

It is not clear that the global property rights regime has banished the spectre of intervention for good. Dispute resolution requires enforcement, yet the diffusion of power away from the United States means that key actors are more prone to collective-action problems, and more heterogenous in preferences than ever. Additionally, insurance against political risk, rather than blunting domestic pressure to intervene, may simply transfer interventionist desires to insurance companies. None of this should be taken as a major criticism of the book. Indeed, should prevailing institutions prove less than robust, *The Empire Trap* is precisely the book I would pick up to understand how to protect property rights absent global regimes.

Armed State Building: Confronting State Failure, 1898–2012. By Paul D. Miller. Ithaca, NY: Cornell University Press, 2013. 264p. \$35.00.

In the Shadow of Violence: Politics, Economics, and the Problems of Development. Edited by Douglass C. North, John Joseph Wallis, Steven B. Webb, and Barry R. Weingast. New York: Cambridge University Press, 2013. 376p. \$99.00 cloth, \$34.99 paper. doi:10.1017/S153759271400303X

— Ethan B. Kapstein, *Arizona State University* and *United States Institute of Peace*

According to the World Bank's 2011 *World Development Report* (WDR), a billion and a half people live in countries affected by fragility, conflict, or violence, which it identified as a significant impediment to long-run economic development. Violent conflict can derail a nation's development through many different channels, including the loss of human and physical capital, the shift in public spending away from public goods and toward the military, and the weakening or destruction of political, social, and economic institutions, including property rights. Further, fragile states can harbor terrorist or criminal organizations whose activities may threaten nations around the world.

These statements will not surprise any reader, yet in a way they should. Consider the economic development courses that are currently taught at universities and the textbooks they use. How much time and space is devoted to violence as a development problem? As an example, one of the most widely used texts devotes just a single paragraph to civil war, and that was only introduced in its most recent edition (see Dwight Perkins, et al., *Economics of Development*, 2013). Fortunately, this gap is being filled as a new literature emerges, exemplified by the books under review, that seeks to question how violence shapes the long-run trajectory of nations and what the international community can do to remedy fragility and conflict in weakly governed states.

The origins of this literature may be traced, in an important sense, to the early work of Nobel Prize-winning economist Douglass North on the role of institutions and

property rights in explaining differing patterns of economic growth (see his *Institutions, Institutional Change, and Economic Performance*, 1990). North famously argued that institutions provide societies with their underlying incentive systems, the rules of the behavioral game for economic activity. He further suggested that there was a causal relationship between the quality of a nation's institutions and its long-run growth. That relationship has been at the core of much of the scholarship in the economic development literature ever since (for a recent, best-selling example of the literature, see Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, 2012), and it is also reflected in the creation of policy tools like the World Bank's Worldwide Governance Indicators (www.govindicators.org), which seek to provide proxy measures for institutional quality.

This body of work has left many questions unanswered, however, including which institutions are really crucial to long-run growth and, assuming that set can be identified, how societies can make the transition to better institutional environments, especially in the presence of elites who likely prefer the status quo ante. These issues of institutional identification and change remain major stumbling blocks for those who seek to draw operational policy lessons from the literature.

The vexing problem of how to change elite preferences reveals a major (perhaps *the* major) theoretical challenge to the current body of work on institutions. If, from a game-theoretic perspective, institutions represent a given social equilibrium, a balance of power among contending forces, what would cause that equilibrium to change? The classic solution that emphasized the disruptive effectiveness of exogenously delivered technology has been upended as economists now accept the thesis that technological change is, in itself, endogenous to a given set of institutional arrangements. Without a compelling theory of change, however, what can scholars say or policymakers do about nudging societies from one equilibrium path to another? The best that North and his colleagues can offer is a grab bag of forces that could create shocks to the existing system, including "relative prices, technology, demographics, [and] external threats" (p. 15). This laundry list approach, however, does not represent a major advance over North's earlier, pioneering work.

The editors distinguish a society's institutional arrangements according to the fundamental rule of who has access to the economy and polity. They suggest that most developing countries remain what they call "Limited Access Orders" (LAOs), in which only certain members of society (e.g., those drawn from particular ethnic or religious groups) can achieve the commanding heights. By definition, growth is stifled in an LAO; as Adam Smith remarked more than two centuries ago, growth is limited by the size of the market. Long-run growth, then, is a function of the degree of access.

