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The Dream to Tame the Leviathan: Authoritarian Power and the Market

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2.1 Ideas and Definitions of Power

Ideas of power form a large semantic field in political philosophy and in economic thought. What is power is controversial, and the word 'power' admits alternative interpretations in social science. As the political philosopher R. Dahl suggests, its open semantics with the broad range of meanings it involves might be an insidious trap more than a sound scientific conception (Dahl 1957: 201). In popular imagination, power is often identified with the extraordinary capacity some elite circles are endowed with, whose members complot in secrecy with formidable underground resources to change the course of events. These may be banks, multinational corporations, financial speculators or the media, which are deemed to globally regulate the state of markets or world events. In social science, the range of meanings involves disparate notions such as the institutional state authority on subjects or citizens, the unstable equilibrium of States on the international scenery, the hierarchical

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order among social groups, the conflicts on income distribution and the norms that regulate status by gender or age. Philosopher Foucault tried to decipher the underground, reticular web of power built in by the shaping of personal identities and the control over bodies in repressive social institutions. The Panopticon, the 'ideal' prison born out of Bentham's imagination, becomes the theoretical model to portray the impersonal, pervasive nature of power through the dominance on bodies and minds.[1]

In 1789, Bentham defined power in terms of the pleasures experienced in exercising it:

> The pleasures of power are the pleasures that accompany the persuasion of a man's being in a condition to dispose people, by means of their hopes and fears, to give him the benefit of their services: that is, by the hope of some service, or by the fear of some disservice, that he may be in the way to render them. (Bentham 1789 [1909], Cap.V, VIII, 6)

Dahl, echoing Bentham's definition, looks at power as a relationship between two 'actors': on the power basis including all the resources that actor A has the capacity to mobilize, A forces the choices or influences the behaviour by actor B, against or beyond B's will. Power works by threat, promise or persuasion; it may be evaluated in terms of its amount or the range of scopes to which it extends (Dahl 1957: 203):

> My intuitive idea of power, then, is something like this: A has power over B to the extent that he can get B to do something that B would not otherwise do. (Dahl 1957: 202)

This open definition covers a large range of social interactions. In political science, authoritative scholars such as J. March, H. Simon, L.S. Shapley or J. Harsany advanced alternative ideas of power, some of which formalized within game theory (Harsanyi 1971). Controversies on definitions dealt with their overall consistency or compatibility, or with the residual ambiguities in the underlying ideas of causality and the core scope of power relationships (Riker 1964; Wittman 1976). In political

[1] Digiser signals the distance of Foucault's idea of power from both the 'liberal' and the 'radical' vision (Digiser 1992).

science, concepts of power aim at explaining and measuring the capacity various political actors have to influence political choices, government and the voting process in general elections (Parsons 1963a, b). Controversial is the idea of power in international relations, in the theoretical constructions that address the issue; in historical interpretation, the label 'power' may be too easily applied as a shortcut, in lieu of appropriate reconstruction of the context to deal with (Guzzini 1993: 478).

In this chapter, we deal with the controversial notion of power as related to State authority within societies with established and more or less stable, fragile, contested, political institutions; notably, we deal with arbitrary power as built up in authoritarian or totalitarian States, looking both at the tragic experiences of totalitarianism in the twentieth century and at the return of authoritarianism in the contemporary global world. The focus is on arbitrary power as the capacity to force choice or behaviour on individual persons or communities through threat, promise, or persuasion not explicitly sanctioned by the rule of law, or extending well beyond what the law dictates. The instruments include discretionary, hierarchical command, acts of violence and physical coercion, acts of cruelty, abuse of legal power, but also the building up of political charisma, the apparatus for organized persuasion, the systematic abuse of asymmetric information, spying activities with the intrusion in private life, the imposition of personal stigma and social exclusion. In the twentieth century, authoritarian power was a devastating force that left deep marks on economic life. How should scholars in economics deal with the arbitrary exercise of power that shapes the workings of the markets and affects the economic aspects of social life?

