

State Capacity in Historical Political Economy*

Mark Dincecco Yuhua Wang
University of Michigan Harvard University

April 29, 2022

Book Chapter for *Oxford Handbook of Historical Political Economy*

Editors: Jeffrey Jenkins and Jared Rubin

Abstract

This chapter evaluates state capacity from a long-run historical perspective. We discuss how to define and measure state capacity. We explain how the establishment of a high-capacity state can enhance domestic peace, improve material prosperity, and promote more pluralistic norms. We describe which factors have obstructed the historical development of high-capacity states. Finally, we characterize ways in which society can harness the various public goods that a capable state can provide, while reducing its potential to act despotically.

Keywords

political order, public goods, economic development, state-society relations,
pluralism, despotism, history

* We thank Jeffrey Jenkins, Jared Rubin, and Jan Vogler for helpful comments.

1. Introduction

The study of the state is both central to the social sciences and of great practical importance. From Afghanistan to the Democratic Republic of Congo to the Northern Triangle (El Salvador, Guatemala, and Honduras), states across many parts of the world today struggle to carry out core governance tasks. Historically, the establishment of modern states in Western Europe was an arduous and protracted process. We cannot take well-functioning states for granted.

This chapter examines state capacity from a long-run historical perspective. We first discuss how to define and measure state capacity. We then consider how society can create order even in the absence of a state, along with the economic and social costs that these types of arrangements can bring. We explain how the establishment of a high-capacity state can overcome such costs and enhance domestic peace, raise material prosperity, and promote more pluralistic norms, and show stylized evidence in support of the view that greater state capacity improves development outcomes. If having a capable state is beneficial, then why don't all societies establish one? We address this question next. Further, we describe how a high-capacity state can also act despotically. We characterize different ways in which society can harness the various public goods that a capable state can provide, while mitigating its potential for despotism. The chapter concludes by reflecting on lessons from history.

2. Definitions and Measurements

To define state capacity, we must first clarify what we mean by the state. Weber's (1946: 78) classic definition is: "[A] state is a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory." The historical process of state development was challenging and drawn-out (Dincecco 2011; O'Brien 2011; Hoffman 2015). Further, a lack of adequate state capacity continues to stymie developing nations today (Besley

and Persson 2011, 2013). Thus, Weber’s classic definition is best viewed as a (somewhat idealized) “endpoint” of the state development process, rather than as a starting point for historical analysis.

Our preferred definition of the state instead draws on Bates (2020) due to its historical relevance and tractability. We conceive of the state in terms of a political hierarchy that contains tax collectors to gather revenue, a police force and military to help provide security, and a judiciary to administer legal justice. A chief executive (i.e. “the ruler”) presides over this political entity, in conjunction with a noble or parliamentary council.

With this definition of the state in hand, we can now characterize what we mean by state capacity. Following Mann (1986), we define state capacity in terms of the state’s ability to attain its intended policy goals, whether they be economic, fiscal, or otherwise. A state with high capacity is thus more likely to produce the policy outcomes that the government wants than one with low capacity (Brambor, Goenaga, Lindvall, and Teorell 2020). The basic reason why is because a high-capacity state has access to greater fiscal and informational resources that it can exploit to achieve its policy aims.¹

¹ The conceptualization and measurement of state capacity is the main topic of the recent review by Berwick and Christia (2018). For this reason, we limit our discussion of this topic here. Berwick and Christia organize their framework around three types of state capacity: extraction, coordination, and compliance. For complementary discussions of conceptualizations and measurements, see Soifer (2008), Johnson and Koyama (2017), Hanson and Sigman (2021), as well as the chapters in this handbook by Francisco Garfias and Emily Sellars on state building, Mark Koyama on legal capacity, and Jan Vogler on bureaucracy. Wang (2021) traces the evolution of the scholarly study of the state, ranging from the society-centered perspective (e.g. Dahl 1961)

A state does not always exploit its full capacity for action. In this respect, state capacity is a “latent” feature that we do not directly observe (Hanson and Seligman 2021). Scholars can nevertheless employ a range of visible indicators from which historical levels of state capacity can be inferred. These include measures of the state’s ability to extract fiscal resources and information from society, as well as the extent of the state’s administrative infrastructure. We now discuss each of these types of indicators.

Fiscal strength is integral to state capacity. As Levi (1988: 2) writes: “One major limitation on rule is revenue, the income of the government. The greater the revenue of the state, the more possible it is to extend rule.” Further, data on historical budgets are often more widely available than alternative types of data. For example, Dincecco (2011) constructs annual fiscal data on revenue, expenditure, and sovereign credit risk for major states in Western Europe from the early modern era to the start of World War I, while Karaman and Pamuk (2013) produce complementary revenue data that extend back to 1500. Wang (2022a) gathers fiscal data for imperial China from the dawn of the first millennium (i.e. 1 CE) to the fall of the Qing Dynasty in 1911. Beramendi, Dincecco, and Rogers (2019) compile annual fiscal capacity data for more than 30 nations globally since 1870, while Lee and Paine (2022) amass revenue data that include at least one yearly observation from the nineteenth century for more than 40 non-Western states. Albers, Jerven, and Suesse (2020) put together annual tax data for Africa that spans 46 states since 1900.

There is a modern policy debate over the government’s ability versus its willingness to engage in revenue extraction (Alesina, Glaeser, and Sacerdote 2001). This debate implicitly

to the state-centered perspective (e.g. Evans, Rueschemeyer, and Skocpol 1985) to the state-in-society perspective (e.g. Migdal 1988).

assumes adequate fiscal capacity. This assumption, however, does not make much sense for historical analysis, as most governments lacked such capacity (e.g. Dincecco 2011).²

Revenue collection, military conscription, and the prevention of popular rebellion all require accurate information about a polity's population and territory. Lee and Zhang (2017), for example, produce annual data on the "legibility" (Scott 1998) of society by state administrators which measure the accuracy of age data in national censuses for a global sample since 1960, while Brambor, Goenaga, Lindvall, and Teorell (2020) construct an annual cross-national index of the "information capacity" of states from 1789 onward. This index makes use of five practices that state administrators employ to gather and process information about society: the introduction of a census; the introduction of civil and population registers; the establishment of a statistical agency; and the publication of statistical yearbooks.

