

# WARS, — *and* — GUNS, VOTES

*Democracy in Dangerous Places*

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## *Chapter 8*

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# STATE BUILDING AND NATION BUILDING

**F**AMOUSLY, PRESIDENT BUSH BEGAN BY deriding state building and ended up attempting it. I am going to suggest why it is so difficult. The now-successful states were built through a painfully slow and circuitous process of formation that turned them into nations with which their citizens identified. This enabled them to undertake the collective action that is vital for the provision of public goods. In the high-income societies we have come to take these features for granted: so much so that we have forgotten that they are essential. Legally, states can be built by the stroke of an international pen: they need only recognition. This is how the states of the bottom billion came into existence. They have not been forged into nations, and so they face an acute lack of public goods.

Most modern states were once ethnically diverse. The boundaries of a modern state generally emerged not out of deepening bonds forged out of a primordial ethnic solidarity but as the solution to the central security issue of what size of territory was best suited to the creation of a monopoly over the means of violence. Often the sense of a common ethnic origin bonded to the national soil was imagined retrospectively: conjured up by the urban, middle-class, romantic nationalists of the nineteenth century.

State formation was driven not by a sense of community but by the unusual economic properties of violence. We now know that violence is not something that emerged as a result of the formation of states: on the contrary, stateless societies are horribly violent. The production of violence depends upon the available technology. Hunter-gatherer societies are inherently extremely violent because the technology does not permit anything else: the winning strategy for a group of hunter-gatherers is the preemptive strike against neighbors through the predawn raid, catching your enemies detached from their weapons. Any group sufficiently quixotic to trust a peace deal gets eliminated before it can change its mind. So violence is intrinsic to such societies: they would more accurately be described as hunters, gatherers, and killers. However, with technological advance the production of violence becomes subject to specialization and economies of scale. Both make violence a paying proposition.

Start from a primitive landscape with no government and many identical households and now introduce a minimal degree of differentiation. Some people are more productive than others and some people are stronger than others. From the resulting four different types of people, ask yourself how one type, the unproductive strong, are going to earn a living? They are going to plunder those who are productive but weak. By abandoning their incompetent efforts to produce and specializing in violence, the unproductive strong get even better at violence. Violence requires skill and hence gives an advantage to professionals.

Onto this scene of specialization now add economies of scale in violence, this being a fancy way of saying that size matters. It is this that makes violence distinctive. Other economic activities had to wait until the industrial revolution before scale became important. A thousand-person farm was no more productive per person than a one-person farm; a thousand-person firm of cobblers was no more productive per person than a solo cobbler. But a thousand-person

army could kill, one by one, a thousand solo fighters: large groups of professionals tend to defeat small groups of professionals. Not always and everywhere: small armies can win if they have better technology and better management; there is even room for differential heroism. The race is not always for the swift, but that is where to put your money.

So, by forming or joining a large group of professionals that establishes a monopoly of violence over a territory, you as a member become safer from attack. That is clearly a powerful incentive. But safety is not the only consideration: life can only be sustained with income. People specialized in violence forgo the chance to produce. Where is your income to come from? The answer, as any mafioso knows, is that having established a monopoly of violence, you now have the power to extort from other inhabitants of the territory. Why do the inhabitants not run away? Perhaps your army can enforce penalties for attempting to escape: you are able to turn the inhabitants into serfs. Perhaps the inhabitants have nowhere to run because the neighboring territories are dominated by similar armies, so flight would merely get them out of your frying pan into some other army's fire. Perhaps the protection from other predators that is a consequence of your local monopoly of violence is worth the payments. You, the army, are inadvertently supplying a public good: you have become a state.

Although the public good of security for the locality may be inadvertent, you gradually realize that it is in your own interest to supply a few other public goods. One is to help your inhabitants to trade with one another. If they become richer, then you can become richer by taxing them. So you provide a contract-enforcement service for them; after all, you are good at enforcement. You call it a court, and around it grows a legal system. You might also run to some trade-enhancing infrastructure: roads, bridges, and marketplaces. You might even, though this takes a certain amount of vision, put a few limits on yourself. By closing off some options, you

make your richer subjects less inclined to adopt the infuriating defensive strategy of refusing to invest. We have arrived at a state, but not a modern one: the range of public goods is too limited because the interests of many people are ignored.

