



# Popular Despotism: An Economist's Explanation

*By*

William Coleman  
Research School of Economics  
College of Business and Economics  
The Australian National University

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## ***1. Introduction***

The paper addresses one of the disappointments that the liberal has faced intermittently over the past two hundred years: the apparent lack of relish by the public at large for democracy.

It will seem peculiar to speak of a “lack of relish for democracy” in the face of the extended dissolution since 1989 of ruling power structures in Africa, Asia, Europe and the Middle East. Yet those welcome ‘transitions’, ‘collapses’ and ‘springs’ do not alter the fact that during the 20<sup>th</sup> century expressly anti-democratic totalitarian ideologies—fascism and communism—were subscribed by large populations with patience, and sometimes with enthusiasm. More pertinently to the present paper, one may instance countries in the 21<sup>st</sup> century—China and Russia—of one party states (either *de facto* or *de jure*) whose population (or the greater part of it) has had little ‘in principle’ objection to this monopolization of power. On the contrary, the populace appears to give the ruling party its support; and that support that is only underlined by the absence in these societies of mass coercion, and the presence of a degree of civil freedom which (however compromised by western standards) was quite unknown to 20<sup>th</sup> century totalitarian states.

Let's call this phenomenon ‘popular despotism’.<sup>2</sup> It is kindred with the concept of an ‘illiberal democracy’ that has been advanced by political sociologists of Asia (see Bell *et al*, 1992). In an illiberal democracy the absence of a real contest by rival political parties for power is so widely supported by the population that it is endorsed through genuinely democratic processes. The exemplar would be Singapore. Japan may constitute another, more dilute,

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<sup>2</sup> Despotism has attracted a number of adjectives from political philosophers, but not often the word ‘popular’. The physiocrats of the 1760s favoured what they called ‘legal despotism’, which amounted to a strong central authority acting in accord with ‘natural laws’. At about the same time Europe saw ‘enlightened despotism’, which may be best illustrated by the reign of Emperor Joseph II over the Austrian Empire. Public choice theorists of the late 20<sup>th</sup> century made much use of ‘benevolent despotism’ as a representation of the kind of rule for which economic reformers (such as the Physiocrats) have supposedly hoped. In none of these usages is there any pretence of popularity: the approval of the populace served no part of ‘legal despotism’; enlightened despots such as Joseph II took little heed of ‘the people’ who abhorred him. And it is the very lack of popular approval for economic reform that occasions that long wistful wait of some economic reformers for a ‘benevolent despot’.

case, as a single party (the Liberal Democratic Party) there was continuously re-elected from 1955 to 2009 (barring an 11 month interlude in 1993).<sup>3</sup> Such ‘illiberal democracies’, it might be said, have the mechanism of democracy without its spirit. The illiberal democracy can be seen as the same phenomenon as popular despotism, but situated on the opposite end of a spectrum that measures the authenticity of mechanism of party political competition: the mechanism is non-existent or bogus in popular despotism, but genuine in illiberal democracy. The key point is that in both cases the population willingly endorses a state in which a genuine competition for power by rival political parties is unknown.

The phenomenon of ‘popular despotism’ is clearly disappointing and demoralising to liberals; it is an affront to the self-assertion of the individual in the face of the state that the liberal both assumes and approves. In its extreme manifestation the phenomenon presents a logical dilemma to democratic advocates. What if ‘the people’ don’t want ‘the people’ to rule? What if the majority have decided the majority shouldn’t decide? A democrat then seems to be trapped in a paradox: the democratic position is to oppose democracy.

How might popular despotism be understood? This paper will advance an explanation based on rational actor analysis within a game theory context. The advanced answer may, therefore, be described as an economic, in making no recourse to ‘culture’, ‘history’ or vertical and horizontal ties.

The analysis will conclude that popular despotism rests upon the existence of some sweeping, collective project that each member of the population believes will serve his or her own interests. The analysis further maintains that this collective project amounts to only a precarious and ephemeral basis for popular despotism, and therefore, popular despotism will become *either* less popular *or* less despotical as time elapses. The upshot is in some measure consoling: that in the longer run only liberal democracies will sustain support.

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<sup>3</sup> Might Sweden be a European example of “illiberal democracy”? More than one observer has felt that there was something Singaporean about Sweden; that ambiguous hybrid of socialism and capitalism, for example. More to the point here is the long hegemony of the Swedish Social Democratic Party having ruled (at the time of writing) for 65 of the past 80 years, including one continuous 44 year stretch. Roland Huntford’s *New Totalitarians* (Huntford 1971) supplies a well-known characterisation of Swedish society as possessed by illiberal impulses.