In the first half of the twentieth century, totalitarian rule forced vast communities in the territories under the control of totalitarian States to face arbitrary power in the most cruel and brutal aspects that contemporary history witnessed, in peace and war. Let the numbers speak. More than one million[2] people died in the Armenian genocide during World War I. The victims under Nazi rule were 17 million or up to 21 million or even more, including 6 million Jews who died in concentration camps. Around three million or more civilians died in the 'Holodomor', the terrible famine in Soviet Ukraine between 1932 and 1933; in the estimates including

[2] According to other estimates up to 1.5 or 2 million lives were lost.

persecuted people or people forced to escape from Soviet Ukraine, the victims go up to four or five million. In the two years 1937–1938 of Stalin's Terror, the victims were around 1.6 million, counting casualties and arrests; in the 1930s almost 25% of the adult population was hit by repression under Stalin's rule. Historians calculate that more than 20 million people were affected (Graziosi 2007: 426). Beyond such tragic figures, in the first half of the twentieth century, totalitarian States destroyed human capital by killing intellectual elites. Totalitarian rule caused the massive, irreversible destruction of skills and knowledge, including technical training, administrative capacities, political and managerial abilities. Millions of children were deported or taken away from their families; the survivors suffered devastating trauma in their psychical growth to adulthood.[3] In the second half of the century, in communist China during the 1958–1962 period, famine killed 23 million people, cautious estimates say; recent calculations have raised the losses to up to 36 or 38 million people, if not 47 million (Dikötter 2011: 324). Military rule in authoritarian regimes in South America, notably in Brazil, Chile and Argentina extolled high number of losses. In the years 1975–1979, in Cambodia the Khmers Rouge genocide murdered 1.5 to 2 million people.[4] To these figures should be added the victims of African conflicts during the Cold war; the Tutsi genocide in Rwanda in 1994; the civilian deaths in Congo between 1998 and 2003, which might reach more than five million people, and the massacres still are ongoing. It is a long, tragic list.

After the fall of the Soviet bloc and the end of Maoist China, authoritarian rule with aspects of brutal arbitrariness and patrimonialism is still widespread in the world; it affects the lives of millions. In the milder experience of partially authoritarian States, with an apparent democratic base, political power and economic interests mingle; a legitimate question arises on where the dividing line runs separating private interests and the State apparatus. A complex picture emerges of how the State and the market interact in parliamentary democracies set up in postcolonial States or after the disintegration of the Soviet bloc, where in the market space the commixture prevails of public influence and private activity,

[3] On the hardship and trauma children suffered under Soviet repression till Stalin's death, see Frierson and Vilensky (2010).

[4] According to some estimates, the victims were two million or more.

affecting the opportunities for growth. In tragic circumstances, the commixture nurtures vicious paths, capturing in poverty traps the countries involved in political conflicts or civil wars. How to draw a line between the State and the market, political power and economic activity, individual and collective choice, if political elites arbitrarily restrict personal freedom, appropriate both private and collective resources, and systematically use threat and promises to force choices? Does the demarcation line that is supposed to distinguish private interests in the market from public choices disappear? Research on contemporary authoritarian regimes calls into question the disciplinary borders separating economics, political science and historical studies.

In economic thought, authoritarian power was examined in specific research niches, such as the studies on imperialism in the first half of the twentieth century. Since the late eighteenth century, the damages and distortions created by the excess of public control over economic life have been a major theme in economic literature, from the elementary visions of laissez-faire to the sophisticated contributions in the *public choice* approach, which refuse to deal with the decisions by public bodies as if they were the enlightened dictates of a benevolent dictator. In the theory of markets at the core of economics, the image prevailed of exchanges regulated by the rule of law protecting property rights, under the benevolent State. Even the Marxist approach proposing the polemical image of the State as the managing committee of the bourgeoisie accepts the inner legality regulating markets in capitalism, though in a dialectic evolution. The State is the instrument of class interests, not of individual whimsical wills. The idea of competitive markets is built on the dream to tame the Leviathan, erasing the disturbing influences of discretionary authoritarian power or totalitarian terror.

2.2 History and Reason: The Dreams to Tame the Leviathan in Economic Thought

In the second half of the eighteenth century in Europe, at the fluid frontier between economics and political science, so rich in ideas within the unifying framework of moral philosophy, illustrious intellectuals came face to

face with the task of fighting to free civil society from the stranglehold of the powerful. This stranglehold could distribute favours or ruin, and it was feared because it was capricious, subject neither to transparent rules nor to adequate checks, perceived as threatening because it dissipated human lives in war or burnt them with unjust sentencing. It was felt to smother positive energy that could bring about the transformation to achieve goals of wellbeing and safety. The holders of capricious power over life and death are the sovereigns, the courts, the great landowners, but also the magistrates who make laws and administer justice, the financiers who collect taxes, the coalitions of rich shopkeepers or the extremely powerful trading companies. This theme traverses the whole of Enlightenment culture and there is no need here to mention Montesquieu, Beccaria or Kant.

