Introduction

Human life is unfeasible in the absence of some minimal political order. Without stable rules governing their social interactions, men and women live under a condition, at best, of generalized mistrust and, more often, of exploitation and open war. Deploying and pursuing any consistent and rational life plan becomes impossible to them. Freedom of action and a sphere of private life cannot exist. Innovation, investment, and growth do not take place.

And yet, despite the fundamental advantages that flow from having a stable social and political order, securing it is neither automatic nor cost free. The creation and maintenance of a set of either formal or informal rules to sustain cooperation in a given human community require the deliberate efforts and actions of its members. Because the final structure of political authority may have different consequences on the welfare of different people, political order may not take place at all: under certain circumstances some or all individuals may prefer to plunder others instead of subjecting themselves to some shared rules of behavior and to a common authority. When it happens, the internal configuration of political order responds to the economic and military capabilities of the actors that established it – shaping the political and social status as well as the wealth and life chances of everyone.

In this book I offer a theory of the conditions under which political order is possible. Accordingly, I describe the foundations of stateless societies or, in other words, the mechanisms that allow humans to cooperate with each other in the absence of a formal authority with the capacity to punish them – a state of affairs that prevailed everywhere at least until the Neolithic and that still covered wide parts of the world

at the beginning of the European colonial expansion. Next I explain why and how states, that is, formal organizations with the capacity to enforce order over their subjects, emerge – for the first time in a few places about five thousand to six thousand years ago – and spread across the globe. In the process, I outline the particular institutional forms or regimes, ranging from dictatorial and monarchical systems to city-states and imperial republics, through which political authority is established and exercised. I discuss the foundations of political obligation of each political regime – that is, why their citizens obey the state – and finally I describe the corresponding political inequalities that arise in each specific institutional solution.

Such a theory then speaks to two inextricably related questions. In the first place, it sheds light on the combination of economic and political factors that shape the distribution of income and wealth among individuals. In particular, it explains why stateless communities tend to display relatively equal distributions of income and wealth, why that relative equality gave way to much wider distributions of income and wealth – in terms of patterns of habitation, accumulation of valuable assets, and even health and height – after the agricultural revolution and the formation of states, and what accounts for the relative variation in the extent of economic inequality in state-ruled societies across regions and historical periods. This discussion includes an examination of the mostly equalizing consequences of the coming of the Industrial Revolution and the diffusion of representative democracy. In the second place, it describes the root causes of the general economic stagnation that characterizes preindustrial societies – in other words, why the agricultural revolution led to the construction of political structures that, in turn, froze economic development for a few millennia. It then explores the economic mechanisms that led to what, given the internal dynamics of the ancien régime, was the unexpected prosperity experienced by the West in the last two centuries.

The Terms of the Debate

There is certainly a long and important tradition of research in the social sciences on the nature and foundations of political order as well as on its economic and distributional consequences. Hence, before describing the theory and the empirical findings of the book, which I do in the following section of this introduction, it seems appropriate to overview the

existing work on these questions, mapping out its contributions as well as its major weaknesses, to justify the need for this book.[1]

Setting aside fundamental but ultimately philosophical analyses in the field of political thought, ranging from Aristotle and Machiavelli to Locke and Rousseau, the literature on the causes and consequences of political order can be divided into three broadly defined camps: functionalism, institutionalism, and, in a certainly less influential position today than the former two, Marxism.[2]

Functionalist approaches see political institutions (and particularly the state) as a natural response to the "market failure" or collective action problem that leads to conflict, war, and poverty. Confronted with the possibility of violence, disorder, or simply lack of social cooperation, individuals put themselves, deliberately or not, under a common agent or authority that has the capacity to coordinate them around certain norms of conduct, punish them whenever they refuse to comply with the legal order, and supply them with some public goods. The way in which these institutions emerge takes several forms and is often left unclear in this intellectual tradition. For some researchers, they appear spontaneously, in a *deus ex machina* fashion. For others, mostly coming from the field of evolutionary biology, institutions rise and remain in place through a process of natural selection that weeds out suboptimal outcomes. Mainly among neoclassical economists, individuals engage in a process of political bargaining, similar to the one that happens in markets, that results in the construction of rules and institutions to solve those collective failures. In all three cases, political institutions develop because they benefit the society they govern. In other words, it is the function they fulfill that eventually explains their existence.

Functionalist explanations face a logical conundrum. If institutions emerge or are established to discipline those individuals that have the incentives (and capabilities) to free ride on others, why should those exploitative agents agree in the first place to surrender themselves to those institutions and lose the opportunity to plunder the rest of society? And, conversely, if, recognizing the gains that come from a cooperative

[1] At this point, the reader uninterested in an overview of the current research in the social sciences may skip the rest of this section and start reading the section under the heading of "Theory."