In addition to fiscal and information capacity, scholars have measured historical state capacity in terms of the extent of the state's administrative infrastructure across space. To evaluate the local reach of the federal government in the nineteenth-century United States, for example, Acemoglu, Moscona, and Robinson (2016) construct data on the number of post offices in each county. Similarly, Rogowski, Gerring, Maguire, and Cojocararu (2021) produce annual data on the global spread of postal services since 1875. Acemoglu, Garcia-Jimeno, and Robinson (2015) assess the local presence of the colonial state in Colombia in terms of the number of royal employees and agencies and the distance to the nearest royal road, while Lee (2019) collects data on the local presence of village officials in colonial India. Lu, Luan, and Sng (2020) measure

² Levi (1988) and Berwick and Christia (2018) discuss the enduring revenue imperatives of rulers.

differences in state capacity across mid-twentieth century Sichuan (China) in terms of the number of local members of the Communist Party.

To gain an accurate picture of a state's overall capacity, it might be ideal to incorporate capacity measures across major government agencies (Fukuyama 2013). This can be difficult in practice, however, particularly when attempting to measure state capacity historically. Fortunately, the fiscal, informational, and administrative indicators described above should be highly correlated (Hanson and Seligman 2021: 1503). Thus, exploiting any one of them will likely provide a meaningful proxy of state capacity overall.³

3. Why Society May Want a Capable State

The classic thinker Thomas Hobbes (1651) argued that chaos and destruction was the only outcome in a society in which the state was absent. Recently, scholars including Bates, Greif, and Singh (2002), Greif (2006a), Bates (2010, 2020), Boix (2015), and Acemoglu and Robinson (2019) have explained how society can create order even without a state.

Threats of retaliation are the first factor that helps society avoid outbreaks of violence in the absence of third-party enforcement by the state (Bates 2010, 2020). To deter criminal activity from taking hold, individuals must starkly convey their willingness to fight – for example, by publicly bearing weapons. Gluckman (1955) labels this phenomenon “peace in the feud.”

³ Obviously, this is not always true. In their study of the different economic interventions undertaken by the United States government in the 1930s, for example, Skocpol and Finegold (1982) show that a state that has high capacity in one policy realm need not have an equivalent level in another. Scholars should therefore remain cognizant of this challenge when evaluating evidence about historical levels of state capacity.

Beliefs facilitate order in the no-state context (Axelrod 1986; Ellickson 1991). Individuals may adhere to a code of honor that requires them to take revenge for any criminal offenses. Further, individuals may believe in witchcraft, whereby ill health and bad luck befalls those who do not seek revenge. The purpose of both types of beliefs is to raise the cost of potential criminal activity and thus prevent its outbreak in the first place.

Cross-cutting ties including marriage outside of clans and dispersed residence are the second factor that helps society maintain order in the state's absence (Gluckman 1955; Henrich 2020; Wang 2022a). For example, if female members of clan 1 are the wives of members of clan 2, then they can lobby to prevent a cycle of violence from taking hold even after an initial outbreak of violence between the two clans. Similarly, if members of clan 1 live in different villages, then that can reduce the chance of collective retaliation (or predation) by them. Further, if they live among members of clan 2 in the same village, then that can promote quick settlements, as lasting disputes will impede village life.

While such arrangements can help society avoid outbreaks of violence in the state's absence, they carry high costs (Bates 2010, 2020). The logic of revenge promotes a hair-trigger society. To provide order, individuals must publicly bear arms and imply their willingness to use them. Given the importance of honor codes, any initial violence can deteriorate into a never-ending cycle. Grosjean (2014), for example, shows that a traditional culture of honor helps explain the high historical homicide rates of whites in the US South.⁴ More generally, Pinker (2011: 51-53)

⁴ Nisbett and Cohen (1996) trace this violent culture of honor to the nineteenth-century arrival of settlers from the Scottish Highlands and Ulster, two historically pastoral and lawless zones in North Britain.

finds that the average annual death rate in societies that lacked states was more than 500 per 100,000 individuals. For comparison, the average annual homicide rate in the United States during the turbulent 1970s and 1980s was approximately 10 per 100,000 (i.e. more than 50 times lower).

Poverty is one negative outcome that derives from the hair-trigger logic of society in the absence of a state (Bates 2010, 2020; Boix 2015). To reduce the incentive of individuals to engage in criminal activity, which can devolve into a cycle of violence, members of society may opt to limit material consumption and production. Further, technological innovations that do not lend themselves to widespread replication may falter in an attempt to prevent resourceful individuals from achieving material success – which can make others envious and thus threaten the fragile peace (Boix 2015).

Another negative outcome is what Acemoglu and Robinson (2019) term the “cage of norms.” Norms refer to the standards of proper and expected behavior in society, which help create a common understanding of morality and justice. In the state’s absence, society must rely wholly on norms for both the prevention and resolution of conflicts. While norms are key to order and stability in the state’s absence, they can create an illiberal “cage” which restricts personal freedoms and perpetuates unequal power relations, often subjugating women (Acemoglu and Robinson 2019).

4. State Capacity and Development

The above discussion indicates that, contra Hobbes’s classic argument, order can in fact be achieved in a society in which the state is absent. However, it comes at a high cost in terms of the lack of incentives to make investments in physical and human capital, as well as illiberal norms. Thus, society might want to establish a state in an attempt to better ensure domestic peace, improve

material prosperity, and promote more pluralistic norms.⁵ Further, society will likely want this state to have a high-enough capacity to reach its intended development goals.

The most basic way in which a capable state can enhance development outcomes is by providing what North (1981) calls the “rules of the game”: law and order, private property rights, and external defense. The state’s provision of these sorts of public goods speaks directly to the fundamental problems of criminal activity and violence in society as described in the previous section. By reducing the chance of expropriation by rival individuals or kin groups, the state’s establishment and enforcement of the rules of the game can incentivize individuals to make investments in physical capital, education, and technological innovations that promote development.