In France, the Physiocrats expressed the utopia of a rationally governed society, where arbitrary power was tamed and the exercise of power took the form of enlightened despotism, with a monarchic government legitimized by subordination to the natural law, that is, by a system of principles and rules dictated by reason, spread by education to all social classes and learned by the sovereign himself, who was supposed to be its greatest guarantor. The lack of transparency, the ambiguity and uncertainty of fiscal and juridical norms, as well as their arbitrary interpretation by courts or officials in charge of their enforcement, with very high costs for the security and wellbeing of citizens, are central themes in the writings of Turgot. They are recurrent in the *Eloge de Vincent de Gournay*, in *Mémoire sur les prêts d'argent*, in the letter about *La Marque des fers*, in the *Lettres au Contrôleur Général sur le commerce des grains*, just to mention the best known texts (Ingrao 2013, cap. I.). A major theme in Turgot's writings is the ill-defined and variable feature of the French judicial system. He repeatedly points to the capricious application of the laws, which puts the subjects of the French kingdom at the mercy of the power of single officials and magistrates. In the *Eloge*, he critically refers to how crucial issues such as succession rights could be determined by custom and courts could arbitrarily pronounce death sentences for some crimes. He credited de Gournay with constant attention for the reform of the 'abuses' due to the excessive, arbitrary intervention of public authority in economic activities and also due to the powerful influence of coalitions of vested interests in trade corporations.

It would be wrong to see in these political projects, in which there is a clear central role of the state represented in the power of the absolute monarch, projects of extreme economic liberalism in the (controversial) sense of the contemporary debate. Both the Physiocrats and Turgot felt the central state should have an active yet enlightened role in education, taxation, public works, transport and in the promotion of technical progress. In his role as intendant and then minister, Turgot, more pragmatic and flexible in his conception of the art of governing than the Physiocratic circle around Quesnay, managed during his brief periods in government to promote immediate interventions and wide-ranging reforms, with a rationalizing activism that was only partly successful and, as we know, accelerated his fall.

In *The Wealth of Nations* Smith's disenchanted dream of taming the authoritarian Leviathan appears to be more sober and realistic, with overtones of scepticism on the possibility of mitigating or controlling the follies of the government, explicitly critical of the Physiocratic claim that the perfect government regime could be achieved. He wrote in *The Wealth of Nations*: 'The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy' (Smith 1776 [1976], IV.iii.: 493). The arbitrary nature, the abuse and the rapacity of power are among the great themes of Smith's historical discourse not only in *The Wealth of Nations*, but also in *Lectures on Jurisprudence* and *The Theory of Moral Sentiments*. They recur in his interpretation of the ancient world and its historical catastrophes, in his analysis of slavery and colonization, in his denunciation of the imbalance among peoples on the international scene, in his vision of the conflict between monarchs, feudal lords and free cities in medieval Europe, in the denunciation of the power of life and death applied arbitrarily in commercial legislation, in the critique of trading companies and destructive experiences such as the dispossessions and impoverishment produced by the colonial government in Bengal. Many scholars have pointed out Smith's lack of faith in the rationality of politics and in the correct behaviour of the government and the public administration. As Viner has acutely observed, Smith was dealing with cynical and corrupt state powers (Viner 1927: 221–223). At the time of the first colonization of the Americas, the international scene had been a theatre

of terrible violence and abuse against indigenous populations, a tragic experience recalled by Smith in *The Wealth of Nations*. Wars for the control of the seaways and commercial traffic, the expansion of the British empire, the conflict with the colonies in North America offered ample first-hand material on the abuses of authoritarian state power unmitigated by the law or the control exercised, though to a limited extent, by elected assemblies.

