

# Decentralization and collective security

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**Abstract:** Collective security is often considered a public good provided by government. When it comes to defense issues, the usual assumption is that centralized provision is necessary to provide for collective defense, especially standing armies controlled by the national government. But this view contrasts with a polycentric perspective on collective defense, which highlights that collective security is a public good that can be privately provided, that collective security is coproduced, and that decentralization of political institutions can improve collective security. Three examples are used to show that the polycentric view of collective security is more compelling than the monocentric view of collective security: US relations with Indian tribes in the 19th century, the conflict in Ukraine starting in 2014, and the Taliban's return to power in Afghanistan in 2021.

## 1 Introduction

One of the classical liberal rationales for government is to provide for collective security. In *The Wealth of Nations*, Adam Smith observed that one of the rationales for a government is to provide for collective security. Subsequently, economists argue that economies of scale in the provision of public goods such as national defense was one of the reasons why the state emerged to replace alternative governance institutions (North 1981; Thompson 1974; Young 2018). Moreover, economics textbooks literally treat national defense as a textbook example of a public good (Coyne and Lucas 2016).

The question is how to provide these public goods. Increasingly, the economics literature turns to state capacity to explain economic development (Piano 2019). The conclusion of the state centrist view of development is that a more centralized state can achieve economies of scale in the provision of public goods. One challenge is that because governments have more power than others, they can use that power to engage in predation (Buchanan 1975). Thus, it is necessary to consider, at least to some extent, political constraints when considering whether the state can promote development through public goods provision (Boettke and Candela 2020; Johnson and Koyama 2017).

Others emphasize that public goods can sometimes be provided privately (Candela and Geloso 2018; Clark and Powell 2019). Wood (2019) considers private provision of public goods, arguing that private defense charities can attract donations by reducing the size of the population in question and focusing on high return types of military capital. This theory provides insight into private provision of national defense by Ukrainian citizens in their war against separatists backed by Russia. This suggests that private provision may in some cases be superior to government provision.

Others find that decentralization has powerful benefits. Myerson (2011, 2014) explains this most clearly in arguing that it is a way to make a robust, strong state. Others find decentralization as a fundamental commitment to market institutions, which also contributes to development (Weingast 1995).

Both private markets and decentralized governments can be understood as examples of polycentric systems, which are characterized by the presence of multiple independent centers of decision-making (Ostrom et al. 1961).

Coyne and Goodman (2020) emphasize that defense can be provided by a variety of polycentric organizational arrangements. They note several benefits of polycentric defense, including the absence of a single point of failure, the use of local knowledge, greater incentives for citizens to coproduce public goods, and dispersed power. Their analysis focuses primarily on instances of polycentric defense that are provided outside the state, or sometimes even efforts by citizens to defend themselves from their own government.

Our analysis bridges Coyne and Goodman (2020) with Myerson (2011, 2014). We focus on how decentralization and polycentricity can enable states to work with citizens who engage in coproduction that promotes collective security. This is in contrast with other work that focuses on purely private defense arrangements, which tend to be quite small. For example, the provision of private policing on the U.S. frontier during the gold rush was in a very small society of thousands, rather than modern societies with tens of thousands or millions. In addition, the Ukraine example finds around \$15 million in private contributions, which is about the cost of a single tank—hardly enough to provide for collective defense, but still significant in terms of showing positive levels of provision.

What is needed is much more revenue, the kind a central government can collect but distribute locally, as well as buy-in from those who defend the lands. In our theory, the central government controls a territory. The territory is divided into units. It can defend those units itself, but collective defense is costly and also depends on the effort of the soldiers. Soldiers from a region know the territory better and have stronger incentives to defend the territory. Citizens want to remain a part of the state but also care about joining the winning side and so may shift allegiances as the tides of battle turn.

We illustrate the theory using three examples. The first is the US in the nineteenth century, where the federal government reduced its costs of using the US Army to police borderlands from American Indians by giving land away to settlers. To be sure, this destruction of Native American lands was an example of colonialism that ended up destroying the wealth of Indian nations. However, it illustrates that the border packing strategy encouraged collective defense of lands because it was decentralized and relied on local people to defend those lands. In other words, it was effective, but not necessarily just.