A high-capacity state may support development in several additional ways besides the rules of the game (Dincecco 2017). One way is through the provision of a competitive market for the

⁵ Scholars have identified several factors that help explain why and how states form, including: geography (Carneiro 1970; Stasavage 2010; Sng and Moriguchi 2014; Mayshar, Moav, and Neeman 2017); interstate war (Tilly 1992; Hui 2005; Scheve and Stasavage 2012; Blaydes and Paik 2016; Dincecco and Onorato 2017; Queralt 2019; Becker, Ferrara, Melander, and Pascali 2020); elite competition (Mares and Queralt 2015; Garfias 2018; Beramendi, Dincecco, and Rogers 2019); information (Lee and Zhang 2017; Sanchez de la Sierra 2020); economic development (Abramson 2017; Acharya and Lee 2018); religion (Grzymala-Busse 2020); kin and social structures (Greif 2006b; Wang 2022b); and cultural diversity (Charnysh 2019). Since state building is the main topic of the chapter by Francisco Garfias and Emily Sellars in this handbook, we do not discuss it at length here.

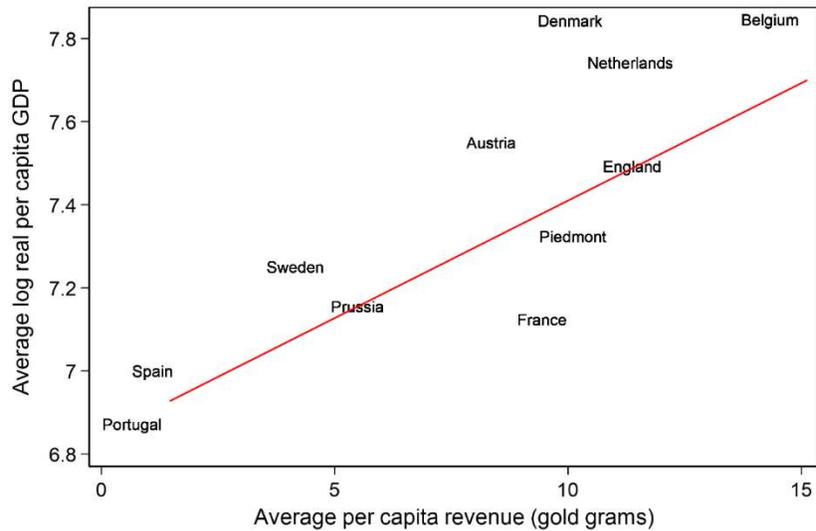
exchange of goods and services. For example, the elimination of internal customs borders within a polity can promote market exchange by reducing time holdups at border frontiers (Epstein 2000). The provision of transportation infrastructure (e.g. roads, bridges, railways, airports) and communications networks (e.g. postal service, internet connectivity) is another way. This infrastructure can reduce the costs of products as well as commuting costs, and can facilitate the spread of new ideas that spark technological innovations and change belief systems. A further way is through the provision of mass education. Greater human capital can improve productivity, make technological innovations more likely, and expose individuals to new ways of thinking. Providing selective incentives to individuals (Olson 1965) and monitoring society (Scott 1998), both of which can help social groups overcome collective action problems, are two additional ways.

The stylized evidence is consistent with the view that a capable state may improve development outcomes. Taking a historical perspective, Figure 1 shows evidence for a strong positive correlation between the state's ability to extract revenue – a basic measure of fiscal capacity for which historical data are available – and economic performance in Western Europe from the early modern era to the start of World War I. Figure 2 depicts a similar pattern in the modern data. To measure the fiscal capacity of the modern state, we use the share of income tax revenue in total tax revenue, as the collection of the income tax calls for high administrative capacity to ensure compliance (Besley and Persson 2013). The information capacity of the modern state is another way to gauge state capacity (Lee and Zhang 2017; Brambor, Goenaga, Lindvall, and Teorell 2020). Figure 3 plots an index of information capacity averaged between 1789 and 2000 against economic performance today. We observe a strong positive correlation between the two variables.

While the stylized evidence supports the view that high state capacity enhances development outcomes, we do not want to mistake correlation with causation, as the correct causal logic may run in the opposite direction. Fortunately, there is a growing body of literature spanning multiple geographical and temporal contexts that provides causal (or causal-like) evidence for a significant positive relationship running from higher state capacity to greater development.⁶

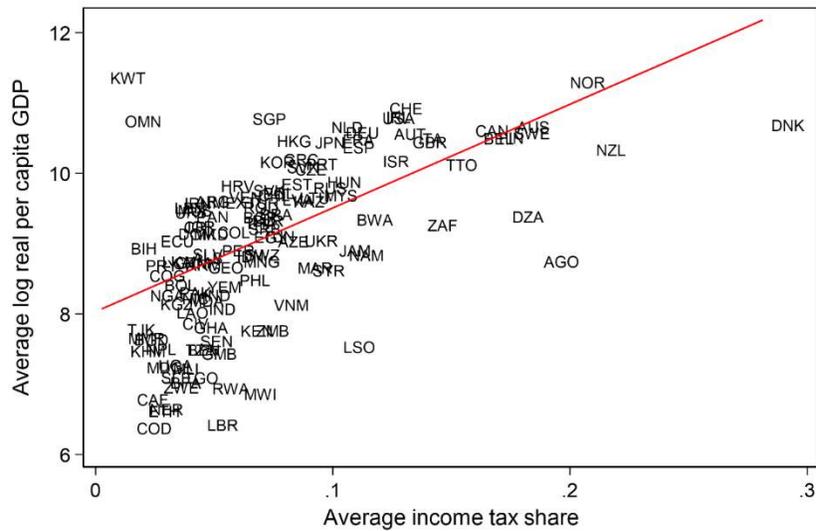
⁶ For European history, see Acemoglu, Cantoni, Johnson, and Robinson (2011), Dincecco and Katz (2016), Charnysh (2019), and Dittmar and Meisenzahl (2020). For the United States, see Acemoglu, Moscona, and Robinson (2016) and Rogowski, Gerring, Maguire, and Cojocaru (2021). For Latin America, see Acemoglu, Garcia-Jimeno, and Robinson (2015). For Africa, see Michalopoulos and Papaioannou (2013). For China, see Lu, Luan, and Sng (2020). For India, see Lee (2019) and Dincecco, Fenske, Mukherjee, and Menon (2022). For Southeast Asia, see Dell, Lane, and Querubin (2018).