Smith's ideal of natural liberty is among the fertile utopias that fuel the dream of taming the Leviathan. It would be reductive to interpret it from the viewpoint of the contemporary debate, forgetting the historical context and Smith's emphasis in all his works on justice as the foundation of the social order and specifically of the institutional order, which has to regulate and moderate the interplay of private interests (Rosenberg 1960; Hollander 1977). In its first formulation, which we know only indirectly, the deviation of government towards oppression and tyranny is intrinsic to the very goal of controlling the natural course of things, deforming it.[5]

In Smith's work, history is central, as a reasoned narration of events, a reconstruction of paths of development, an evolutionary anthropology of human societies. The image of the markets is contaminated by history even in the vision of the natural course of the 'commercial society'. In the nineteenth century, the mathematization that progressively conquered economic theory expurgated market theory from history, and with it the impure interweaving of markets and authoritarian state power in historical experience. The idea of the market—the theoretical space of human interaction established by the contract of exchange—is represented in the mathematical model as a place of interpersonal relations dominated by legality, that is, governed by its own laws. This theoretical vision, formulated in different ways by different authors, explores the space of social interaction based on the voluntary contract, conceived as the

[5] 'Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point are unnatural, and to support themselves are obliged to be oppressive and tyrannical' (quoted in Stewart 1795 [1980]: 322).

product of agents' far-sighted rationality; it excludes the individual's arbitrary power over the choices of another person and, a priori, the arbitrary use of power by the political elite of the authoritarian state. The market is a system of social relations governed by internal laws: in the conflict of desires and in the allocation of resources, what prevails is the objectivity of social relations, never the arbitrary will of one individual against the other.

History is still a large presence in the work of A.A. Cournot, a central figure in the mathematization project, but also the author of hundreds of pages of epistemological, philosophical and anthropological reflections in an ambitious attempt to systematize and classify knowledge ranging from probability theory to the theory of evolution, from biology to linguistics and anthropology. The uneasy balance between materialism, vitalism and rationalism or, in human affairs, between history and rationality, are aspects of his thought of controversial interpretation. As argued by F. Vatin, a careful scholar of Cournot, as civilization evolves the 'historical' phase follows the prehistoric one and precedes the one at the end of history, dominated by rational behaviour (Vatin 2006: 119). In 1838, in the *Recherches*, Cournot foresaw the drive towards rational order that dominates the development of the market economy. In the rationalized, global society towards which human experience is moving, market relationships, purified of any crude form of power, are made fluid by moderation and by far-sighted rationality (Cournot 1838 [1971]: 10). In the *Traité* published in 1861, he repeated the prediction of the growing expansion of the rule of rationality with the effect of reducing the turbulence of political life (Cournot 1861 [1982]: 482, 484, 552). However, the political sphere is deeply rooted in the collective imagination based on emotions and identity, and it remains elusive, extraneous to full rationalization and open to fresh turmoil. Cournot conceives it from the viewpoint of the 'social body' rather than from that of mechanical equilibrium. In 1875, in *Matérialisme, vitalisme, rationalisme* the risk of 'shocks' heralding disaster in the political sphere is announced in almost pessimistic tones. Governing men requires 'an organism that has the flexibility and spontaneity of life' (Cournot 1875 [1987]: 130). The hope of stabilization for the political sphere emerges from the distinction between the 'regime' of government and politics, in

the strict sense. By 'regime', Cournot means the institutional and normative system (e.g. the monetary or judicial regime) that is established in a sovereign state and can be governed with intelligence and honesty by the administration, competently carrying out functions that are distinct and separate from political action, which nevertheless remains its driving force (Cournot 1875 [1987]: 131–132). Cournot has some faith in this moderate utopia of successful, competent management of public functions, free from political interference, despite underlying its ideal character. If the ideal were to prevail the disturbances caused by the repeated turbulence of politics would remain confined to the surface level (Cournot 1875 [1987]: 132). Whatever the faith in this form of taming the Leviathan, Cournot's theory of the market still remains firmly anchored to the foundations laid in 1838, although in the *Principes*, in 1863, the emphasis on the possibility of mathematizing the economic discourse is toned down and caution is explicitly expressed (Cournot 1863 [1981]: 329–330).