## ***2. Order based on Power versus Order based on Legitimacy***

Any rationalisation of popular despotism must touch upon the fundamental problem of political theory: how does order emerge from the clash of human wills? Or, how are conflicting individual wills curbed? A classic answer to this problem would dichotomise the range of solutions into those based on *power* versus those based on *authority*. Thus one may curb a will by power (that is, by the exercise of force, both actual and potential) *or* by authority (that is, by the exercise of legitimacy that acts as an internal sanction). The contrast can be expressed as a contrast between ‘physical versus moral’ forces; or between ‘material versus ‘ideological’ forces. The dichotomisation has some similarity to the contrast in Durkheimian sociology between ‘mechanical solidarity’ (where people are useful to each other) and ‘organic solidarity’ (where people are bonded to each other). Finally, the dichotomisation is cognate with a familiar division of the motors of human action: between, on one side, the calculation of self-interest, unconstrained by any consideration that does not bear (directly and indirectly) on one’s self-interest; and on the other side, human action which is constrained or impelled by considerations not bearing (directly or indirectly) on one’s self interest (such as ‘values’ or ‘passions’)

The contrast between polities based on power and those based in authority obviously does not constitute a complete articulation of political forms. ‘Polities based on authority’ can be no more than a genus that will contain a variety of distinct species. Legitimation is, after all, an exercise in value judgment, and there will be as many specimens of polities based on authority as there are different values. Thus the ‘*ancien regime*’ or feudal polities that accommodated and resourced the values of *structure, honour and tradition* may be contrasted with the liberal polities that succeeded them which were legitimated by *freedom, welfare and rationality*. In their turn, both the *ancien regime* and liberal states have been menaced and sometimes destroyed by charismatic polities that have legitimated *self-extinction, power and the irrational*.

These contrasting species of polity—all based on authority—are sufficient to warn us against investing any unconditional virtue in a polity being based on authority. Perverse and

monstrous orders may rest upon, not power or coercion, but its legitimation by its members of its sick values. This legitimation may extend even to those oppressed by it.<sup>4</sup>

### ***3. Leviathan, Anarchy and Truce: some economic modelling.***

Polities based on power also encompass many contrary political forms. Many of these ‘species’ may be distinguished as different locations along a spectrum measuring the dispersion of power. At one extreme on this spectrum is a total concentration of power on an individual (or a group with identical interests). In this “leviathan” all but one are slaves: there is ‘no choice’ but for the many to obey the one. This may be contrasted with its polar opposite of an infinite dispersion of power across persons. This mode of existence is denoted ‘anarchy’, and is usually identified with chaos.

Both leviathan and anarchy can be given clear articulations in terms of an equilibrium of rational actors; an economic modeling, in other words.

The economic modeling of leviathan would adopt the model of the optimizing firm—an agricultural firm—where a pastoralist manages some stock of animals so as to maximize the pastoralist’s own income, or utility. Over the animals he dispenses care and neglect, and life and death, as he pleases, without the wills of the subjugated creatures having any significance. Mancur Olson (2000) has pursued such a modeling of Leviathan.

An economic modeling of anarchy has been supplied by Public Choice theorists. In this modeling anarchy is a game theory equilibrium between bandit-farmers able to prey on each other (Buchanan, 1975, chapter 4). In the Nash equilibrium each bandit-farmer robs the amount that is utility maximizing given the other bandit-farmer’s own utility maximising amount of robbery. The analysis implications are not as dismal as might be expected; there is some useful division of labour, as the mutual robbery secures some of the ‘gains to trade’!

But the theorizing of rational actor equilibrium reveals that ‘anarchy as *bellum omnium contra omnes*’ is not irresistible. For it can be argued that the absence of some supreme power need not produce mutual chaotic assault and annexation, but may instead yield order. One such form of order that can emerge from the dispersion of power may be referred to as

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<sup>4</sup> Such legitimation by the victims may, for example, explain the rarity of helot revolts in Sparta, which some historians have found curious.

‘truce’. For if anarchy is a battlefield, one may also summon up a vision of life as battlefield *with a truce declared*. In this vision the truce has nothing humanitarian or juridical about it; in this vision power rules the truce as much as the battle. The truce is sustained solely by the fact that the terms of the truce are such that each side thinks it not worth their while to overpower the other. Not only might such a truce arise—as it sometimes has literally on the battlefield—but it can be argued (on the basis of a Hicks’ model of the bargain; see Hicks 1932 and Coleman 2010) that in the absence of informational errors—or wish to battle for battle’s sake—such a truce *will* arise. A truce (of certain terms) is, in other words, the equilibrium. The terms of the truce consist of the distribution of resources such that neither side will find it profitable to seize the resources of the other (see Coleman 2010, 89-101).

Further, the truce is not a mere state of peaceful coexistence, but would seem to include useful relations; just as there are sometimes useful relations between the two adversaries during truces on actual battlefields. There have, for example, been cases of combatants collecting their dead, exchanging prisoners and playing sport during truces, as British and Boer forces are said to have played rugby during such halts in fighting in 1902. These useful relations may also include production relations. Consider the case where two factors of production must cooperate to produce a good. How is output distributed? Without any contract enforceable by either internal or external sanction, the logic of the truce implies that output is distributed between the two factors in a way that neither will find it rewarding in net terms to subjugate the other. Concretely, the wage is such that capital owners don’t find the enslavement workers rewarding, after netting out the cost of enslaving them; and workers don’t find the expropriation of machines rewarding, after netting out the cost of expropriating them.