Figure 1: Fiscal Capacity and Development in Western Europe, 1650-1913



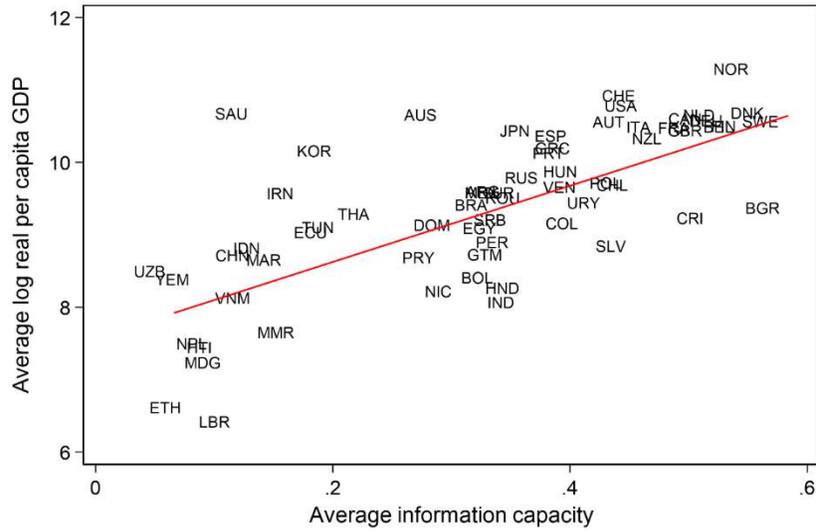
Notes: Average log real per capita GDP is in 1990 international Geary-Khamis dollars. All data are averaged over 1650-1913. For sources, see Dincecco (2017: 54).

Figure 2: Fiscal Capacity and Development Today



Notes: Log real per capita GDP is in constant 2011 national prices (in millions of 2011 US dollars). Income tax share is the ratio of income tax revenue to total tax revenue. All data are averaged over 2000-9. Nations with populations of less than one million in 2000 are excluded. For sources, see Dincecco (2017: 5).

Figure 3: Information Capacity and Development Today



Notes: Log real per capita GDP is in constant 2011 national prices (in millions of 2011 US dollars). The GDP data are averaged over 2000-9. Information capacity is an aggregate index of information capacity computed via a hybrid two-parameter and graded item response model according to five component indicators: an index of the state’s census ability; an index of the state’s statistical yearbook ability; whether there was a civil register in place; whether there was a population register in place; and whether there was a statistical agency in place. The information capacity data are averaged over 1789-2000. Nations with populations of less than one million in 2000 are excluded. For sources, see Brambor, Goenaga, Lindvall, and Teorell (2020) for the information capacity data and Feenstra, Inklaar, and Timmer (2015) for the GDP data.

5. Why State Capacity Might Fall Short

The above discussion suggests that having a high-capacity state is beneficial, as it has the potential to enhance domestic peace, improve material prosperity, and promote more pluralistic norms. Why, then, don't all societies establish capable states?

Western Europe is the birthplace of the modern state. However, the historical record indicates that the state development process there was arduous and drawn out over several hundred years (Dincecco 2011; O'Brien 2011; Hoffman 2015). There are arguably several reasons for this, including problems of geographic scale in governance (Stasavage 2011), resistance by traditional elites to centralizing reforms (Dincecco 2011), and economic underdevelopment (Abramson 2017).

A variety of factors have obstructed the historical development of high-capacity states in the non-European parts of the world. In imperial China, the localization of social networks turned elites away from the central state, producing a powerful opposition interest group (Wang 2022a). In early twentieth-century India, high-caste elites preemptively weakened the state's ability to tax, since they feared that the extension of voting rights to the lower castes would increase the demand for public goods and thus place a higher tax burden on them (Suryanarayan 2021). In the Ottoman Empire, the sultan exploited a divide-and-rule strategy that pitted different elite groups against one another, hindering the ability of elites to act collectively (Barkey 1994). In Sub-Saharan Africa, central governments have long faced the challenge of extending authority over broad swaths of territory, due both to difficult geography and low population density (Herbst 2000). In Latin America, vested elites thwarted reform efforts by central governments to project greater power (Soifer 2015; Garfias 2018). Rulers themselves have often had weak incentives to increase state

capacity, due both to the historical availability of international finance and an emphasis on trade exports of raw materials (Centeno 2002; Queralt 2019; Mazzuca 2021).

Further, European colonization has played a significant role in impeding the development of high-capacity states. In Africa, the Middle East, and elsewhere, European colonizers established “artificial” borders which did not match well with group identifications at the ground level (Alesina, Easterly, and Matuszeski 2011; Michalopoulos and Papaioannou 2016). This limited the radius of identification to fellow kin members or home villages (or regions), making it more difficult to reach consensus on national public goods provision. Arbitrary ethnic partitioning by European colonizers across different nations, moreover, has significantly increased political violence (Michalopoulos and Papaioannou 2016).

A related factor was patronage appointments by colonial governments, which reduced the incentives of bureaucrats to practice good governance. Xu (2018) shows that patronage governors in the British colonial administration were associated with significantly lower fiscal investments and greater political turmoil. Nations that experienced patronage governance during the colonial era, moreover, continue to have significantly lower fiscal capacity today (Xu 2019).