The dream of markets without power and of the benevolent Leviathan is clearly embodied in the Walrasian construct of the general economic equilibrium. The definition of the market given by Walras in *Éléments d'économie politique pure*, which lies at the heart of the vast construction of the model of general economic equilibrium, is a market of perfect competition where the price is formed as a 'natural fact' depending on the objective nature of scarcity, beyond the will and arbitrary power of any individual trader (Walras 1900 [1952]: 26–27). While Walras admits the possibility of voluntary actions to alter the price established according to scarcity, for instance by destroying part of the stocks of some good, in his epistemology, the science of pure political economy deals with the determination of relative prices in perfectly competitive markets, where such prices are formed transparently without arbitrary interference (Walras 1900 [1952]: 45). The long-standing dispute about the normative or descriptive nature of the Walrasian model cannot disregard the importance Walras attributes to the pure theoretical model in scientific explanation, side by side with its role as the normative ideal. The theoretical model of the system of markets, the key to interpret reality, must be an abstract, ideal representation of exchange in perfect competition precisely because it is pure science; it is a normative ideal, because it responds to the criterion of commutative

justice: markets not subject to arbitrary power in relations between private parties. The equilibrium relative prices depend neither on discretion nor on the ability to exercise pressure by this or that trader or by institutions outside the trading process. In the market interaction, individual free will, which underlies the individual traders' optimizing decision-making, is subject to the law of price regulation operationalized by the auctioneer. The desire for power and subjugation does not disappear, but is curbed by the mechanism of competition operating in trade. This ideal model of the perfectly competitive market is totally lacking in elements of power. In the paradise of ideal markets, nobody exercises pressure on others to force them to act by way of threat or promise. Nobody could even imagine doing so, if the premises of the ideal model are upheld. The images of the ideal market in the writings of Walras include, in the 34th lesson in *Éléments d'économie politique pure*, the famous one that compares the majesty of the economic world as governed by the law of supply and demand to the system of the astronomical world governed by universal gravitation (Walras 1900 [1952]: 362).

The legality of the market is grounded on the condition of 'legitimate appropriability' of goods and therefore on the definition of property rights; but in pure market theory, there is no discussion of the fundamental principles that should regulate them, nor precise references to their normative definition in the institutions of a state or a time in history. The capital good of which Walras at length discusses the conditions of legitimate appropriability is land, with evaluations that do not concern pure political economy but the complementary field of the social economy (*économie sociale*). In *Éléments d'économie politique pure*, Walras deals with the question of property in a double register, historical and theoretical, relegating appropriability by force and through conflict to past ages and expressing the faith that human history will evolve towards 'the final order of principles' (Walras 1900 [1952]: 36). The final order has the connotation of a rational ideal corresponding to the epistemological fusion of the normative ideal and the scientific one.[6] According to the perspectives of applied science and

[6] See Walras (1898 [1992]: 434). The constructive standard defined in applied science should be based on the principles of pure science.

social economy, the scientific disciplines constituting the theoretical architecture of social science along with pure political economy, Walras formulates the dream of the state that embodies distributive justice: it is a scientific ideal towards which positive action must be rationally addressed and towards which the course of history moves.[7] In a note written in 1875 about the possible nationalization of the railways, critical of Chevalier and the French free trade school, Walras reaffirmed the importance of the state's effective and benevolent role, complementary to private activity (Walras 1898 [1992]: 211–212). In constructive terms, he conceived the possibility of building the state administration with well trained, dedicated civil servants, honest magistrates and competent engineers, driven by the desire to serve the public good. He reaffirmed his faith in the efficiency and effectiveness in the actions belonging to public responsibility (Walras 1898 [1992]: 212). The theme runs through all the essays collected in *Études d'économie politique appliquée*, as well as being of central importance in *Études d'économie sociale* (Walras 1896 [1992], 1898 [1992]).

In the Lausanne school, Pareto separated pure market theory from his broader conceptual construct, although he was engaged in the analysis of power, to which he devoted a large part of his sociological work. In the *Manuale*, the realm of theoretical economics is confined to the sphere of repeated logical actions alone (Ingrao 2013: 429–430). In his late political writings, Pareto anticipated an explicit interest in the connections between markets and institutional construction, with a very critical attitude towards liberal democracy.