This notion was spelled out in detail in an earlier volume by North, John Joseph Wallis, and Barry N. Weingast, *Violence and Social Orders* (2009; reviewed in these pages in March 2010), which some scholars may have thought had finally driven the last nails into the coffin of modernization theory (which is remarkably Lazarus-like in its refusal to die). Here, they have continued that research program by producing a series of case studies prepared by country specialists. While the case studies, drawn from such countries as Bangladesh, the Philippines, the Democratic Republic of the Congo, and Chile, will undoubtedly be familiar to many readers, the LAO framework sheds new light that makes each of them worth fresh study.

Still, *In the Shadow of Violence* would have been methodologically stronger had the editors made an explicit effort to justify their case selection. While it seems that their idea was to represent the range of possible LAO configurations (for North and his colleagues, LAOs come in different variants, depending on the ability of the ruling elite to rearrange the rents peacefully in the aftermath of the aforementioned shocks; “fragile” LAOs will face renewed cycles of violence, while “mature” LAOs can usually achieve a new and peaceful equilibrium), the supposed variance across cases is not as clear as it could be, in part because the book’s categorizations of LAOs is not always consistent. In their introduction, for example, the editors describe the weakest LAOs as being “fragile,” whereas Bangladesh in the chapter is described as “vulnerable” (a term that is especially confusing in this particular case since the “vulnerability” of Bangladesh is viewed, at least in some academic circles, as being geographic and climatic as much as political).

Along these methodological lines, one additional point might be made: It is intriguing that the editors did not dedicate at least one chapter here to large-n, cross-country analysis. This suggests the difficulties they have faced in creating a set of proxy variables that would allow scholars to test the extent to which a given society is an LAO, or how much of an LAO it is compared to other places. This would seem like a natural next step to take with respect to this research agenda.

Without a theory of endogenous change, scholars and policymakers can always rely on exogenous forces to do the heavy lifting. For Paul D. Miller, the exogenous force for change comes from foreign military powers. Indeed, what Miller calls “armed state building” (and what Douglas MacDonald many years ago called “reformist intervention”; see MacDonald, *Adventures in Chaos*, 1992) may be conceptualized as an extreme approach to improving governance in politically contested regions.

Miller’s well-written and clearly argued book has many attributes that make it a worthwhile read for scholars and public officials alike. He provides an intriguing framework for comparing efforts at armed state building over the past century or so, and provides detailed case studies of five

such episodes: Germany, Nicaragua, Liberia, Sierra Leone, and Afghanistan. He justifies the sample in terms of its regional and temporal diversity and the differing missions that the foreign powers set for themselves in each setting.

On the basis of his broad historical understanding (he has examined some 40 state building episodes going back to 1898) and his deeper dives into particular episodes, Miller theorizes that the success of such efforts is a function of matching state-building strategies, on the one hand, with the underlying causes for state failure, on the other. He writes that the “argument of this book is that there are different types of state failure and, therefore, different strategies of state building will be appropriate in different circumstances” (p. 9). According to the author, states can fail, *inter alia*, because they fail to provide security, or win legitimacy, or generate economic growth.

While that seems so commonsensical as to barely require a book to make the argument, Miller shows it is anything but. Instead, foreign policymakers all too often approach the challenge of state building with a mix of assumptions and tools that may have little relevance to the situation they actually face and with a set of bureaucracies that are incapable of generating a coherent response. America’s recent experiences with state building in Afghanistan would alone provide ample fuel for his fire, but he adds to the pyre with myriad other examples.

Still, Miller argues that state building can succeed and that it has done so on several occasions in the past, most notably in postwar Germany. He usefully reminds readers that Germany’s postwar political and economic success was not overdetermined by the simple fact of Allied occupation—in that context, it should be recalled that the most advanced American plan for postwar Germany (the Morgenthau Plan) envisioned a breakup of that country into numerous small states, which would likely have spelled political and economic disaster for the entire continent—and that the steps ultimately taken by the occupiers to reintegrate at least the western half of Germany into Europe were crucial to peace and prosperity in the shadow of the Cold War.

Yet Miller’s work generates puzzles of its own. For one thing, the author draws on a surprisingly narrow body of literature, making scant reference to recent work in economic development theory and institutionalist political economy, as exemplified by such authors as North and Acemoglu and Robinson (the major influence on his thinking seems to be the democratization literature, which he uses to good effect). Second, he fails to review the arguments of earlier books, like MacDonald’s *Adventures in Chaos* or Michael Shafer’s *Deadly Paradigms* (1998), which addressed some of the same themes. Third, the book raises a few methodological questions, and, in particular, his coding of the duration of conflict and state-building episodes may be questioned by some experts.