Beyond patronage, European colonization has influenced the bureaucratic capacity of modern states in other ways. For example, the French retained and enhanced the pre-existing state bureaucracy in Tunisia by incorporating local elites (Anderson 2014). This helped promote a relatively strong post-independence Tunisian state. By contrast, the Italians replaced the pre-existing state bureaucracy in Libya with one that excluded locals (Anderson 2014). Following independence, traditional kin groups captured key government roles, weakening the efficacy of the Libyan state.

Finally, it appears difficult to establish a high-capacity state through brute force only. Even with the support of the United States military, the Afghan state was generally unable to fulfill key governance functions outside the capital of Kabul during the first two decades of the 2000s (Berman 2010). Henn, Sanchez de la Sierra, Mugaruka, Ortiz, and Wu (2021) provide evidence that a major military attempt by the state to establish a monopoly over violence in an area of the Democratic Republic of the Congo that was under the control of armed non-state actors not only exacerbated violence against citizens, but also created a power vacuum in another area nearby.

6. The Dark Side of a Capable State

Thus far, we have focused on the benefits that derive from a capable state (so long as one can be established), including the potential for greater order and stability, material progress, and support for more pluralistic belief systems. By virtue of the same authority from which such benefits can flow, however, a high-capacity state can also act despotically (Acemoglu and Robinson 2019). It can ignore, repress, or predate on society, or at least on certain parts of it. Obviously, states themselves can propagate illiberal belief systems. Further, states – and non-democratic regimes in particular – can use mass education to instill norms of obedience and respect for authority that help sustain the status quo structure of society (Paglayan 2022).

Scott (2009) argues that states have historically been unfree. To meet state-organized (or state-sanctioned) agricultural goals, “civilization” has meant subordination, drudgery, and immobility for many (e.g. the *mita* in colonial Latin America; slavery in the antebellum US South). Bentzen, Kaarsen, and Wingender (2017) show that societies in which states organized large-scale irrigation were more economically unequal in history and remain more autocratic today.

Scott (2009) heralds what he terms “barbarians by design”: individuals who developed specific political, cultural, and economic organizations to ward off incorporation by the state. Such

individuals live in remote areas (e.g. hills, deserts, swamps) over which it is difficult for the state to establish authority. Nunn and Puga (2012), for example, show that, while rugged terrain is generally an economic disadvantage (e.g. due to high transportation costs), in Africa ruggedness is associated with significantly better economic outcomes, which they argue is because rugged terrain enabled individuals to escape the devastating effects of the (state-sanctioned) historical slave trades.

Davenport (2007) focuses on the ways in which state actors (e.g. the executive, the police, the military) can repress individuals in society, including violations of one's personal security; rights to free speech, travel, assembly, and boycott; and due process of the law. Davenport identifies an empirical "law of coercive responsiveness" by which states generally respond to challenges to the status quo with repressive actions.

7. How to Constrain the State

The above sections indicate that, on one hand, a high-capacity state can enhance domestic peace, improve material prosperity, and promote more pluralistic norms. On the other hand, such a state can act despotically. How, then, to harness the various public goods that a capable state can provide, while mitigating its potential to act despotically?

First, any state led by a ruler with a long-enough time horizon – what Olson (1993) calls a "stationary bandit" – should have an incentive to provide (at least a modicum of) order and limit the overall taxation of and violence against subjects, to enjoy continual revenue flows (e.g. from agricultural production). For their part, subjects may appreciate the order that the ruler imposes as it precludes theft by other "roving" bandits. Haber (2008), however, casts doubt on the historical and theoretical relevance of stationary bandits.

Beyond this basic level of constraint that stationary banditry might provide to society, scholars including North and Weingast (1989) and Cox (2016) have emphasized the importance of parliamentary supremacy over the ruler, in particular with respect to budgetary matters. According to this view, parliament must have a governance role that is both permanent and independent of the executive. Further, parliament must possess the de jure and de facto ability to oversee the state's budget. This includes authority over taxation and the right to veto new spending and audit previous expenditures.⁷ By improving the state's ability to productively use public funds, parliamentary supremacy should enhance revenue collection (Bates and Lien 1985; Levi 1988; Besley and Persson 2011).

Acemoglu and Robinson (2019, 2022) conceive of a dynamic process – what they term the “red queen effect” – in which society's ability to organize collectively and make its demands heard must strengthen in response to increases in the state's ability to enforce the rules of the game, manage the economy, and make war. In addition to political innovations such as parliamentary supremacy as described above, Acemoglu and Robinson highlight the importance of specific cultural arrangements which support popular sovereignty – namely, the cultural notion that society delegates power to the ruler on the understanding that the ruler's actions must align with their policy preferences.

Is parliamentary supremacy necessary to constrain the executive in a high-capacity state? Besley and Kudamatsu (2008) argue that, in the absence of parliamentary authority, government accountability depends on the ability of political insiders – what Bueno de Mesquita, Smith,

⁷ Stasavage (2003) makes the point that exerting (de jure) constraints over the executive must actually be in the political interest of influential groups in parliament.

Siverson, and Morrow (2003) call the “selectorate” – to remove executives that perform poorly. In Besley and Kudamatsu’s view, government accountability can take place so long as the selectorate’s political power does not derive wholly from the current executive’s power while in office. Besley and Kudamatsu claim that the Politburo in China (i.e. the group of 25 that oversees the Communist Party), for example, has been relatively effective at replacing poor leaders with competent ones over the last several decades.

Apart from voice, societal actors can threaten what Hirschman (1970) terms “exit” in order to constrain rulers. Wang (2015) argues that authoritarian leaders will limit predatory actions when they need cooperation from organized business groups that, while not politically connected, remain in control of valuable mobile assets. Foreign business investors in China, for example, have leveraged exit threats to pressure the government to (partially) commit to the rule of law, thereby providing a more level economic playing field.

8. Conclusion

In the *Federalist Papers*, James Madison portrayed the basic challenge of governance as follows: “In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself” (Hamilton, Madison, and Jay 1788[2008]: 257).