The ideal character of Walras's vision of the market is accentuated in the neo-Walrasian general equilibrium model, which still plays an important role as a reference point among economists, despite the composite nature of the core of economic theory today. Recent literature underlines the normative value of the general equilibrium model between the 1940s and 1960s, and its connection to the literature of 'mechanism design', openly oriented to constructing mechanisms of social engineering for the purposes of planning (Boldyrev and Ushakov 2015). In the vision of

[7] See Walras (1898 [1992]: 413).

centralized planning as overlapping with the Walrasian model, which marked the literature of the 1940s called market socialism,[8] as well as in its later developments in stability theorem research, and more explicitly, in the search for social engineering mechanisms designed for planning, the public authority immediately takes the rational, transparent form devoid of any trace of power that Walras attributed to ideal competitive markets that do not violate commutative justice. The image of the state as the organizer and rationalizer of economic activity is built looking at the ideal image of transparent markets governed by laws that exclude irrationality, abuse, violence, oppression or the individual's arbitrary power over the destiny of his fellow man.

In the current state of economics research, there are no dominant models of markets, which might claim the theoretical primacy attributed to the neo-Walrasian general equilibrium model in the 1950s and 1960s. After having been at the frontier of research till the late 1970s, the neo-Walrasian model was superseded by new families of partial models, many of them in game theory, with applications in different fields. Whole research fields, like behavioural economics, reject the Walrasian premises advancing new epistemological perspectives and behavioural hypotheses. However, difficulties in conceptualization and formalization hinder the emergence of a unified paradigm that coherently incorporates cognitive biases, asymmetric information, transaction costs or disequilibrium dynamics in the market mechanisms, abandoning the transparency of perfect competition. For ideological reasons and a lack of alternative, unifying visions, the neo-Walrasian model remained the reference point until the start of the twenty-first century in New Classical Macroeconomics and, with appropriate variations, in New-Keynesian Macroeconomics. Today it is still the basic image of the market in the economist's tool box, although a new anarchy is advancing in economic theory.[9]

[8] 'But market socialists took Walrasian construct not just as a general model of market, but also as a guide to action, a normative ideal one needed to achieve. It turned out that the same mathematical object (equilibrium) could be interpreted both as an outcome of spontaneous decentralized market process and as a result of centralized socialist planning duly organized and implemented' (Boldyrev and Ushakov 2015: 5).

[9] The evolving core of mainstream economics is fragmentary; a single theoretical tool box has vanished (Ingrao 2018).

2.3 The Many Leviathans in Contemporary History

Hobbes's Leviathan is an artificial giant playing a civilizing role; it is built to establish some measure of reciprocal security founded on recognized natural laws.[10] The totalitarian Leviathans in the time of wolves, as the poet Osip Mandel'stam named the epoch being himself a victim of the wolves, were not so reassuring. In Europe, great minds tried to unveil the hidden nature of the authoritarian States that emerged in the 1930s, under the pressure of the dramatic change in the political scene. In 1936, historian Élie Halévy, who underlined the similarities among the power apparatus of Nazi rule, the various forms of fascism, and the new Bolshevik power, connected them as the various faces of the age of tyrannies (*L'ère des tyrannies*). He looked at their common roots in the devastating political experience of World War I. Halévy chose the word 'tyranny' with Greek root in continuity with Aristotle's political thought; he preferred it to 'dictatorship' that in its original Latin meaning indicated the power that established the transitory suppression of freedom in a situation of emergency (Halévy 1938 [1990]: 214). On the contrary, Hannah Arendt emphasized the novelty of twentieth-century totalitarianism, marking its difference from authoritarian forms of government as already classified in political thought (Arendt 1951 [1967]; Arendt 1954a [1994]: 309–310, 313; Arendt 1954b [1994]: 339–340). In her book on *The origins of totalitarianism* and in the essay prepared for *The Partisan Review*, she argued that the emergence of totalitarian regimes was the crucial challenge for the understanding of the contemporary history. She placed totalitarian regimes at the heart of historical change in the twentieth century, comparing the difficult task of deciphering totalitarianism to deciphering the "central event of our world" (Arendt 1954a [1994]: 308). Arendt underlined the terrible novelty of both the Nazi and the Stalinist rule, distinguishing these