[2] In the concluding chapter I discuss the main traditions of political philosophy (on the questions of cooperation, political obligation and institutions, and inequality) in light of the results of this book.

outcome, they agree to do so, why should anyone need to set up a state (which implies creating a sovereign agent with strong enforcement powers) to start with? In short, contrary to functionalism, the fact that a particular institutional solution may be socially optimal does not guarantee that it will be adopted by everyone. Those individuals for which it is suboptimal will resist its introduction – and they will only accept it if they are forced to. Naturally, as soon as force comes into play, the key functionalist assumption of an optimization process (undertaken by a human collectivity) collapses.

Taking a step forward, institutionalism acknowledges power and violence as central features of human nature and human relations. Although individuals certainly benefit from cooperating with each other, they may equally choose to exploit their neighbor or their contractual party. In small communities, where everyone knows each other, the daily flow of personal interactions is enough to discipline everyone into socially acceptable behavior, minimize any instance of free riding, and sustain a cooperative equilibrium. In large communities, however, where personal relations are too thin to suffice to control violence, the creation of a state is the only available solution to guarantee some peace. Yet, instead of emerging automatically or in a costless manner (as in functionalist approaches), the state comes to life when those individuals with the incentives and power to loot others, and to whom part of the specialized literature refers as "bandits," prefer to enforce a peaceful order and to protect a given community permanently – in exchange for some stable transfer of resources from the latter to themselves – over plundering it.

The political story of institutionalism has major implications for economic growth. Technological innovation and economic development are seen as following from having a particular institutional configuration in place. By allowing producers to work and invest undisturbed by the threat of war and destruction, the monarchical states that emerged a few thousand years ago in particular regions of the world, such as the Middle East and China, are said to have led to the kind of agrarian economies that prevailed everywhere until two hundred years ago. Likewise, institutionalists trace the Industrial Revolution back to the particular institutional setup of North Atlantic modern societies: contemporary growth depended, they claim, on either constitutional checks and balances that constrained state rulers and curbed their incentives to exploit economic agents (North and Weingast 1989; DeLong and Shleifer 1993) or, in a more expansive definition of institutions, the presence of a productive ruling elite (as opposed to the extractive elites

of standard ancien régime countries) (North, Wallis, and Weingast 2009; Acemoglu and Robinson 2012).

Arguably, the main problem of institutionalism is that it lacks a theory of political and institutional change. Beyond referring in a general way to the transformation of bandits into monarchs, institutionalists do not dwell on the particular conditions that triggered the emergence of bandits and the formation of the state – in particular areas of the world and at a specific historical moment. A similar point can be made about contemporary institutions and the Industrial Revolution. Independently of the fact that before 1800 there were pluralistic polities, such as classical Greece and late medieval Europe, that never experienced the kind of growth we have witnessed during the last two hundred years, institutionalists do not explain why and how the state set up by bandits-turned-into-monarchs evolved to the point of making industrial growth feasible. They either tie the origin of modern, progrowth institutions to some unidentified critical historical juncture or, in the most precise accounts, relate it to a singular historical event such England's Glorious Revolution without explaining the causes of the triumph of parliamentary forces in 1688.

Once we examine the emergence of political institutions (one of the main tasks of this book), however, we find that technological change and economic growth preceded (rather than followed) the formation of the state and the development of parliamentary structures. In other words, economic and military factors (of either a technological or biogeographical nature) turned out to play a fundamental role in shaping the nature of political order, growth, and inequality. By contrast, institutions had, at most, a partial and indirect effect (described in a more precise way in the book) on those outcomes.

Because it is mostly a theory of economic growth and, above all, because it has not developed a theory of change, institutionalism is confronted by two additional problems. In the first place, it offers a very incomplete theory of political institutions and their social foundations: it focuses on monarchical structures even though historically there have been other political regimes in place – from stateless communities to city-states and imperial republics; it does not describe the conditions that led to their formation, duration, and size and it does not have a theory of political obligation. In the second place, it has not laid out an integrated account of the consequences of both growth and institutions on inequality.