Like Madison, we view high state capacity and meaningful constraints on rulers as integral – and intertwined – components of a well-functioning state. A historical perspective reveals that Madison’s governance challenge will only be met if the ruler, elites, and ordinary citizens all find it in their best interests to support a capable state that simultaneously adheres to rules (de jure and/or de facto) that limit the government’s predatory might. To be achieved, therefore, a strong yet constrained state must comprise an “equilibrium” for all the main political actors.

Our traditional understanding of how the state increases its capacity draws from the historical experience of Western Europe. There is a growing literature that investigates the development of state capacity beyond Europe.⁸ This newer literature analyzes alternative patterns of state development on their own terms. Many developing nations have not established rule based on society's consent and are still governed by authoritarian leaders. The odds may be against the emergence of European-style nation-states in such places. We view the study of alternative paths of the development of state capacity as a promising avenue for additional research.

⁸ We have cited several such works in previous sections of this chapter.

Author Bios

Mark Dincecco is Associate Professor of Political Science at the University of Michigan. His research analyzes the long-run historical determinants of the political and economic development patterns that we observe today, with a focus on Europe and Eurasia. He is the author of numerous peer-reviewed articles and three books including *Political Transformations and Public Finances: Europe, 1650-1913* (Cambridge 2011) and *State Capacity and Economic Development: Present and Past* (Cambridge 2017). His most recent book is *From Warfare to Wealth: The Military Origins of Urban Prosperity in Europe* (Cambridge 2017, with Massimiliano Onorato). This book won the 2018 William H. Riker Best Book Award.

Yuhua Wang is the Frederick S. Danziger Associate Professor of Government at Harvard University. His research focuses on two aspects of the politics of state building: 1) What contributes to the emergence of effective and durable statehood?; and 2) After an effective state emerges, how can it be constrained? His first book *Tying the Autocrat's Hands: The Rise of the Rule of Law in China* (Cambridge 2015) evaluates how an authoritarian state can be constrained. His second book *The Rise and Fall of Imperial China: The Social Origins of State Development* (Princeton 2022) examines how effective statehood emerges and endures.

References

- Abramson, S. (2017). "The Economic Origins of the Territorial State." *International Organization*, 71: 97-130.
- Acemoglu, D., D. Cantoni, S. Johnson, and J. Robinson (2011). "The Consequences of Radical Reform: The French Revolution." *American Economic Review*, 101: 3286-307.
- Acemoglu, D., C. García-Jimeno, and J. Robinson (2015). "State Capacity and Economic Development: A Network Approach." *American Economic Review*, 105: 2364-409.
- Acemoglu, D., J. Moscona, and J. Robinson (2016). "State Capacity and American Technology: Evidence from the Nineteenth Century." *American Economic Review: Papers and Proceedings*, 106: 61-7.
- Acemoglu, D. and J. Robinson (2019). *The Narrow Corridor*. New York, NY: Penguin.
- Acemoglu, D. and J. Robinson (2022). "Non-Modernization: Power-Culture Trajectories and the Dynamics of Political Institutions." *Annual Review of Political Science*, 25.
- Acharya, A. and A. Lee (2018). "Economic Foundations of the Territorial State System." *American Journal of Political Science*, 62: 954-66.
- Albers, T., M. Jerven, and M. Suesse (2020). "The Fiscal State in Africa: Evidence from a Century of Growth." African Economic History Working Paper Series 55.
- Alesina, A, E. Glaeser, and B. Sacerdote (2001). "Why Doesn't the United States Have a European-Style Welfare State?" *Brookings Paper on Economics Activity*: 187-278.
- Alesina, A., W. Easterly, and J. Matuszeski (2011). "Artificial States." *Journal of the European Economic Association*, 9: 246-77.
- Anderson, L. (2014). *The State and Social Transformation in Tunisia and Libya, 1830-1980*. Princeton, NJ: Princeton University Press.

- Axelrod, R. (1986). "An Evolutionary Approach to Norms." *American Political Science Review* 80: 1095-111.
- Barkey, K. (1994). *Bandits and Bureaucrats*. Ithaca, NY: Cornell University Press.
- Bates, R., A. Greif, and S. Singh (2002). "Organizing Violence." *Journal of Conflict Resolution*, 46: 599-628.
- Bates, R. (2010). *Prosperity and Violence*. New York, NY: Norton.
- Bates, R. (2020). *The Political Economy of Development*. Cambridge, UK: Cambridge University Press.
- Bates, R. and D.H. Lien (1985). "A Note on Taxation, Development, and Representative Government." *Politics & Society*, 14: 53-70.
- Becker, S., A. Ferrara, E. Melander, and L. Pascali (2020). "Wars, Taxation and Representation: Evidence from Five Centuries of German History." CEPR Discussion Paper 15601.
- Bentzen, J., N. Kaarsen, and A. Wingender (2017). "Irrigation and Autocracy." *Journal of the European Economic Association*, 15: 1-53.
- Beramendi, P., M. Dincecco, and M. Rogers (2019). "Intra-Elite Competition and Long-Run Fiscal Development." *Journal of Politics*, 81: 49-65.
- Berman, S. (2010). "From the Sun King to Karzai Lessons for State Building in Afghanistan". *Foreign Affairs*, March 1.
- Berwick, E. and F. Christia (2018). "State Capacity Redux: Integrating Classical and Experimental Contributions to an Enduring Debate." *Annual Review of Political Science*, 21: 71-91.
- Besley, T. and M. Kudamatsu (2008). "Making Autocracy Work." In E. Helpman, ed., *Institutions and Economic Performance*, pp. 452-510, Cambridge, MA: Harvard University Press.