[10] 'The final cause, end, or design of men who naturally love liberty, and dominion over others, in the introduction of that restraint upon themselves, in which we see them live in commonwealths, is the foresight of their own preservation, and of a more contented life thereby; that is to say, of getting themselves out from that miserable condition of war which is necessarily consequent, as hath been shown (Chap. 13), to the natural passions of men when there is no visible power to keep them in awe, and tie them by fear of punishment to the performance of their covenants, and observation of those laws of nature set down in the fourteenth and fifteenth chapters' (Hobbes 1651 [2014]: 131).

regimes at their peak from other contemporary dictatorships, such as the fascist one party rule or the early Bolshevik one party dictatorship. At the roots of totalitarian power are ideologies, which believe in the inevitable evolution of history moving towards the purification of the race or the eschatological purification of society. The ideologies on which the totalitarian regime is built deny all rights to life and freedom to entire groups of people, perceived as not belonging to the purifying evolution. Individuals or minority groups, who by stereotype classification or by mere accident are perceived as not belonging to the privileged final destiny, obstruct the revelation of history: they must be destroyed by the power machine. The superior evolution dictated by nature or by society justifies killing them, even in mass massacres. For inferior human beings, the Leviathan is no more a protecting power; on the contrary, the totalitarian Leviathan should accelerate their annihilation in the advance of times. In the terror justified by natural or social transformation, human beings disappear as such; they are just instrumental agents of the immanent, inevitable change according to the final law of evolution. Those who clean the world from inferior races or individuals, or from decadent classes and peoples, may tomorrow be the ones who will be sacrificed in the march towards the inevitable, eschatological future (Arendt 1954b [1994]: 349). According to Arendt, in Nazi Germany and Stalinist Russia these are the tragic marks of totalitarian rule at its peak. Power is the kingdom of terror (Arendt 1953 [1994]).

In *Crowds and Power,* Elias Canetti identified another aspect of power relations.[11] The 'crowd' is a psychic phenomenon, in which individuals lose the separateness of their individual identity that is usually accompanied by a repugnance at being touched: 'the dense crowd, in which body is pressed to body; a crowd, too, whose psychical constitution is also dense, is compact' (Canetti 1962 [1981]: 15). Canetti's 'crowd' is a powerful psychic experience in the mass rituals of authoritarian regimes. As regards German historical experience, Canetti argued that in the unification of Germany the army became the founding symbol of the nation in the collective experience of German citizens. After the Versailles treaty, in Hitler's speeches against the 'Diktat' of Versailles, the claims against

[11] In the book, Canetti explores the crowd in the most varied and diverse historical circumstances.

the disbanding of the German army acted, by inversion, as a powerful appeal to national cohesion, with immediate hold over his listeners (Canetti 1962 [1981]: 181 ff). Canetti evoked the 'crowd' in German hyperinflation as a collective experience of devaluation of both the currency and personal identities. He looked at the paroxysm of anti-Semitism as rooted in the same psychic experience (Canetti 1962 [1981]: 186 ff.).

In her works, Arendt carefully distinguished the various authoritarian governments with reference to the analysis of power in Montesquieu's and Kant's political thought; but in some paragraphs on totalitarian regimes, she placed the focus on liquid institutions, pointing out at the ruthless power of the secret police or of elite paramilitary corps, whose members could in turn be crushed by the terror machinery (Arendt 1951 [1967]: Part 3, chap. XII).[12] Although her lesson cannot be forgotten, her interpretation of totalitarianism does not account for all authoritarian regimes.[13] Historical studies on the evolution of the Soviet State after Stalin's death, or of communist States in Eastern European countries before 1989, show how these regimes developed a complex institutional architecture to legitimate government and capture the consensus of civilians. The capture of consensus is built by building collective values and aspirations through the machinery of active propaganda; these may be anchored in deep cultural roots in national history. On a parallel path, consensus is built by building welfare systems or networks of cronyism relationships, which provide to individuals or groups better incomes, status advancement and social visibility, in strict connection to economic life. Violence and consensus are the two poles for the longer-term stability of authoritarian rule.[14]

[12] Arendt's book offers an articulate analysis of the institutions in the terror machinery in the later phases of totalitarian regimes, after their first stage as revolutionary movements (see Arendt 1951 [1967], chaps. XI and XII).

[13] For the same reason her interpretation of totalitarianism is controversial, even if some scholars, and notably R. Aron, recognize its dramatic relevance (Martinelli 2009; Forti 2009). On the cultural roots of totalitarianism see also Shorten (2012).