Perhaps the most literal materialisation of the truce are those international orders that are based simply on a ‘balance of power’, such as the Cold War. Anarchy, by contrast, does not capture well the character of relations between states: for despite the evident dispersal of power amongst the states of the world, international relations are usually not a matter of endemic mutual brigandage.<sup>5</sup>

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<sup>5</sup> Granted, ‘endemic mutual brigandage’ might be a just characterisation of international relations in certain epochs, especially in the confrontations in history between ‘empire’ and ‘barbary’. The Empire steals human beings (slavery) from Barbary, while Barbary steals material objects from the Empire. Sometimes it has been the other way around.

The real world correspondence of the truce may extend beyond international relations. We can at least conceive of the state of truce as characterising domestic relations. In such a truce every person (or household) is their own enforcer. Corroborative of this possibility are examples of populations living in the shell of failed states that cannot be said to always live in anarchy. The truce, therefore, holds out the prospect of order without the state. There is, recall, no agency above decision makers that in any way enforces the terms of the truce. The simultaneous presence of order and the absence of the state will appeal to libertarians ('your home is your castle'). And this marvel is solely from the calculus of power.

Yet truce is far from an ideal state. Although truce will not exhibit a wasteful brigandage, the models of truce invoked earlier imply that the terms of the truce will (flukes aside) invoke inefficient allocation of economic resources (see Coleman 2010). Secondly, the possibility of exchange mooted above becomes doubtful in the face of the familiar prisoners' dilemma that presents itself to potential traders in finite game settings in the absence of a contract enforcing state: each side reneges on their side of the deal. Most importantly for the present purposes while the truce involves order, it is, as we have stressed, without a state; and therefore (trivially) is inadequate as a descriptor of any society with a genuine state.

But there is another type of order arising from a calculus of dispersed power (rather than 'authority'); and one which does exhibit the directed collective action characteristic of 'a state'. This political form is commonly known in political theory as 'association' (see Rawls 1993 p40-3) but I will refer to it here as 'the syndicate'. The choice of this sinister sounding term is deliberate since it summons up some of the best examples of an order based merely on power, but which also exhibits directed collective action: the Mafia, the bush ranger gang, the pirate ship.

This paper will argue that the syndicate is promising not only as a modeling of the pirate ship but also as an interpretation and rationalization of the popular despotism.

#### **4. The Syndicate**

Like anarchy, the truce and leviathan, the syndicate is based on power rather than legitimation. Unlike anarchy, or truce, syndicate societies exhibit centrally organised

collective action. But unlike Leviathan, the collective action syndicate is not based upon a massive concentration of power. Rather, the basis of that organised collective action is some deeply shared common project whose success depends upon collective action.<sup>6</sup>

Piracy illustrates the syndicate. The deeply shared common project of the members of a pirate ship is obvious: to not sink on the high seas, to successfully pillage other ships, and to evade the extreme punishment for that pillage. Further, defection in piracy is not a strategy: jumping in the row boat is a suicidal action.

The obvious economic modelling of the syndicate turns on the concept of public good. Let the produced good be ‘public’ in that in that if the good is supplied to one person it is *ipso facto* supplied to all persons. The pirate ship constitutes a public good (for its crew). For the pirate ship either stays afloat for all the crew, or sinks for all the crew. To further align interpretation of ‘the common project’ as a public good, one would suppose the public good is produced under a ‘Leontief technology’, where there is zero substitutability between inputs. This implies each input is essential to output of the public good, and so for each factor it is not possible to increase their own consumption at the cost of society’s consumption by, for example, restricting the supply of their input. In summary, a syndicate is a ‘public goods’ economy, where goods are produced by Leontief technology.

The public good character of the Syndicate underlines why the syndicate requires some ‘command and control’ centre. Clearly some ‘coordination’ or organisation is needed: we all must pull on the oars at the same time. But economists are highly familiar with the capacity for the invisible hand to co-ordinate without a co-ordinator. But one of the ironies of economic theory is that ‘coordination without a coordinator’ requires a conflict of wills. Consider the case where all private goods are free (due to satiation or abundance), but that public goods are scarce. There is no conflict of wills if preferences over the public goods are identical. But there remains a problem of socially efficient resource allocation; the particular

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<sup>6</sup> Some aspects of the concept of syndicate are also captured by the ‘teleocracy’ as developed by Oakeshott, and distinguished by him from ‘nomocracy’. In a ‘teleocracy’ society has a single goal; a nomocracy has no such single goal. This difference is also captured in Hayek’s contrast between tribal society (a single goal) and ‘the Great Society’ (no single goal). The category of teleocracy, however, is more encompassing than the syndicate, for it will include leviathan and, possibly, some societies based on authority rather than power.



allocation of various resources amongst alternative public goods that maximises utility. And how can the market secure that? It is a notorious theorem of economics that, barring particular conditions, the competitive market will not provide public goods.<sup>7</sup> Only a ‘social planner’ can secure that allocation. Thus the syndicate will require an organizing authority.