- Besley, T. and T. Persson (2011). *The Pillars of Prosperity*. Princeton, NJ: Princeton University Press.
- Besley, T. and T. Persson (2013). "Taxation and Development." In A. Auerbach, R. Chetty, M. Feldstein, and E. Saez, eds., *Handbook of Public Economics*, pp. 51-110, Amsterdam, Netherlands: Elsevier.
- Blaydes, L. and C. Paik (2016). "The Impact of Holy Land Crusades on State Formation: War Mobilization, Trade Integration, and Political Development in Medieval Europe." *International Organization*, 70: 551-86.
- Boix, C. (2015). *Political Order and Inequality*. Cambridge, UK: Cambridge University Press.
- Brambor, T., A. Goenaga, J. Lindvall, and J. Teorell (2020). "The Lay of the Land: Information Capacity and the Modern State." *Comparative Political Studies*, 53:175-213.
- Bueno de Mesquita, M., A. Smith, R. Siverson, and J. Morrow (2003). *The Logic of Political Survival*. Cambridge, MA: MIT Press.
- Carneiro, R. (1970). "A Theory of the Origin of the State." *Science*, 169: 733-8.
- Centeno, M. (2002). *Blood and Debt*. University Park, PA: Pennsylvania State University Press.
- Charnysh, V. (2019). "Diversity, Institutions, and Economic Outcomes: Post-WWII Displacement in Poland." *American Political Science Review*, 113: 423-41.
- Cox, G. (2016). *Marketing Sovereign Promises*. Cambridge, UK: Cambridge University Press.
- Dahl, R. (1961). *Who Governs?* New Haven, CT: Yale University Press.
- Davenport, C. (2007). "State Repression and Political Order." *Annual Review of Political Science*, 10: 1-23.
- Dell, M., N. Lane, and P. Querubin (2018). "The Historical State, Local Collective Action, and Economic Development in Vietnam." *Econometrica*, 86: 2083-121.

- Dincecco, M. (2011). *Political Transformations and Public Finances*. Cambridge, UK: Cambridge University Press.
- Dincecco, M. (2017). *State Capacity and Economic Development*. Cambridge, UK: Cambridge University Press.
- Dincecco, M. and G. Katz (2016). “State Capacity and Long-Run Economic Performance.” *Economic Journal*, 126: 189-218.
- Dincecco M. and M. Onorato (2017). *From Warfare to Wealth*. Cambridge, UK: Cambridge University Press.
- Dincecco, M., J. Fenske, S. Mukherjee, and A. Menon (2022). “Pre-Colonial Warfare and Long-Run Development in India.” *Economic Journal*, 132: 981-1010.
- Dittmar, J. and R. Meisenzahl (2020). “Public Goods Institutions, Human Capital, and Growth: Evidence from German History.” *Review of Economic Studies*, 87: 959-96.
- Ellickson, R. (1991). *Order Without Law*. Cambridge, MA: Harvard University Press.
- Evans, P., D. Rueschemeyer, and T. Skocpol (1985). *Bringing the State Back In*. Cambridge, UK: Cambridge University Press.
- Epstein, S. (2000). *Freedom and Growth*. London, UK: Routledge.
- Feenstra, R., R. Inklaar, and M. Timmer (2015). “The Next Generation of the Penn World Table.” *American Economic Review*, 105: 3150-82.
- Fukuyama, F. (2013). “What is Governance?” *Governance*, 26: 347-68.
- Garfias, F. (2018). “Elite Competition and State Capacity Development: Theory and Evidence from Post-Revolutionary Mexico.” *American Political Science Review*, 112: 339-57.

- Garfias, F. and E. Sellars (2022). "State Building." In J. Jenkins and J. Rubin, eds., *Oxford Handbook of Historical Political Economy*, Forthcoming, Oxford, UK: Oxford University Press.
- Gluckman, M. (1955). "The Peace in the Feud." *Past & Present*, 8: 1-14.
- Greif, A. (2006a). *Institutions and the Path to the Modern Economy*. Cambridge, UK: Cambridge University Press.
- Greif, A. (2006b). "Family Structure, Institutions, and Growth: The Origins and Implications of Western Corporations." *American Economic Review: Papers and Proceedings*, 96: 308-12.
- Grosjean, P. (2014). "A History of Violence: The Culture of Honor and Homicide in the US South." *Journal of the European Economic Association*, 12: 1285-316.
- Grzymala-Busse, A. (2020). "Beyond War and Contracts: The Medieval and Religious Roots of the European State." *Annual Review of Political Science*, 23: 19-36.
- Haber, S. (2008). "Authoritarian Government." In D. Wittman and B. Weingast, eds., *Oxford Handbook of Political Economy*, pp. 693-707, Oxford, UK: Oxford University Press.
- Hamilton, A., J. Madison, and J. Jay. (1788)[2008]. *Federalist Papers*. Oxford, UK: Oxford University Press.
- Hanson, J. and R. Sigman (2021). "Leviathan's Latent Dimensions: Measuring State Capacity for Comparative Political Research." *Journal of Politics*, 83: 1495-510.
- Henn, S., C. Mugaruka, R. Sanchez de la Sierra, M. Ortiz, and D. Wu. (2021). "The Perils of Building States by Force: How Attempts to Assert the State's Monopoly of Violence Create Lasting Incentives for Violent Banditry." Working Paper.
- Henrich, J. (2020). *The WEIRDest People in the World*. New York, NY: Farrar, Straus, and Giroux.

- Herbst, J. (2000). *States and Power in Africa*. Princeton, NJ: Princeton University Press.
- Hirschman, A. (1970). *Exit, Voice, and Loyalty*. Cambridge, MA: Harvard University Press.
- Hobbes, T. (1651). *Leviathan*. <https://www.gutenberg.org/files/3207/3207-h/3207-h.htm>
- Hoffman, P. (2015). “What Do States Do? Politics and Economic History.” *Journal of Economic History*, 75: 303-32.
- Hui, V.T.B. (2005). *War and State Formation in Ancient China and Early Modern Europe*. Cambridge, UK: Cambridge University Press.
- Johnson, N. and M. Koyama (2017). “States and Economic Growth: Capacity and Constraints.” *Explorations in Economic History*, 64: 1-20.
- Karaman, K. and Ş. Pamuk (2013). “Different Paths to the Modern State in Europe: The Interaction between Domestic Political Economy and Interstate Competition.” *American Political Science Review*, 107: 603-26.
- Koyama, M. (2022). “Legal Capacity.” In J. Jenkins and J. Rubin, eds., *Oxford Handbook of Historical Political Economy*, Forthcoming, Oxford, UK: Oxford University Press.
- Lee, A. (2019). “Land, State Capacity, and Colonialism: Evidence from India.” *Comparative Political Studies*, 52: 41-44.
- Lee, A. and J. Paine (2022). “The Great Revenue Divergence.” *International Organization*, Forthcoming.
- Lee, M. and N. Zhang (2017). “Legibility and the Informational Foundations of State Capacity.” *Journal of Politics*, 79: 118-32.
- Levi, M. (1988). *Of Rule and Revenue*. Berkeley: University of California Press.
- Lu, Y., M. Luan, and T.H. Sng (2020). “Did the Communists Contribute to China’s Rural Growth?” *Explorations in Economic History*, 75: 101-35.