Before neoinstitutionalism spread among economists and social scientists in general, Marxism had already offered a quite influential response to the question of how both economic growth and institutional change

happened. According to Marx, economic change should be seen as the result of a process of technological innovation that shapes the structure and forces of production and, therefore, the social and institutional "superstructure." Politics adjust to economic change in an abrupt fashion. Technological change creates new social forces that, at some point, have the incentives and economic means to challenge the existing political and legal framework and the ruling elite. However, because the latter resists any change that may jeopardize its political status and economic rents, the emerging class must resort to revolutionary, violent action to impose its interests. By way of example, according to Marxism, modern inventions such as the steam power led to the formation of a capitalist class whose interests were at odds with those of the existing agrarian monarchical elites. The industrial bourgeoisie then had to break the latter's grip on power through a liberal revolution.

Marx's theory of economic growth, which in a way coincides with contemporaneous models of endogenous economic growth, is empirically more accurate than institutionalism. Economic change takes place through an endogenous process: economic agents invent and transform their surrounding world simply by working on it. As such, economic change precedes institutional change. Nonetheless, Marx's theory about the foundations of political order and about the mechanisms of political change is mistaken for at least two reasons. On the one hand, political institutions do not match underlying economic conditions (even when there is economic stasis and therefore no emerging class capable of challenging the old order). As discussed in this book, military conditions (of both a technological and geographical kind) have an independent impact on the formation and type of state. On the other hand, we have little evidence showing that political institutions were created or imposed through revolutionary action by the most dynamic and productive classes of the economy. Take again the case of the emergence of a capitalist class and the collapse of absolutist monarchies. The British industrialization was never followed by a bourgeois political revolution. In turn, the French revolution was neither preceded by an economic takeoff nor led by an economically powerful but politically excluded bourgeoisie.

Theory

The shortcomings of the main theoretical traditions available to us call for a more comprehensive theory of political order and economic

development. This theory should continue to assume, in opposition to functionalism but in line with institutionalism (and Marxism), that individuals rely on the two strategies of cooperation and exploitation to survive and prosper. That is, they may follow a productive strategy consisting in the allocation of their resources to the production (and voluntary exchange) of goods and services. Alternatively, they may adopt an exploitative or predatory strategy based on the use of violence to appropriate the assets or returns of other individuals. In contrast to the existing literature, however, this theory needs to flesh out an account of political and economic change – driven by the distribution of economic and military resources of individuals and by their choice of a particular cooperative or exploitative course of action toward each other.

In very broad terms, which I make more precise in the rest of this section, I see technological innovation as a primary engine of development, particularly in a world that started as a tabula rasa with no institutions and with identically endowed individuals. Technological change, which takes place as individuals solve problems and attempt to master their environment, interacted with climate and geography to modify the economic (and military) endowment of individuals and to generate growing economic differences across individuals. That inequality led to the breakdown of a stateless order where cooperation had been sustained by informal rules and the personal interactions of men and women with similar capabilities and interests. It also resulted in the sorting of individuals between those that benefited from applying the new technologies of production (such as fishing boats or the domestication of animals and plants) and those who did not and who, conditional on having some fighting advantage, would rather plunder those producers. In that new technological and economic context, but not before, potential looters may decide, as emphasized by some institutionalists, to become the permanent protectors of producers. Conversely, the more successful producers may try also to defend themselves against any bandits (and even exploit the latter) – a possibility unexplored among institutionalists. Whether they succeeded or failed ultimately depended on the military skills and resources of each side. Each particular political solution was then rooted in a different concept of political obligation and defined the political status of everyone differently. Moreover, those political institutions shaped, in conjunction with the underlying economic and military parameters, the distribution of wealth in society and the latter's rate of growth.

Spontaneous Cooperation

To understand the emergence of states, I start by describing an initial world where there are no formal political institutions, where men and women are endowed with identical resources, and where the technologies of production and war are very simple. Under that condition of anarchy (in the sense that there is no formal enforcer who can punish the individual who does not comply with a given set of rules), I show that human beings avoid looting (and abide by any promises or agreements they may have made to) other agents only if they are relatively equal, both in economic and military terms. Otherwise, that state of the world, which I will call a state of spontaneous or self-enforced cooperation, breaks down: those individuals that have a clear comparative advantage on military matters attempt to dominate and exploit the rest of the population; and those that are in an economically disadvantageous position relative to others have strong incentives to plunder those who are better off.

This theory of prepolitical or prestate cooperation differs from the current views on the foundations of human cooperation in several ways. Most anthropologists and evolutionary biologists see social cooperation as based on emotional ties, such as the ones that keep parents and children together, or, exhibiting a strong functionalist bent, as founded on the material gains that come from living together (Levi-Strauss 1961; Hawkes 1992). More precisely, these material benefits derive either from the presence of production complementarities among individuals or from the introduction of risk-sharing mechanisms that reduce the volatility of output (due to environmental factors). Indeed, these elements make it easier to sustain cooperation without having to rely on political institutions to enforce it. But, as shown in Chapter 1, a smoother consumption pattern and a slightly higher output are not sufficient to sustain a state of cooperation in an anarchical world. Cooperation is only a stable equilibrium in stateless societies if their level of inequality remains somehow bounded or limited.