The final step from a state that is effective but serves the interests of a minority to one that serves everyone is another long haul. Once hemmed in by neighboring states, these become the primary threat: either you defeat and swallow them or they defeat and swallow you. Arms races develop. This requires high taxation, and the warfare generates a sense of nationalism: people start to sense a common identity. As the effective state facilitates economic growth, even the politically weak become better off, and this, together with an emerging sense of common identity, gradually makes them more powerful. Recall that autocracies become more prone to political violence as income rises. More specifically, they become increasingly beset by riots, demonstrations, and political strikes. The sense of common identity further eases the collective action of protest. Better provision of public goods is gradually prised out of the elite by this pressure. To make these improvements credibly permanent, elites also concede limited extensions of the franchise: the society inches toward modern democracy.

IN TRYING TO APPLY THESE simple but powerful economics of violence to the actual history of state formation, it is always convenient if we can find a starting point for history. In the process of European state formation, to my mind, the natural starting point is the fall of the Roman Empire during the fifth century. This has some rudimentary analogy to the decolonization of Africa in the mid-twentieth century. Given the suddenness of the decolonization of Africa, which was basically over a decade after it had first been seriously contemplated, the closest analogy is with the decolonization of Roman Britain.

The decolonization of Roman Britain was even more abrupt than that of Africa. Britain had the single largest unit of the Roman army, around 15 percent of the imperial force, paid for by astonishingly heavy taxation of the British economy. So whoever was in charge of this army had the potential for conducting a coup d'état. As the Roman Empire hit political turbulence in the late fourth century, twice in twenty-five years the head of the Roman army in Britain tried to become emperor. Since the first attempt in 380 had failed, the leader of the second attempt in 403 decided to improve his chances by taking his army with him on a march toward Rome. He still lost, but in the process Britain suddenly lost its army. Since the Roman government in Britain had been military, not only did Britain lose its army, it lost its government. The history of Britain post-403 makes the post-colonial history of Africa look like a staggering success. Within a few years the British had petitioned Rome to be recolonized: even heavy taxation was preferable to the absence of security and government. But Rome was not in a position to respond, so British society was left to its own devices. What followed was a descent into civil war, the collapse of public goods to the extreme extent that the urban economy disappeared. People fled the country, the mass of emigrants across the Channel nostalgically naming their new home Brittany.

So this is our beginning: post-Roman chaos. It took Britain, and indeed the rest of Europe, centuries before local thugs coalesced into miniature states, each able to keep a degree of order within its own territory but fearful of its neighbors. By 1555 the German-speaking territories still had no fewer than 360 states. Gradually the states became more frightened of one another than of threats from within their own societies. To defend against neighbors they needed a large standing army. Big defense costs money, and the only sources were taxation or borrowing on a scale not seen since the days of the Roman Empire. Taxation has its limits. If people are taxed beyond their willingness to pay, they will take evasive action, conniving with the



tax collectors so that they bribe the collector instead of paying the state. Ultimately, if taxes get too onerous, people retreat into activities that cannot be taxed.

Borrowing is even more of a potential minefield for the state. Whereas taxation is basically coercive, borrowing depends upon people actually volunteering to lend the state their money. Even if they are prepared to lend it, they demand interest, and if the interest rate is high the borrowing becomes unsustainable, the military effort collapses, and the state is defeated.

The first European state to discover how to raise money on a sustainable basis through taxation and borrowing was the tiny commercial state of the Netherlands. This tiny society had a territory badly suited to defense: recall that mountains come in handy. The Netherlands is the least mountainous country in the world. Worse, its citizens were disproportionately urban and bourgeois, not groups with a strong fighting tradition. The Netherlands was facing a massive war machine: the Hapsburg Empire. In this David-and-Goliath struggle, David was sufficiently desperate that it had to evolve one advantage: the ability of the state to raise money. Even here it was up against a huge disadvantage: the Hapsburg Empire had the gold and silver mines of Spanish America.