- Mann, M. (1986). "The Autonomous Power of the State: Its Origins, Mechanisms, and Results." In J. Hall, ed., *States in History*, pp. 109-36, Oxford, UK: Oxford University Press.
- Mares, I. and D. Queralt (2015). "The Non-Democratic Origins of Income Taxation." *Comparative Political Studies*, 48: 1974-2009.
- Mayshar, J., O. Moav, and Z. Neeman (2017). "Geography, Transparency, and Institutions." *American Political Science Review*, 111: 622-36.
- Mazucca, S. (2021). *Latecomer State Formation*. New Haven, CT: Yale University Press.
- Michalopoulos, S. and E. Papaioannou (2013). "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica*, 81: 113-52.
- Michalopoulos, S. and E. Papaioannou (2016). "The Long-Run Effects of the Scramble for Africa." *American Economic Review*, 106: 1802-48.
- Migdal, J. (1988). *Strong Societies and Weak States*. Princeton, NJ: Princeton University Press.
- Nisbett, R. and D. Cohen (1996). *Culture of Honor*. Boulder, CO: Westview Press.
- North, D. (1981). *Structure and Change in Economic History*. New York, NY: Norton.
- North, D. and B. Weingast (1989). "Constitutions and Commitment: the Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *Journal of Economic History*, 49: 803-32.
- Nunn, N. and D. Puga (2012). "Ruggedness: The Blessing of Bad Geography in Africa." *Review of Economics and Statistics*, 94: 20-36.
- O'Brien, P. (2011). "The Nature and Historical Evolution of an Exceptional Fiscal State and Its Possible Significant for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson." *Economic History Review*, 64: 408-46.
- Olson, M. (1965). *The Logic of Collective Action*. Cambridge, MA: Harvard University Press.

- Olson, M. (1993). "Dictatorship, Democracy, and Development." *American Political Science Review*, 87: 567-76.
- Paglayan, A. (2022). "From Rebellion to Indoctrination: The Violent Roots of Primary Education Systems." *American Political Science Review*, Forthcoming.
- Pinker, S. (2011). *The Better Angels of Our Nature*. New York, NY: Penguin.
- Queralt, D. (2019). "War, International Finance, and Fiscal Capacity in the Long Run." *International Organization*, 73: 713-53.
- Rogowski, J., J. Gerring, M. Maguire, and L. Cojocaru (2021). "Public Infrastructure and Economic Development: Evidence from Postal Systems." *American Journal of Political Science*, Forthcoming.
- Scheve, K. and D. Stasavage (2012). "Democracy, War, and Wealth: Lessons from Two Centuries of Inheritance Taxation." *American Political Science Review*, 107: 81-102.
- Scott, J. (1998). *Seeing Like a State*. New Haven, CT: Yale University Press.
- Scott, J. (2009). *The Art of Not Being Governed*. New Haven, CT: Yale University Press.
- Skocpol, T. and K. Finegold (1982). "State Capacity and Economic Intervention in the Early New Deal." *Political Science Quarterly*, 97: 255-78.
- Sng, T.H. and C. Moriguchi (2014). "Asia's Little Divergence: State Capacity in China and Japan before 1850." *Journal of Economic Growth*, 19: 439-70.
- Soifer, H. (2008). "State Infrastructural Power: Approaches to Conceptualization and Measurement." *Studies in Comparative International Development*, 43: 231-51.
- Soifer, H. (2015). *State Building in Latin America*. Cambridge, UK: Cambridge University Press.
- Stasavage, D. (2003). *Public Debt and the Birth of the Democratic State*. Cambridge, UK: Cambridge University Press.

- Stasavage, D. (2010). "When Distance Mattered: Geographic Scale and the Development of European Representative Assemblies." *American Political Science Review*, 104: 625-643.
- Stasavage, D. (2011). *States of Credit*. Princeton, NJ: Princeton University Press.
- Suryanarayan, P. (2021). "Status Politics Hollows Out the State: Evidence from Colonial India." Working Paper.
- Tilly, C. (1992). *Coercion, Capital, and European States, 990-1992*. Cambridge, MA: Blackwell.
- Vogler, J. (2022). "Bureaucracies." In J. Jenkins and J. Rubin, eds., *Oxford Handbook of Historical Political Economy*, Forthcoming, Oxford, UK: Oxford University Press.
- Wang, Y. (2015). *Tying the Autocrat's Hands*. Cambridge, UK: Cambridge University Press.
- Wang, Y. (2021). "State-in-Society 2.0: Toward Fourth-Generation Theories of the State." *Comparative Politics*, 54: 175-98.
- Wang, Y. (2022a). *The Rise and Fall of Imperial China*. Princeton, NJ: Princeton University Press.
- Wang, Y. (2022b). "Blood is Thicker Than Water: Elite Kinship Networks and State Building in Imperial China." *American Political Science Review*, Forthcoming.
- Weber, M. (1946). *Essays in Sociology*. Oxford, UK: Oxford University Press.
- Xu, G. (2018). "The Costs of Patronage: Evidence from the British Empire." *American Economic Review*, 108: 3170-98.
- Xu, G. (2019). "The Colonial Origins of Fiscal Capacity: Evidence from Patronage Governors." *Journal of Comparative Economics*, 47: 263-76.