These are mere quibbles, however. Instead, the main limitation of Miller's book is found in his theory of "success" in state building. Returning to his core idea that foreign strategies must match the underlying causes of internal dysfunction, he fails to pursue to the full extent the underlying structural difficulties that such strategies can encounter when faced with local forces that resist change. In business school classrooms, students are constantly reminded that dreaming up a corporate strategy is far easier than executing it in the face of challenges from competitors, suppliers, consumers, and stakeholders, including civil society and governments (just think of how many firms have survived over the past 100–150 years of economic and technological change).

Similarly, even the "best" thought-out strategies for armed state building (Vietnam is, at least arguably, a case in point) can fall flat when confronted by determined elites who have no interest in democratization, the market economy, redistribution, civil rights, or the four freedoms. In short, they may confront hardened LAOs—as Presidents John F. Kennedy and Lyndon Baines Johnson encountered in such countries as the Dominican Republic, Haiti, and Vietnam—which resist even the coercive interventions of great military powers. How do foreign powers crack open these limited access orders? How do they eliminate rent-seeking behavior and its associated maladies? Answering these questions must be crucial to any true theory of state building, whether armed or not. It is not really my purpose to fault Miller here; answering these questions has proved a tall order for social science in general.

Mirroring the theoretical confusion in the scholarly ether is bureaucratic confusion among foreign governments when confronted with the problem of reforming fragile or failed states. This has produced a general flailing about as SWAT teams of aid workers import programs aimed at promoting such things as the rule of law, women's empowerment, microfinance, and democratic elections. While each of these projects undoubtedly has a great deal of merit, the causal relationship between such interventions and the outcomes that foreign powers are seeking (which are often poorly defined) is not well established. Indeed, the state builders have shown relatively little interest in gathering and making publicly available the kind of data and evidence that would help scholars to study what works and what does not in terms of effective interventions.

To summarize, the books under review provide an excellent introduction to the world of fragile and conflict states. They are both well written and clearly argued, and *Armed State Building* in particular is a real pleasure to read. Both make important contributions to tough scholarly and policy problems, and in so doing deserve wide followings in universities, governments, and nongovernmental organizations (including among the implementers of foreign aid programs). They may not have answered all of the big questions when it comes to institutional change and policy

reform, but who has? These issues continue to provide fertile ground to social scientists in search of some really big theoretical game.

The Terrorist's Dilemma: Managing Violent Covert Organizations.

By Jacob N. Shapiro. Princeton: Princeton University Press, 2013. 352p. \$29.95.

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— Barak Mendelsohn, *Haverford College*

The abundance of books on terrorism attests to the demand for greater knowledge about the subject. Particularly in terrorism studies, numbers do not always translate to quality. Consequently, a book can make a major contribution not only by offering a new theory but sometimes by refusing to go along with trendy simplistic notions and by articulating fundamental insights that most serious observers of terrorism share. Jacob N. Shapiro's book *The Terrorist's Dilemma* does all these things and more. Shapiro negates the simplistic view of terrorist groups as unitary actors, and he articulates an understanding shared by many scholars concerning the dilemmas that terrorist leaders face when they run a secretive organization. But he goes further by linking the relationship between security, efficiency, and control to the structure of terrorist entities, cautiously testing hypotheses on three sets of case studies of terrorist organizations—from Tsarist Russia, Northern Ireland, and the Israeli-Palestinian conflict—and making thoughtful recommendations about organizational trade-offs that terrorists make and how they should affect states' counterterrorism policies.

Shapiro's starting point is that terrorist groups are not unitary actors but organizations, and as such they feature many of the problems that organizations face. However, contrary to most organizations, terrorists use violent means in pursuit of their goals, which in turn puts them under pressure from state authorities. The result is that problems encountered by all organizations get amplified with terrorist groups and force them into making important trade-offs. Similar to other organizations, terrorist groups are bureaucratized entities with a number of layers. So long as all members of a terrorist organization have similar views of its objectives and the way to realize them, the organization faces "only" the extremely difficult challenge of coercing state enemies, which enjoy superior capabilities, to comply with the terrorists' demands. Because power asymmetries do not allow terrorists to mount a full-scale conventional assault on reigning powers, the achievement of their objectives depends instead on a calibrated utilization of force. Terrorists must strike a hard-to-find balance between the need to inflict pain and the danger of provoking a backlash from authorities and the public whom the terrorists claim to represent and whose support they seek and require. Shapiro elegantly shows how