The critical invention of the Dutch was political accountability. People were only prepared to tolerate high taxation if the government of the state became accountable to citizens. Not all citizens, of course, but the rich citizens who were paying the taxation. Further, with an accountable state the government was able to borrow: people were prepared to lend once they saw that the government was being forced to conduct its finances in such a way that it would always be able to pay them back. The Hapsburgs found that gold and silver were not quite enough, and so they too decided to borrow. But nobody had forced them into accountability. And so the battle for the Netherlands turned into a battle of interest rates. The power of compound interest to gradually gut the finances of a prof-

ligate borrower ensured that final victory would go to the state with the better credit rating. The Hapsburgs had a huge empire and the bullion mines of Spanish America as collateral, and the Dutch had a tiny area and political accountability. The power of compound interest takes time, but the Dutch were able to borrow for around 6 percent whereas the Hapsburgs were paying up to 22 percent. That is, when they could borrow at all: before the end of the war they had gone bankrupt and were shut out of the credit market. David beat Goliath.

Gradually, other states learned the Dutch lesson. Those that didn't got swallowed by those that did. Interstate warfare had two consequences. One was the sentiment of nationalism. It was to rationalize these sentiments that the educated, urban romantics of the nineteenth century conjured up the notion of deep ethnic roots that defined the nation. The clash of states became the clash of ethnicities: the myth of a common ethnic identity was forged on the battlefields. The sense of a common enemy and the myth of shared ancestral origins unified the inhabitants of the state into the people of a nation. The result was potent. As a benevolent force it provided the bonds that, via protest, enabled the ample provision of public goods: probably for the first time in history the collective action problem was overcome for the common good. As a malevolent force it generated vilification of the other: for example, in the First World War the British press was routinely describing Germans as Huns.

The other consequence of warfare was the spread of fiscal accountability: governments had to become accountable to the rich, otherwise they could not raise sufficient taxation and debt. But at this stage states still had not reached anything that looked remotely like the modern liberal state. It was not yet democracy and it was certainly not yet the use of taxation for social spending. The states of the mid-nineteenth century were run by the rich, and their priority was national security. The road from there to the present is paved with political protest from the excluded. Gradually, little by

little, to avoid worse, the rich expanded the franchise. This enabled them credibly to commit to redistributive reforms that became irreversible without being so drastic that the economy was damaged. Nations inched toward democracy, and as they did so the priorities of government inched toward the priorities of ordinary citizens—the supply of public goods such as health and education instead of simply defense. Gradually the state became captured by the interests of ordinary citizens: we have arrived at the modern liberal democracy.

The evolution of the modern state was, on this analysis, violence driven. Step by step, the predatory ruler of the mini-state had evolved into the desperate-to-please, service-promising, modern vote-seeking politician. Such have been the crooked byways by which the modern state has evolved into its role of providing public goods.

Potentially, scale economies in violence permit the continued coalescence of states into superstates. The world has repeatedly seen the emergence of such enormous military territories: Rome, the Mongols, the Hapsburgs, the British, the French, the Portuguese, the Russians, and the Austro-Hungarians. Often the process is very rapid: technology can permit states to expand explosively. The development of the stirrup in the geographic context of the steppes suddenly enabled the Mongols to build the largest land empire ever known. Similar expansions occurred during the nineteenth century. When the pace of expansion gets sufficiently far ahead of the process of building a common identity, the resulting superstates face overwhelming problems in trying to establish a common identity. Instead of becoming *nations*, by default they become *empires*.

Nation building depends upon the choices made by political leaders. Their choices influence the pace with which empires turn into nations. The Romans took centuries but eventually began turning their empire into a nation by granting rights of citizenship to its inhabitants. At the other end of the spectrum of leadership in-

competence, Haile Selassie was so besotted with the idea of being an emperor that within a decade he turned the new federal state of Ethiopia and Eritrea into an Ethiopian Empire with Eritrea as its colony. By the time he did this, his strategy was doomed: the age of empires was over.

