other recommendations and proposed framework. What incentives do members of the broader international community, local political leaders, and citizens face? Under what conditions will those incentives be aligned or misaligned with the interest of promoting the general good? Ultimate success requires not just the desire to do good, but the incentive to carry out the required actions to achieve the desired

end. These questions largely go unanswered. The general examples provided in the first part of the book offer little insight into the incentives facing leaders in countries where change did occur, or the conditions necessary for the emergence of the proper incentives for sustainable state building.

While the authors emphasize the importance of bottom-up state building versus top-down imposition, they are never able to get away from the planning mentality. While noting the limits of exogenous imposition, they still advocate planning at the national level with an emphasis on the relationship between the international community and country leaders. The idea of the double compact recognizes the importance of citizens, but the nation-state is still the central actor in Ghani and Lockhart's framework. The end result is that the authors still advocate top-down planning, although they argue that instead of the international community doing the planning, it should be some combination of the international community and indigenous leaders.

Indeed, emphasis on the collective is prevalent throughout the book as is evident from the concluding chapter on 'collective power.' Even though the authors highlight the importance of individuals and citizens, at the end of the day their framework is one of collective top-down planning. This neglects the important insights of the development economist P.T. Bauer (2004), who emphasized the importance of small-scale trade between private individuals for development. Bauer's view of development is one where the private individual is the key catalyst of change and therefore should be seen as a true citizen based approach to development.

Many of the aforementioned problems emerge from what is perhaps the biggest problem with the book – the assumption that the state is the relevant unit of analysis. The authors establish this assumption early when they note that "Just as the firm is the most effective unit of organization in the economy, the state is the most effective form of organization of the polity. Only the state can organize power so as to harness flows of information, people, money, force, and decisions necessary to regulate human behavior" (4). The entire analysis follows from this initial assumption. The assumption that the state is the best means of political organization presumes that an effective state either exists or can be constructed. It is far from clear that this is true, especially in the case of weak and failed states.

The governments of weak and failed states are the worst of the worst. They impose significant costs on citizens with little to no associated benefits. In these instances, it is far from clear that the state is the best

means of organization. As one example, research on Somalia has indicated that things have improved since the collapse of the central government in the early 1990s (see Coyne 2006, Leeson 2007 and Powell et al. 2008). To be clear, the argument is not that Somalia's current situation is ideal. The country remains mired in a state of underdevelopment and suffers from a host of other problems. The main point is that given the set of feasible institutional arrangements facing Somali citizens, the argument can be made that no central government is preferable to the purely exploitative state which has existed for most of the country's history. Of course, a productive and effective state would be better still, but this is not currently a realistic alternative for Somalia or most other failed states.

An alternative view of how to deal with failed states places the private individual at the center of the process and recognizes the benefits of interaction and trade, even when that trade is small-scale in nature. It recognizes that the same problems that plague the aid complex plague all efforts at central planning by government bureaucracy. Most importantly, it recognizes the real costs associated with propping up the worst governments in the world instead of letting them collapse, to be replaced by emergent institutions, the nature of which cannot possibly be known *ex ante* by central planners at any level.

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