A second case is Ukraine. There is increasingly recognition that Russian aggression reflected lack of autonomy to defend the east. The solutions proposed today to more meaningfully decentralized political power are promising.

The third case is Afghanistan. Despite trillions in state-building, the government only controls half the country. We argue that the state building is so centralized there is no local buy in and hence the Taliban dominates and villagers often have to go along with them.

## **2 A theory of decentralization and defense**

The state is a specialist in coercion with more power than others in society. One normative justification often provided for the state's power is that the state can provide public goods more effectively than competing organizations, such as feudal anarchy, city states, or customary or tribal governance.

One of the most important public goods credited to the state is the provision of collective security, both in the form of law enforcement and national defense. By providing collective

security, the state protects individuals and their property from both external and internal predation.

This raises a dilemma, the paradox of government. The state must be powerful enough to provide collective security and protect property rights, but such a state also has enough power to engage in predatory activities that violate property rights. What institutions promote a state that is simultaneously empowered and constrained?

This question is especially important because economic institutions are the source of development. Wealth-creation depends on property rights and contracts that allow exchange. Market institutions emerge spontaneously as individuals engage in entrepreneurship and mutually beneficial exchange. Yet this entrepreneurship and exchange depends on the institutional environment. The state may undermine development by undermining property rights or the state may foster development by protecting property rights. Whether citizens will make productive investment partially depends on their expectations about the security of their property rights. These expectations depend on the state making a credible commitment to protect property rights.

Decentralization provides a basis for such a credible commitment. Various scholars have discussed how decentralization, especially in the form of federalism, helps constrain state power and encourage the provision of public goods that citizens prefer (Buchanan 1995; Weingast 1995; Ostrom, Tiebout, and Warren 1961). In this way, decentralization can help promote institutions that foster wealth creation.

Complications arise because wealth creates challenges for governance. As some in society become wealthier, they invite invasion. From the perspective of the less wealthy, that is a negative externality since attempts at conquest will likely affect them. Thus, both the less wealthy and the wealthy have incentives to support government provision of collective security.

Wealth creation makes conquest more attractive, all else equal. A wealthy society has wealth that conquerors could expropriate. As a result, individuals in wealthy societies have an incentive to invest in creating a state strong enough to provide collective security (Geloso and Salter 2020).

Given the national level externalities associated with national defense, it is often seen as a justification for significant centralization of power. As Porter (1994) concludes “a government at war is a juggernaut of centralization determined to crush any internal opposition that impedes the mobilization of militarily vital resources. This centralizing tendency of war has made the rise of the state throughout much of history a disaster for human liberty and rights.”

However, some degree of decentralization and polycentricity can be useful for state efforts to provide collective security. One major reason for this is that security is a coproduced good. Some goods, such as pencils, towels, and bagels, can be produced without any direct participation by the consumer. The consumer simply purchases them from a producer. By contrast, some goods are coproduced, meaning that they require direct input from the consumers to be produced well (Ostrom 1996; Aligica and Tarko 2013; Goodman 2017). Consider education, for example. Even

if a professor is outstanding at their job, their students will not learn from the class if they do not make the effort to do the assignments, participate in class discussions, and do the assigned reading. In this sense, education is a good that the students and the professor coproduce together.

Collective security also benefits from some degree of coproduction. While a professional army, police force, or other security force could provide some degree of protection without direct participation by the local population being protected, members of the local population have relevant local knowledge. They know things about the terrain, about social and economic relationships in the community, about attacks and crimes they experience or witness, and about which places are vulnerable to attack. By cooperating with the security force, they could coproduce collective security by offering their local knowledge to enhance the security effort. Alternatively, they could defect to help the opposing force, thereby turning their local knowledge against the state's efforts at collective security. For this reason, securing local buy-in, and therefore coproduction by local stakeholders, can be crucial to providing collective security.