The age of empires came to an abrupt end for a variety of reasons, but probably the most powerful was the rise of America to primacy and its resolute antipathy to them. The seeds were sown by President Wilson at the Paris Peace Conference after the First World War. Wilson committed himself to the principle of self-determination of peoples, a concept entirely revolutionary to the then-established principles of international relations. Self-determination implied that instead of identity continuing to adjust to political borders, borders would be adjusted to wherever identity formation had been reached: the music had stopped and peoples rushed to sit down on the chairs. Self-determination was put into practice in the Versailles Treaty, most notably in the territorial mosaic that in due course yielded the catastrophe of the Balkans, but it really came into its stride after the political showdown between America on the one side and Britain and France on the other that constituted the Suez crisis of 1956. Following Suez the British rapidly dismantled their empire, creating precedents that forced the French and Portuguese to follow. Ultimately self-determination even dissolved the Russian Empire. As a result, during the second half of the twentieth century the number of independent states increased massively.

This process of state formation was entirely different from state formation Mark I. With rare exceptions, the new states did not emerge as the solutions to struggles to provide security. It is usually said that the boundaries of the new states were arbitrary. This is not entirely fair to the colonial authorities that faced the task of turning a vast multitude of ethnic communities into manageable countries. The fundamental problem was that neither of the two processes that had happened in the formation of modern states had taken place:

there had been neither the emergence of territories viable in terms of security, nor the retrospective creation of an imagined community among the inhabitants of these security-defined spaces. In Africa alone there were some two thousand ethno-linguistic groups. Yet if each were made a nation, its territory and population would be far too small to reap adequate scale economies of security: they would be insecure both internally and externally.

Thus, although the instant states that came into being with the dissolution of the colonial empires were ancient societies with a multiplicity of strong ethnic loyalties, usually they lacked national loyalty: people's primary allegiance was to their ethnic group. As I have argued, this severely impeded the provision of public goods. Anything public was simply up for grabs: a common pool resource, the control of which depended upon winning the political struggle between the various ethnic groups. Much the surest way of overcoming this problem would be to follow the earlier model of nation building: gradually erode ethnic identities and replace them with a national identity.

One reason that ethnicity is considered an embarrassing topic by many Africans is that it is seen as a throwback, the antithesis of modernity. As modernization proceeds it will surely fade with time. This is a comforting proposition, but as is repeatedly the case, being comforting does not make a proposition true. There is no substitute for evidence. The evidence from recent surveys of attitudes across nine African countries by Afrobarometer is not encouraging. It found that if people are educated they are *more* likely to identify themselves through their ethnicity. The same is the case if they have a wage job as opposed to the traditional occupation of farmer. The same is the case if they have experienced political mobilization. So development, with the attendant education, jobs, and electoral competition, is increasing the salience of ethnic diversity rather than erasing it. Perhaps this is because it is in the modern economy rather than the traditional economy that the ethnic political contest is being

played out. Farmers can stay semidetached from the consequences of ethnic politics, but if public sector jobs are assigned on the basis of ethnic allegiance, then education and wage employment would indeed make ethnicity more important.

Yet if the many disparate ethnic communities had been packaged together into a few states large enough to be secure, they would have faced a horrendous task of giving their inhabitants the emotional identity necessary for a state to function. In the event, the two thousand ethnic groups inhabiting Africa were bundled into fifty-four national territories. Was this too few states, resulting in unmanageable ethnic diversity, or too many, resulting in a lack of security economies of scale?