Yet the ‘authority’ centre in the Syndicate is always provisional and conditional, and based on the usefulness of the exercise of that authority to those under it. The *Bounty*, in its state of mutiny, illustrates the provisional character of the syndicate’s authority. The *Bounty* was captained (competently) by Fletcher Christian. But as soon as the *Bounty* was beached and burnt at Pitcairn Island his authority dissolved; his seafaring expertise was henceforth irrelevant to the crew. This was not the case when the *Bounty* was under sail: then the crew’s life depended on it.

The case of piracy illustrates the relative temperance of the exercise of authority in the syndicate. The pirate ship was no slave galley; it was administered with a measure of prudence, equity and even democratic processes. Some pirate ships stipulated by rule that ‘Every man shall have an equal vote in affairs of moment’. This ‘democracy’ sometimes extended to electing the captain.

Thus the syndicate is no tyranny, and can constitute a simulacrum of a democracy. But I write only ‘simulacrum’, as the likeness with democracy is specious. In a genuine liberal democracy, democratic processes are accepted not because they serve an overwhelming common interest but because they accommodate liberal values. In a genuine democracy the democratic processes are the way you can assert yourself and pursue your ends while respecting the right of others to pursue their ends. In the syndicate the polity is endorsed, but that endorsement is solely based on gratification of interests, rather than the gratification of democratic ideals. It’s the lack of respect amongst members of the Syndicate of the *right* of others to pursue their ends that makes the existence of some collective project so crucial to the syndicate.

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<sup>7</sup> Economic theorists have explored methods by which the market might internalise the ‘positive externality’ that the public good provides. But that itself still leaves open free-riding.

## ***5. The Foundation of Popular Despotism***

The thesis of this paper is, evidently, that popular despotism—and even more illiberal democracy—can be modeled as a syndicate; an orderly, directed and popularly endorsed polity that is sustained solely by a calculus of power dispersed across the population. Thus the ‘move’ this chapter makes to explain a ‘cooperative’ society when there is no legitimate authority (but only a jumble of empowered wills) is a simple one: an overwhelming common shared interest is invoked. If you like, the conflict of wills is solved by not having a conflict of wills. Obviously the value of this move very much turns upon the reality of overwhelming common collective project.

What might be that common collective project that is essential for a syndicate interpretation of popular despotism?

One answer that is likely to be proposed in answer to this question is, ‘the economy’. This answer is doubtlessly stimulated by the huge economic success of China post 1979 that is co-existent with an apparent satisfaction of the great bulk of the population with a one party state. But certain considerations weigh against this answer. As an empirical objection, one may instance the Putin regime: for at least a decade it has constituted an outstanding example of popular despotism, yet seems only moderately underpinned by economic growth. A more fundamental objection to supposing the ‘common project’ of a syndicate society is wealth is that the economy is best seen as a terrain of *conflict* rather than a common cause. Wealth is obviously an object of rivalry. And the management of the economy is beleaguered by prisoners’ dilemmas, whereby each person would benefit by seizing a distortion in their favour at the cost of others. Thus the efficient management of the economy is not a common collective project. It is true that a totally economic incompetent stewardship is in nobody’s interest (except possibly bailiffs, flea market dealers etc), but that consideration only rules out the totally incompetent stewardship; it does not make a common cause of efficiency, or maximizing economic performance.

To obtain a clear example of that common collective project that is essential for popular despotism, we may return to Piracy; not a pirate ship as such, but a pirate state, and its wars of booty. Let’s consider France under Napoleon.

*Ancien Regime* France had political system that elaborately served continuity, structure and honour. But by the time of the Revolution the fading of those values had left the old regime little legitimacy. At the same time notions of liberal polity had acquired little legitimacy; the insurgent ideology was an (anti-liberal) collectivist philosophy that turned on a Rousseauian ‘general will’, which by its very mythicity could never serve as an effective legitimiser. Thus by 1789 not only had the former authority system lost its authority, no alternative system of legitimations had any grip. Thus there was an ‘authority vacuum’. What could be the outcome of this, but anarchy? The most notorious anarchy, indeed, in modern history: the Terror. This was epitomised the Law of 22 *Prairial*, or *loi de la Grande Terreur*, enacted on the 10<sup>th</sup> of June 1794, and that decreed, among other things, that the advocacy of the monarchy was a crime punishable by death, by a tribunal from which there was no appeal, and which was subject to no laws of evidence.