Decentralization involves sharing power and decision-making rights with local stakeholders, who will often have a greater degree of trust built with local individuals. This means that decentralization can provide a more hospitable environment for coproduction, as individuals will be more willing to cooperate with local authorities than distant authorities. When decentralization creates incentives for coproduction, it enables the production of security to a greater extent than a pure centralized monocentric hierarchy would produce.

### **3 Examples**

#### **3.1 US in 19<sup>th</sup> Century**

From the perspective of the federal government, American Indians presented a threat to collective security. It was not a good way to think about things: trade is always better, as are treaties and peaceful coexistence. Yet from the standpoint of the federal government, American Indians were a threat to the collective security of their settler colonialist state-building efforts. What we highlight here is that centralized provision was not enough to provide for collective security.

Anderson and McChesney (1994) argue that the emergence of the army after the Civil War reduced the cost of violence to subjugate Native Americans. They provide evidence that the government basically gave up on treaties.

The issue is that there were not many federal troops – they could not possibly have been providing for collective security.

Allen's (1991) explanation for settling the west focuses on homestead policies. Homesteads were free land policies. Those free land policies have subsequently been considered for their consequences for economic development (Allen and Leonard 2021).

We consider another implication of these homestead policies. Settlers were given property rights to land, which provided them with an incentive to defend those state-granted property rights. Settlers acted on this incentive and contributed to the production of collective security, thereby protecting the settler colonial project from American Indian resistance.

This period illustrates several things:

- (1) Centralization of military capacity creates incentives for violent conquest
- (2) The ability to effectively carry out this conquest depends to an extent on the ability of the government to decentralize defense, including through border packing with settlers
- (3) Collective security from the colonialist's perspective was co-produced, with provision occurring in a decentralized fashion.

While we have mainly considered how settlers and the federal government interacted to coproduce collective security for the settler colonial project, American Indians also provided for polycentric defense against colonialism. They were unable to defeat the US, but it is useful to consider. For example, consider the Ghost Dance of 1890 – this provided for a way to unify Plains Indian tribes against western expansion.

## 3.2 Russian War in Eastern Ukraine

### 3.2.1 Background

The country had democratic governance in the eighteenth century. Pyotyr Orlyk, a Ukrainian Cossack, gave Ukrainians a constitution that established limits on power.

However, later developments caused significant problems for institutional quality in Ukraine, undermining trust in the central government. For instance, when Ukraine was part of the Soviet Union they had to deal with repression, economic devastation, and corruption that arose from the Soviet system. This corruption persisted and was able to fester in the armed forces due to the secrecy that militaries can sustain in the name of security (Akimenko 2018). Prior to the Maidan Revolution, the Ukrainian government was assessed as very corrupt by international rankings (Transparency International 2014). Within the armed forces, corruption took forms that included bribery and the use of both military resources and conscript labor for personal gain (Polyakov 2012).

Corruption and distrust in the centralized government created opportunities for decentralization and polycentric defense to improve coproduction relative to the baseline levels associated with the corrupt and untrustworthy central government. Just as market failures represent profit opportunities for entrepreneurs, political failures represent opportunities for social and public entrepreneurs, and these opportunities have been seized by those who promoted a greater degree of decentralization and polycentric defense.

### 3.2.2 The Maidan Revolution

Viktor Yanukovich's administration was emblematic of corruption in post-Soviet Ukraine. Moreover, his administration was allied with Russia. At a time when many citizens favored

closer ties with the rest of Europe, “Yanukovych pulled the plug on efforts to sign the EU–Ukraine Association Agreement and instead sought to join the Russian-backed Eurasian Economic Union” (Brik and Murtazashvili 2022). This prompted popular protests, eventually resulting in Yanukovych’s ouster. Throughout the Maidan Revolution, citizens practiced local collective action, as “the revolution played out in dozens of cities in all regions of Ukraine, with citizens challenging local governments and calling for a Ukraine that looked westward” (Brik and Murtazashvili 2022).

### 3.2.3 The Hromoda System

In the aftermath of the Maidan Revolution, reforms were implemented that moved towards more decentralized governance. Crucially, “a new law in 2015 allowed communities to self-organize voluntarily into new local units called hromadas” (Brik and Murtazashvili 2022).