The decolonization of the bottom billion produced a patchwork of little states not utterly different from the situation of post-Roman Europe. But from then on the stories diverge. To a large extent borders of the bottom billion have been frozen: they did not face powerful challenges from their neighbors, at least not to the extent of fearing that they would be absorbed. I can think of only two mergers between countries in the past fifty years, both in 1989: the East German ambassador to North Yemen was uniquely unfortunate in becoming doubly redundant. The general trend has been the opposite, a further splitting of already small nations as rights of self-determination became recognized. And so, despite the arms races in Lilliput, the governments of the bottom billion have not engaged in international wars to anything like the same extent as did the European states of the nineteenth century. The resulting reduced need to tax has been reinforced by aid: in the typical country of the bottom billion the government gets around a third of its expenditure met by aid. The combination of modest military spending and high aid has left the tax burden quite light: often around 12 percent of GDP. This level of taxation has been too low to provoke citizens into demanding accountability.

I began to think more rigorously about how a corrupt ruler



might view taxation. Suppose, say, that you were President Mobutu, how heavily would you have taxed your society? It struck me that the lightness of the taxation may have been a deliberate strategy. Mobutu clearly wanted money, and he was also periodically pretty short of it. Mobutu did not amass a huge fortune; the revenues he grabbed from the Zairean state were used to buy loyalty from his enormous entourage. His first and foremost source of revenues had been to bleed the companies that were extracting natural resources. But once he had ravaged these companies to the point of ruin he did not turn to heavy general taxation, instead he turned to the printing press, the same solution that President Mugabe has hit on.

Hyperinflation is a very high-yielding form of taxation, and what is best about it is that people do not recognize it as a tax. In fact, it is a tax on holding money. If prices double every month, as they did at one stage in Zaire and are doing at present in Zimbabwe, then effectively the state is imposing a monthly tax of 50 percent on all the cash that people are holding. Work out what the state gets. Take a typical person who gets paid monthly and spends his income evenly through the month. On average he will be holding two weeks' worth of income as cash. So 50 percent inflation grabs one week's worth of income. Since it does this every month, over the year it amounts to a 25 percent tax on income. Not bad for a tax that people do not regard as a tax! The reason hyperinflation is not more common is that the revenues do not last. As people get used to high inflation they find ways of holding less money relative to what they spend: for example, they buy as much as possible as soon as they get paid. That is why hyperinflations are explosive and end in tears. Both Mobutu and Mugabe used it only as a last resort. As an addendum I will take the opportunity of final revisions to the text to update the figure on Zimbabwean inflation. Prices are no longer doubling every month: they are doubling every week.

Corrupt rulers might be wary of explicit taxation because of its capacity to provoke opposition. They do not want to tax so heav-

ily that they provoke irresistible demands for accountability. It is no good having huge tax revenues if they then have to be spent on things that benefit everyone: your supporters will have no reason to stay loyal if they are rewarded no better than anyone else. So you must trade off high taxation against higher accountability. Economists like to set out choices as decision problems in which somebody is trying to maximize something: a firm might be trying to maximize profits, or an individual to maximize happiness. Indeed, crude as it is, this is what gives economics its enormous potency: we can work out what choices would be made if people were actually trying to maximize. Crucially, we can then work out how their choice would change if the world they are facing changes. Generally these predictions are not a bad approximation to reality, and that is what keeps economists in business.

I realized that the corrupt politician's choice could be set up as a simple decision problem: choose the tax rate that maximizes what you are free to embezzle. A very low rate is no good because there is no revenue to embezzle, and a very high rate is no good because although there is plenty of state revenue, it is defended against embezzlement by the scrutiny that the taxation has provoked. From the perspective of the corrupt leader there is an ideal rate of taxation, and it might well be quite low. We can also use this framework to infer how much beneficial public expenditure takes place under the rule of the corrupt leader: it is not zero. The corrupt leader would like it to be zero: from his perspective spending on what ordinary people want is a waste of public money that he would prefer to use for patronage. But, having set the tax rate at the level that maximizes patronage money, the leader has to live with whatever level of scrutiny that opposition to taxation has provoked. If, say, the level of scrutiny enables him to embezzle one-third of the state revenues, that still leaves two-thirds that are spent properly. The overall revenues are lower than they should be because the leader has kept taxation artificially low so as to depress scrutiny. So citizens



are hit twice over: they only benefit from two-thirds of the revenue, and the level of revenue is lower than they would like. They still get some public goods, but this is not a sign that the ruler had some goodness in him after all.