But consider: what spectacle 10 years later would have greeted a visitor to Notre Dame Cathedral on 2 December 1804? They would witness the French senate—having invited Napoleon to assume the title of Emperor—crowding with other notables into the cathedral, in order to bow to their new emperor now bearing the crown of Charlemagne. This coronation inaugurated a decade of rule, which was despotical, but also essentially popular. The Napoleonic regime always claimed there was ‘no opposition’, and although this was an exaggeration, it was a forgivable one. From anarchy to despotism; from regiphobia to regimania; in the space of 10 years. How was this miracle achieved?

I suggest that the ‘Emperor of the French’ offered the French a project that was a collective one; to establish a political and cultural French hegemony over Europe from Malaga to Moscow. This required everyone to contribute; certainly it required a *Grand Armee*, based on a mass conscription unknown before Napoleon. And it rewarded everyone; a Marshall’s baton was, of course, in every knapsack. (Why stop at a Marshall? Jean Bernadotte was translated from a sergeant at the outbreak of the Revolution to a King of Sweden; Joachim Murat from a haberdasher’s clerk to the King of Naples.) It wasn’t just that everyone was entitled to buy a ticket in life’s great lottery (that was ‘the career open to all talents’); there was in addition a prize for everyone: the stunning victories of Napoleon constituted what economists call a ‘public good’. Their glory was essentially common enjoyment of the French people.

More generally, we can assert that great wars constitute a common project that provides a foundation for the syndicate. German nationalists rejoiced at the disappearance of ‘egotism’ upon the outbreak of war in August 1914, and this is understandable. But they somewhat misconstrued the phenomenon they were referring; it was not so much a disappearance of individual interests as individual interests assuming a new congruence in the face of the common enemy of the Triple Entente.

## **6. Some Contemporary Cases of Popular Despotism**

The collective project of a syndicate need not, however, be a great war in the literal sense. Consider a leading illustration of ‘popular despotism’: Putin’s Russia. The bogusness of Russian democracy since Putin’s ascent needs no argument. But until late 2011 there was ‘no opposition’ to speak of – despite the state being grossly corrupt and dysfunctional. The source of the public’s long-time endorsement of the Putin regime is its perception that Russia’s predicament is a national one, and therefore a collective one. It is not simply that Russia has problems; Russia has problems on account of it being Russia. The context of this perception is, of course, the conclusion of the Cold War with Russia’s defeat. Russia was defeated by the west; its empire torn away; several of its richest former provinces (Estonia, Latvia and Lithuania) joining NATO. Further, the defeated country remained under deadly attack from parts of empire; most notoriously the Chechnyan terrorist atrocity at a Beslan school in 2004 resulting in the death of 334 hostages; and more recently the atrocity at Domodedovo airport in January 2011 killing 36. The collective project that Putin offered was one of national reassertion, or ‘counterattack’.

And there was a second distinct dimension to Putin’s ‘counterattack’. The Russian public is entirely in the grip of the mythology of its dispossession by ‘Oligarchs’ during the 1990s. The Oligarchs—who in the eyes of Russians are frequently ‘Non-Russians’—were the cause of Russian misfortune. Putin’s undertaking concretely was to persecute those guilty of despoiling Russia (Mikhail Khodorkovsky and Boris Berezovsky) and, in the more abstract, offering Russians a ‘national capitalism’ as their economic saviour.

In sum, terrorists and oligarchs are every Russian's awful enemies, and their destruction constitutes a common interest.<sup>8</sup>

Can the syndicate model cogently be applied to other popular despotisms instanced in the introduction?

What would be the common project for Singapore? 'Survival' is plausible answer for Singapore. The viability of Singapore an independent state was initially considered doubtful, and it remains fundamentally vulnerable.

What would be the common project for China? It is barely plausible to adopt for China the previous suggestion regarding Russia, and construe this common project to be the national self-assertion of a beleaguered polity in the face of a (supposedly) hostile world. China is the exemplar of a rising power.

There is, surely, a temptation here to invoke 'nationalism' as the common project. More precisely the 'nationalism of spectacles' seems to provide the public good that is the stuff of the common project of the syndicate: the Olympic Games, lunar orbits and expeditions to Mars, the recurrent theatre of frontier disputes and 'incidents', the posturing of chauvinistic media.