Residents under this system petitioned local authorities—head, deputies of hromada council, and executive committees – for public issues, including safety. What makes it work is that local leaders who become heads of hromadas, deputies, sarostas (public activists), have incentives to work for people, and people can hold them accountable. Hence, it improves ability to provide for defense.

The process of electing and engaging with these leaders solidified their positions within the local community. “Local hromada elections in 2015 and 2020 cemented this reform since people were electing their mayors and local leadership within the borders of new communities” (Brik and Murtazashvili 2022).

The hromoda system did not just impact formal authority, but also the allocation of resources. More resources were allocated via local governments rather than going to the central government. Participatory budgeting was implemented, empowering citizens to directly voice their views about how resources should be spent (Brik and Murtazashvili 2022).

Direct local participation of this sort builds trust, accountability, and social ties between local officials and ordinary citizens. Hromada leaders are more accountable; they provide public goods, building trust in government, patriotism, and more active people.

This trust, patriotism, and active local participation in collective action provided fertile ground for coproduction of collective security.

### 3.2.4 War in Donbass

Russia interfered in Donbass region. The result has been a war with Russia over control of Eastern Ukraine.

The hromodas system has enabled local communities to coordinate and coproduce collective security in response to the Russian invasion.

Official Ukrainian government materials identify the hromodas as a source of local strength that can help local communities resist external aggression. They write “The country consisting of such strong hromodas is difficult to break up from within and from the outside.”<sup>1</sup>

The experience with self-governance that the hromodas system facilitated meant that citizens were prepared to self-organize in other ways. During the invasion, the Ukrainian army initially performed poorly. But failures are entrepreneurial opportunities for public entrepreneurs. “Recognizing the weakness of the army, Ukrainians took things into their own hands and formed volunteer brigades. These local militias were able to defend territories because they consisted of volunteers fighting for their own communities” (Brik and Murtazashvili 2022).

Rather than attempting to crowd out or restrict these local volunteer efforts, the Ukrainian central government recognized them and incorporated them into their strategy. “Recognizing their strength and the need to reform the military, then President Petro Poroshenko integrated these self-organized, decentralized units into the Ministry of Defense through a new branch called the Territorial Defense Force” (Brik and Murtazashvili 2022).

### 3.2.5 The war escalates

In 2021, Russia increased their troop presence near Ukrainian borders, suggesting that they would launch a larger scale invasion.

In response, President Zelensky took advantage of the existing infrastructure of local governance to build up a larger defense force. He signed laws that “introduced a system to prepare the population for national resistance. The country’s civilian resistance fighters were allowed to be trained and equipped for a possible war in advance of the Russian invasion. Under this reorganization, civilians with little or no military experience were encouraged to join these local forces that would be overseen by regular service members” (Brik and Murtazashvili 2022).

When the invasion began, the central government distributed weapons and other resources to these local defense units. These defense units were able to use local knowledge to coproduce defense, and they increased the labor force available for defending the country. As of June 2022, there were roughly “110,000 people in these defense forces” (Brik and Murtazashvili 2022).

## 3.3 Taliban and State Collapse of Afghanistan [Incomplete]

In a fragile state like Afghanistan, public goods are provided often by organizations besides the state. This includes customary governance, which is often considered legitimate and effective. It also includes the Taliban, which is a questionable long-run solution.

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<sup>1</sup> <https://decentralization.gov.ua/en/gromadas>

In this case, we emphasize that the Afghan state was highly centralized from 2001 to 2021. This intrinsically provides opportunities for the Taliban to win support. The foundation for a more robust Afghan state is decentralization. One reason is that more effective local government is a defense against the Taliban.

Centralization created opportunities for the Taliban to provide public goods. The state was too weak to provide services such as courts. This corruption led few to use courts, or even participate in legal titling.

After 2021: in Panjshir, refugees and hopes to hold the valley as a safe zone. See Ali Maisam Nazary and his leadership.

The Taliban's centralization is also undermining its ability to provide for defense. We plan to consider a case here of Hazara Taliban who rebelled against the Taliban.

## 4 Conclusion

## 5 References

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