THIS SKETCH OF HOW ACCOUNTABILITY and a sense of nation evolve provides a rudimentary explanation for the political problems of the bottom billion: they are stuck. The state is ineffective partly because it would not be in the interests of leaders for it to be more effective, and partly because the supply of public goods is impaired by the lack of a sense of common identity. Based on the analogy with the formation of effective states in Europe, the solution would be greater state military rivalry. As states felt less secure against one another they would need to raise more taxation and this would provoke greater accountability. It would also presumably generate a strong sense of national identity.

I am going to argue that this is not an acceptable solution, but before we discard it I will set out a little evidence in its favor. Among the leaders of the bottom billion, President Museveni of Uganda has been unusually effective. When he came to power in 1986 the society was quite literally in ruins: it had taken less than a quarter century of independence to pass from peace and growing prosperity to mass violence and impoverishment. Uganda was, indeed, not a bad approximation to what Britain must have gone through after the Romans pulled out. Kampala, like fifth-century London, was reverting to the bush. President Museveni has achieved a remarkable transformation. Despite being landlocked and resource-scarce, Uganda has been one of the fastest-growing of Africa's economies. He has consistently placed the interests of economic recovery above the patronage and populism that have been so common elsewhere on the continent. What was the driving force behind him: what was his ambition as a leader?

I got to know President Museveni and I came to have great admiration and respect for him: I came to realize that he was not only a statesman but he was a military leader with ambitions for changing the political architecture of Eastern and Central Africa. For this he wanted a strong army. The man whom he most despised was his predecessor, President Amin. Amin had not only wrecked the Ugandan economy, he had suffered the ignominy of being deposited through an invasion by Tanzania, whose army had routed his own. One lesson that I believe President Museveni drew from this was that without a strong economy there could be no strong army. I think this was the bedrock that underpinned economic reform.

He not only rebuilt the economy, he conducted Africa's only truly successful campaign against AIDS. His leadership of this campaign, Zero Grazing, was decisive because it persuaded ordinary Ugandans to change their sexual behavior. Helen Epstein brilliantly describes it in her book *The Invisible Cure*. What she doesn't reveal is the key step in convincing Museveni to act. Given that his army was his priority, Museveni arranged with Fidel Castro that his officer corps should be sent to Cuba for training. Once in Cuba his officers were given medical checks. The message came back from Cuba: do you realize your officer corps is overwhelmingly HIV positive, they are going to die of AIDS? I suspect that Uganda's AIDS campaign, like its economic reforms, was in part motivated by President Museveni's military ambitions.

Uganda certainly has not gone all the way to being an accountable polity, but it is nevertheless a genuine example of increased state effectiveness. A similar story is Rwanda since 1994. The government of Paul Kagame, like President Museveni a successful rebel military leader, is currently the leading African example of effective state building. Museveni and Kagame jointly invaded and occupied Zaire, whose army had collapsed under the state-destroying patronage of Mobutu. They then fell out, and their mutual penchant for the military turned into an arms race against each other: I recall the

outrage of Clare Short, at that time the secretary of state in charge of Britain's aid program, on receiving a letter from President Museveni justifying yet another increase in Uganda's military budget on the grounds that Kagame was plotting to invade Uganda. So there are two examples of military ambition and rivalry leading to state strengthening.

However, I balk at the notion that the societies of the bottom billion need to go through the same process as Europe. Even if the solution eventually worked, it would be at enormous cost. Europe tore itself apart with wars, and I do not wish to see the bottom billion do the same. War is even bloodier now than it was when Europe was fighting. There simply has to be a better way of building an effective and accountable state because the war route is utterly appalling. But I do not want to be guilty of believing something because it is so much more attractive than the alternative. Self-deluding thinking has bedeviled issues of development for decades. We have to work within the world as it is, rather than the world we would wish. So, while the appalling cost of the historical route is a good reason for *hoping* that there is a better alternative, it is not a good reason for *thinking* that there is one.