But nationalism sits awkwardly with a 'syndicate' interpretation of society, at least insofar as nationalism is seen as manifestation of 'groupism'; a 'visceral' or 'primordial' hostility to the stranger, and fraternization with the kindred. For such nationalism is clearly inconsistent with the syndicate model's assumption of purely instrumental relations between human

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<sup>8</sup> One particular aspect of Putin's Russia throws a light on the lack of values in Popular Despotisms. Democracy died in Putin's Russia. But it did not die through the spread of some expressly anti-democratic 'ideal' or ideology amongst the population; it died through the sheer lack of public interest democratic politics. It died of apathy. This apathy reflects the essentially instrumental attitude to any democratic processes that do manage to exist in syndicate societies, and the functionless of political competition in such societies. What would a pirate think of parties on a pirate ship? What would be their point? What would they represent? It is the common cause aspect of the syndicate that makes them redundant. In the syndicate democratic processes reduce to the selection of suitable human material for governance. In a liberal society political parties do have a point: they represent divergent interests and divergent values; the very things the syndicate lacks.

beings. This is not deny that ‘visceral’ hostility to the stranger may be characteristic ; perhaps such nationalism is, indeed, ‘the religion of modern China’ (Townsend 1996, p.5). The point is simply the logical one that such nationalism will do the syndicate rationalization of popular despotism no good, as that rationalisation is an attempt to explain the social union in a society quite without any ‘gods’.

Further, it is arguable if genuine ‘groupism’ is, in fact, powerful in China. It is well known that recurrent bouts of Chinese self-disgust (eg Bo Yang 1992) are as familiar self-exaltation. This alternation of self-disgust and self-exaltation are in parallel to the rapid oscillation between loving the foreigner and hating the foreigner. From the Goddess of Democracy (June 4 1989) to the Demon of Liberty (9 May 1999), all in the space of 10 years.

Hostile passions that are so mobile in shifting from one object to an opposite, surely speaks of a lack of social solidarity; a lack of a set of cultural rules of the game. And this is what some external observers diagnose as China’s lack. Thus one analyst has suggested that in terms of ‘rules and norms for the behavior of leadership’ and the inspiration of the public China ‘appears to be extraordinarily thin. There is little to compare with the substance of American nationalism with its mystique of the Declaration of Independence, the Constitution, the Bill of Rights, the Pledge of Allegiance and the whole body of values ... that Samuel P Huntington has called the American creed’ (Pye 1996, p. 86). Of course, such a creedless society is exactly the terrain of the syndicate. Thus China on this account qualifies as a syndicate. But what is its common project?

The paper has earlier stressed the economic as commonly a terrain of conflict, and so not a candidate. However, economic theory does suggest that in an intertemporal context a sufficiently low rate of time preference (low ‘impatience’) can remove the private reward for socially costly behaviours, such as the classic anti-social device of contriving an artificial scarcity of what you are selling (see Coleman 2010, ch 5). Thus a sufficiently low rate of time preference can leave economic actors acting ‘as if’ they are in the same boat. China’s massive saving rates, in excess of 50 percent (Ma 2010)<sup>9</sup> bespeaks a low rate of time

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<sup>9</sup> Ma (2010) stresses that this thrift is not simply the upshot of low wages: ‘What really sets China apart from the rest of the world is that the rising aggregate saving has reflected high savings rates in all three sectors – corporate, household and government’.

preference, and we are left with the possibility that growth is indeed the common project that sustains a syndicate.

But such a foundation for the syndicate is precarious. A rate of time preference only works its harmonising magic with a ‘sufficiently high’ rate of return on saving. With an inevitable reduction in the rate of return, we are led to conclude that, with the passage of time, growth will no longer constitute a common project sufficient to sustain a syndicate, and in a society based solely on a calculus of interest, conflict shall emerge.

### ***7. The Fate of the Syndicate: the Totalitarian State?***

The preceding section raised doubts about ‘growth’ constituting an enduring common project for a syndicate society. We may extend these doubts about the applicability of the syndicate model. For the syndicate model rests on assumptions of questionable force. For it assumes a perfect commonality of interest, but is there ever a purely common cause? The paper, for the sake of illustration, has instanced a pirate ship on the high seas as possessed by a purely common cause. But whether the pirate model of wealth acquisition – robbing others - has truly proved profitable for large scale societies is doubtful as a matter of historical fact.

Even if piratical conduct is in fact profitable, it is not clear if that makes piracy a truly common project. For robbers can rob one another. It is recorded that Blackbeard marooned part of his crew “on a small sandy beach ... where there was neither beast, bird or herb” permitting a “vastly larger share for the men chosen to remain with the captain” (Lee 1974). The economic theorisation of the syndicate advanced in section 5 evaded that problem by assuming a Leontief technology, that makes infeasible parasitism and free riding. But that assumption only begs the validity of the assumption. Defection seems to be the bugbear of collective action, unless all society is almost literally in the same boat. Napoleon’s France was not literally a boat, and several of its crowned corporals—Bernadotte and Murat—defected as soon as Napoleon’s state became metaphorically a sinking ship.<sup>10</sup> Corruption – a form of defection- is notoriously an 'endemic infection' of societies based on instrumental relations.

Truly common causes, then, are rare, or a best passing. In contrast, the conflict of interests is enduring and fundamental. Thus this moderate success of the syndicate is passing or precarious. What then will supplant the syndicate in a universe of rationality and instrumental valuations of relationships?