The underlying relation between equality and (self-enforced) cooperation explains why stateless societies cannot deliver sustained, long-run growth. As explored in Chapter 1 with the help of an extremely rich body of ethnographic research, in stateless communities every one of their members monitors everyone else constantly, talking about and judging them in public, and sanctioning harshly any individual deviation from their common expectations about what constitutes good behavior – even to the point of ostracizing or killing those that defy societal norms. The goal of spending so many resources, in terms of time and specific social

practices, is to restrain any ambitious or simply more resourceful individual that, in attempting to get ahead socially or economically, may jeopardize the prevailing state of equality and lead to a situation in which he (and his clients) exploits the rest of the group. In that context, technological innovations will only happen (and will be acceptable to everyone) if everybody can benefit from them equally – either because all individuals can adopt and use them (e.g., the making of fire) or because it is easy to establish a mechanism to share the increase in output (e.g., by introducing a rule to divide equally all the game brought in by a single hunter). For some range of inventions, copying and sharing are feasible. But for most innovations, especially those of a certain complexity, they are not. As a result, in equal, stateless communities, life will be short, poor, and, given the social mechanisms in place to exact compliance from every individual, oppressive.

Growth, Inequality, and the State

The price of growth is then inequality. And inequality brings about, in turn, the breakdown of cooperation that exists in the "state of nature." This double transformation can be thought of happening as follows. In the process of producing and of improving the production process, individuals and human communities develop and apply new technologies. The extent of technological innovation and therefore production will vary among them in part because some human beings are more ingenious – they innovate more or they are more skillful in the application of new production techniques – than others. More often, however, their productivity and income will differ because, even though the new technology may be available to everyone, only some individuals will benefit from them: those living in areas that are particularly suited to the application of new technologies. The agricultural revolution is a case in point. The techniques of plant domestication were eventually available to everyone. But, because not all soils are equally fertile across the world, only those regions of the world with a particular biogeographical profile broke away from the foraging way of life a few thousand years ago.

As a result of biased technological change, individuals become more heterogeneous among themselves, to the point of favoring very different economic and political strategies. Those that benefit from technological change and have a comparative advantage in production will continue to prefer the existing cooperative equilibrium. By contrast, the least advantaged individuals have now strong incentives to plunder the output of the most productive individuals. The self-enforced or informal cooperation

equilibrium of primitive communities will then collapse – giving way to a Hobbesian world of systematic conflict.

Types of State Institutions

Peace and growth can only be preserved through the creation of an organization with the incentives and capacity to monopolize violence and enforce order among both looters and producers. This new structure – the state – comes into place through two essentially different paths depending on who sets it up and controls the levers of power: the natural producers, that is, those that benefit from the technological shock; or the potential looters, that is, those that did not benefit, at least in relative terms, from technological change. In the first case, the producers invest in establishing and managing some defensive structures against noncooperative individuals. In the second case, some potential looters restrain themselves from plunder and, in exchange for some continuous flow of transfers or rents from producers, offer some permanent protection to producers. Both solutions give birth to permanent political institutions and hence to political order and peace. But each strategy leads to a different kind of political regime and has different redistributive consequences. In the first instance, producers create a state with horizontal or self-governing structures. In the second one, looters become the governing elite of a dictatorship – or a monarchy when it becomes hereditary.

The process of state formation (out of a state of anarchy) has received considerable analytical attention recently (cf. North 1981; Olson 2000). Nonetheless, as I pointed out earlier, it has pivoted entirely around the monarchical solution and the decision of "roving bandits" to become "stationary bandits" or permanent lords who then distribute a set of rents to themselves and their immediate followers. Although the monarchical path is a fundamental way to establish a state, in this book I modify the existing literature in several directions: I develop a richer story of the institutional forms states can take; I specify the conditions that determine the timing of state formation, the particular institutional structure it may adopt and the average territorial size and duration of each type across the world and over time – particularly before the Industrial Revolution; and I explore the effects of state institutions on inequality and growth. I discuss the first two contributions in the rest of this subsection. The following two subsections summarize the main insights of the book on the relationship between political institutions, inequality, and growth.

I move beyond the Olsonian story of bandits-turned-into-monarchs in two ways. On the one hand, I develop the alternative outcome of the