Soon I am going to set out my basis for believing that there is a better way. But first let me stay in destructive mode and explain why I think that even the historical route is no longer an option. If I am right in this but wrong in thinking that there is a better way, then the implication would be that the bottom billion would persist: there simply would not be a route to accountable and effective statehood. Some thoughtful people assert just that. Michael Clemens, writing in the highly influential journal *Foreign Affairs*, concluded that the bottom billion had no chance of development within our lifetime.

So why is the historical route now closed off? Partly because the manifestly high costs of international warfare and military rivalry make it politically unrealistic: neither the societies of the bottom billion, nor the international community, would let it happen. But,

over and above these concerns, it would not work. Even if the bottom billion went through a long process of warfare against one another, they would not end up with effective and accountable states. The key reason is that many of the governments of the bottom billion now have huge revenues from natural resources. There are too many countries in the financial position of the Hapsburg Empire. They could inflate their military spending for many years on the back of their natural resource revenues without recourse to domestic taxation. Indeed, the government of the bottom billion that set its military spending at the highest level was Angola, which for a while was spending 20 percent of GDP on the military. Yet it had no domestic taxation and is one of the least accountable governments of the bottom billion.

So what are the realistic options? Surely the best is the route taken by President Nyerere in Tanzania: political leadership that builds a sense of national identity. Astonishingly, Nyerere achieved this without resorting to the notion of a neighboring enemy: indeed, he emphasized a Pan-African as well as a national identity. In our guilt-ridden enthusiasm for multiculturalism we may have forgotten that the rights of minorities rest on systems that depend upon the prior forging of an overriding sense of common nationality.

In a very few societies the political process of ethnic polarization may have gone so far that separation into independent states is indeed the only answer. However, it is a path that could easily lead to the proliferation of tiny states. Consider the latest candidate for statehood, Kosovo, which is a landlocked, resource-scarce, tiny, war-scarred territory. Three tiny territories in the vicinity of Kosovo are also claiming statehood and would presumably use it as a precedent: Abkhazia, population 200,000; South Ossetia, population 70,000 and landlocked; and Transnistria, population 550,000 and landlocked. Globally, at the last count there were seventy such claims. Most of them make Yorkshire look huge.

If nation building is not feasible, then perhaps Canada and Belgium offer an alternative. These are both strong states in societies in which the sense of national identity is weak relative to the sense of subgroup identity. There is so little common national feeling that both of these societies periodically teeter upon the brink of breaking apart as states. Yet both countries function brilliantly: Canada is at the top of the Human Development Index and Belgium is among the richest countries in Europe. Their intense subnational identities are made manageable within a single state by robust accountability: checks and balances keep the federal state impartial despite the intergroup contest. Instead of a shared sense of belonging, the state functions because its component groups are suspicious of each other and can use the institutions of accountability to prevent being disadvantaged. Such societies may not be cozy, but they are viable.

But here is the problem: Canada and Belgium work because they each have robust systems of accountability. How did they acquire accountability despite the problems that are usually encountered in generating public goods in divided societies? Given their locations, cultural affinities, and size relative to their neighbors, I think that the most likely explanation is that they adopted the neighborhood norm of accountability. In effect, they were free-riding on the norms developed in neighboring societies that had forged a stronger sense of nationhood. The societies of the bottom billion are not in neighborhoods that have the norm of accountability. Given their neighborhoods and their internal divisions, they have not been able to generate the robust systems of accountability that would be needed for them to function like Canada and Belgium. The sequence of introducing elections before either accountability or nation building has been fundamentally flawed. In the now-mature democracies the sequence was reversed: critically, accountability was in place well in advance of competitive elections.

In the absence of accountability electoral competition actually impedes its subsequent supply. The society becomes more polar-

ized and incumbents use strategies of power retention that require them to keep accountability at bay. Unless the states of the bottom billion can forge themselves into nations they will need some *deus ex machina* that introduces accountability. But where might such a *deus ex machina* be found?