Will it end in a truce between rival interests, each not quite powerful enough to overwhelm the other? China's history is suggestive here, as the Treaty Port System from 1842 can be seen as consisting of truces between sovereign powers; the terms being such that neither the Manchu dynasty nor the West found it rewarding to overwhelm the other by force.<sup>11</sup> But, for reasons advanced in section 3, the truce is likely to be lacking in the benefits of co-ordinated collective action.

Is, then, leviathan more likely to supplant a flagging syndicate on account of its greater capability to solve collective action problems? (Olson's theory of the 'stationary bandit' leviathan emphasizes this capability.) However, the conception of leviathan advanced in the paper may also be of limited applicability: has 'power' ever been perfectly concentrated in one will? There have certainly been tyrants with a "power of life or death" over their subjects. But such power does not amount to the 'power' imputed to the leviathan above since, in a world of solely instrumental relations, it is not a 'credible threat' to kill someone who is, in effect, your slave: you would be destroying your own property. It would be as non-credible as threatening to burn down your own house unless you are granted your wish.<sup>12</sup> Thus the leviathan rests on the possibility of inflicting punishment on subjects costlessly and undestructively. But techniques of punishment always have costs, direct and indirect. We conclude that the pure leviathan cannot exist in a world solely composed of rational instrumental relations.<sup>13</sup>

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<sup>11</sup> Tantalisingly, Fairbank (1953) proposes to describe the polity of the Treaty Ports as 'synarchy'; rule by several sovereigns. But Fairbank's explanation of this form of order is 'historical' rather than economic.

<sup>12</sup> That is, in a world of rationality and instrumental value of relationships, the subject would not believe the tyrant would exercise their threats. Granted: the subject might (rationally) believe such threats if the tyrant was irrational; or if the tyrant enjoyed killing people. But then we are outside the realm of rationality and instrumental valuations.

<sup>13</sup> In the same way, 'the truce' as political form rests on assumptions that are doubtful. The case that seems to best exemplify it—international relations—is also most menaced by the implausibility of the assumption that relations are purely instrumental. Are notoriously



Is it possible that a mixed form syndicate and leviathan, where each reinforces the other, may prove more powerful than a pure Syndicate (weakened by its inevitable deviation from the ideal form) or a pure Leviathan (also weakened by its inevitable deviation from the ideal form). The totalitarian state of the 20<sup>th</sup> century might be interpreted as such a mixed polity: a leviathan with a assimilation of the syndicate; a less than perfect concentration of power compensated by a commonality of cause. An upshot of this interpretation is that the totalitarian state had a dimension of popular despotism about it. The Totalitarian state differed from ‘tyranny’ of the antique world, which seems to have been an uncomplicated relationship of master and slave.<sup>14</sup> For, notwithstanding its oppressive and terroristic character, the Totalitarian state received a significant degree of collaboration of the massed population.<sup>15</sup>

Perhaps Nazi Germany had most of the colour of popular despotism. Like the Napoleonic state its origins may be said to lie in an authority crisis; the attempt of several generations to graft a liberal state onto ancient regime state had ended with both liberalism and *ancien regime* being rejected in the wake of the traumas of World War and Depression. From the resulting chaos and violence there quickly emerged a totalitarian state that easily engaged the obedience of the population: an accomplishment that from the vantage point of Germany in 1932 must have seemed as impossible as the same accomplishment would have in France in 1794. This unlikely achievement was undoubtedly built on the popularity of the regime.<sup>16</sup> But the fact of the regime’s popularity begs the question as to the origin of that popularity. The

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difficult international relations—India and Pakistan; Israel and Arabs; Greece and Turkey—passionless, instrumental ones? And – serving the same critical effect from the opposite direction - is it not also possible that successfully peaceful international orders are sustained not just by a calculus of power and interest, but by a sense that the prevailing order is legitimate? Thus Kissinger (1957) argues at length that the international order that consolidated in the wake of the Congress of Vienna of 1814 was as much a matter of a resecured legitimacy as a restored balance of power.

<sup>14</sup> This is how Aristotle understood his category of “tyranny”.

<sup>15</sup> All totalitarian states, , of course, represented themselves as championing the mass; they all used the language of socialism, not excluding Nazism (which was, of course, the National Socialist German Workers Party).

<sup>16</sup> Formal proofs of the popularity of the ‘Third Reich’ is difficult, but one that comes close is the 1935 League of Nations administered referendum in the Saar over that province’s future, which recorded 91 per cent of voters supporting a union of the with Germany.

stock answer is that that the regime gave something to (almost) everyone. That answer in turn begs the question as to how such a politically desirable object was achieved. In any case, it evades the apparent necessity conflict; they might have given 'something' to everyone, but did not (and could not) give 'everything to everyone'. The suggestion of this paper is that of the regime's popularity turned on its syndicate aspect. As Napoleon did, Nazi regime offered its subjects the common project of mastery of Europe. This mastery, it should be noticed, included a grossly piratical aspect, in which the German populace at large benefitted from the intensive looting of occupied Europe, and of course, the dispossession of Jewry (see Aly 2005).

### ***8. The Fate of Syndicate: the Propaganda State?***

The fate of the syndicate in the face of the fading common project need not to be recourse to leviathan. Instead, a struggling syndicate could turn away from power, and instead attempt to sink its foundation in authority; and seek aid from nationalism, religion and "civic religion", a confected matrix of beliefs, rituals and sacred sites. Liberal societies also have such civic religions - the Constitution in the United States or parliamentarism in Westminster governments. But the purposes of civic religions in liberal societies is different: the purpose of civic religions in liberal societies is to accommodate and legitimate difference; in the faltering syndicate it is to promote a phony fusion of interests by preaching 'we are all of one'.

One of the more spectacular cases of recommending a delusive civic religion to hide social conflict is found at the dawn of political philosophy; the "noble lie" that Plato proposes (in Book 3 of *The Republic*) to make secure the stratified society he favours. This Lie, or myth, would have it that all citizens 'are brothers', but 'God has framed you differently'. Those with the power of command have had gold mingled in their physical creation; their auxiliaries have been imparted silver, while farmers and craftsmen have received only iron and brass. The "fostering of such a belief", writes Plato, "will make them care more for the city and for one another". The Lie is easily interpretable as foreshadowing the mythologies of dictatorial regimes that justified their monopolisation of power.

We are led to the thought that one can 'index' 'how much societies accommodate divergence - and how much they seek to frustrate it by blinding people to it - by the degree of contestability of opinion; ranging from zero in totalitarian states to almost complete in

democratic ones. This is essentially the position of Karl Popper in *The Open Society and Its Enemies*, who there sought to construe liberalism as amounting to openness to criticism. He thereby underlined with polemical verve the "democracy equals discussion" thesis that had been entertained at about the same time by Frank Knight and Henry Simons, and accommodated by John Start Mill in his vision of the legislature as the Congress of Opinions (Mill 1861).

But the "democracy equals discussion" thesis is challengeable: it mistakes (it might be said) what is a concomitant of democracy for its essence. In this critique of the thesis, the freedom of opinion in democracy is deemed comparable to the freedom to advertise in a market economy- certainly an inevitable and useful feature of the market, but not the essence of the market economy. In the alternative Public Choice vision of democracy, democracy is conceived as no more or less than a system of competitive *political* markets. The Public Choice vision, however, itself begs questions about how competition in 'political markets' is maintained in the face of the incentive to monopolise such markets. This chapter's contention that liberal democracy's ultimate foundation lies in the values; a value system that provides each member a 'coping mechanism' for the clash of interests in terms of individual and political rights .

## **9. Conclusion**

The title of this chapter promised an economist's theory of popular despotism. The chapter has, however, sought to avoid invoking the "economic success" that is commonly supposed to underwrite popular despotism. Nevertheless it is an economist's theory because it supposes popular despotism arises from the rational action of persons endowed only with interests, and lacking non-instrumental relationships. The theory, in other words, dispenses with the 'Russian soul' or the 'authoritarian mind' or 'Confucian morality' as rationalizations of popular despotism, but instead traces popular despotism to a utilitarian calculation of dispersed power, that finds use in a collective action over a common project. Given that, as a matter of historical record, the alleged cultural traits supposedly characteristic of popular despotism ('authoritarian mind' etc) have co-existed with anarchy in only a short distance of time from despotism, this chapter's explanation of popular despotism without reference to values may prove more cogent.

Nevertheless, it may appear that the paper gives the last word to authority (and legitimation and values) rather than power. For having advanced above an economist's theory of popular despotism, the paper closed above by suggesting that liberal democracy—a value based system—will prove more enduring than any order based on calculations of expedience. Thus the paper ends by suggesting that a purely 'self-interested' foundation of order is not a secure one. But perhaps this is not the concession it may seem, because even the economists' favourite terrain—the market—is, in truth, based to some degree on values. The market is dependent, in particular, the value of honesty. (How badly must exchange be encumbered if simple honesty is not assumable?) But the point to keep in mind is that the value that market requires—honesty—is a relatively undemanding moral requirement. Honesty is not benevolence, or self-sacrifice or brotherhood. It is 'something', but it is not that much. The success of the market, we can say, is not greatly demanding on virtue. The wealth of nations does not require one to love one's neighbour as one's self, and the whole 'project' of economic growth is consequently sparing in its uses of the extant fund of virtue. The same could be said of a genuine liberal political system; it is a polity of authority rather than power, and therefore does not dispense with values, but relies on them. But it is sparing in its demand on them. The key value tenet of liberalism invokes universality, which amounts to the unassuming ethic of the Golden Rule: 'do as you would be done by'. By not making unreal demands of virtues, the liberal solution for the problem of solving the clash of wills is not beyond reasonable hope.

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