[14] D. Augustine effectively underlined this balance in his history of the German Democratic Republic (GDR). 'GDR history stands between the opposing, yet connected poles of coercion and consent, neither of which can be ignored. In fact, this is true of all regimes known to historians. It is even true of the most ruthless, dictatorial and violent phases of Stalinist and Nazi rule' (Augustine 2011: 633–652).

2.4 Hayek and Schumpeter on Totalitarianism

During the 1940s, two outstanding economics scholars, J.A. Schumpeter and F. Hayek, dealt with totalitarian institutions and the emerging new totalitarian States. In 1942, Schumpeter examined political institutions and the idea of socialist planning in *Capitalism, Socialism and Democracy*; in 1944, Hayek argued the irreversible drift towards totalitarianism in centrally planned economies in *The Road to Serfdom*. Both scholars reacted to the anti-market climate prevailing in Europe in the 1930s and early 1940s even within democratic countries.[15] They were both concerned with the cultural atmosphere of hostility towards capitalism they perceived in intellectual circles, but reacted from radically different perspectives and with divergent interpretations.[16]

In Schumpeter's thought, power is an important subject. In his theoretical construction, markets are still conceived in isolation from the political sphere, but Schumpeter deeply eroded the Walrasian core in economics dealing with innovation, historical change and the evolution of institutions. In 1912, in *The Theory of Economic Development*, the abstract view of the market economy ('the circular flow') brings the mark of the Walrasian idea of equilibrium, though with adaptations and missing something of Walras's refined theoretical purity (Schumpeter 1934 [2012]: 41). For 'the purpose of theory', the system of competitive markets is static and stable, as Schumpeter remarked in his essay on the instability of capitalism in 1928:

> The economic system in the sense of conditions and processes reduces itself for the purpose of Theory to a system in the scientific sense of the word – a system, that is, of interdependent quantities – variables and parameters – consisting of quantities of commodities, rates of commodities and prices,

[15] See Furet (1995: 180).

[16] Schumpeter wrote in chapter XIII in *Capitalism, Socialism and Democracy*: 'From the analysis of the two preceding chapters, it should not be difficult to understand how the capitalist process produced that atmosphere of almost universal hostility to its own social order to which I have referred at the threshold of this part' (Schumpeter 1942: 143).

> mutually determining each other. This system has been found to be stable, and its stability amenable to rational proof, under static conditions. (Schumpeter 1928: 364)

In his essay, Schumpeter drew a clear line of demarcation to cut out issues of political or social instability from the discourse on economic instability to be focused on the endogenous volatility in economic processes, notably endogenous business cycles[17] (Schumpeter 1928: 361–363). He defined 'capitalism' as the combination of private property, the market economy and the credit system, the latter being its distinguishing characteristic. The long-term evolution of capitalism as a social and institutional order of society was neatly distinguished from the instability of the market economy in consequence of endogenous economic fluctuations. Obviously, Schumpeter did not deny that events outside the economic sphere, as properly defined, influence economic trends; he explicitly reminded 'the breakdown of Russia' (Schumpeter 1928: 364). Political shocks belong to the exogenous environment; they are out of the core of properly defined economic discourse.

If absent from the circular flow, power is at the heart of Schumpeter's conception of competitive capitalism, being at the core of the idea of entrepreneurship. Innovative entrepreneurs win thanks to the leadership they exercise on other people, though such leadership is not akin to the political charisma acting by confidence, glamour and persuasion. The entrepreneurial *leadership* requires the capability to stand resistance, and get things done, influencing other peoples' behaviour. Leadership in innovative change, as distinguished by the entrepreneur's role according to Walras or Marshall, requires the ability to convince the bankers, who will provide the funds for the innovative projects. The successful entrepreneur raises the motivations of technicians and workers, who collaborate in innovative projects; he forces new products on consumers; he drags imitators. The illusion of power is moving him to action. Such non-romantic leadership creates economic change, though it has nothing

[17] 'In short, the economic stability we mean, although it *contributes* to stability in other senses, is not *synonymous* with them, nor does it *implies* them' (Schumpeter 1928: 362). In 1927, Schumpeter had underlined how economic cycles had to be explained by endogenous economic phenomena, excluding shocks from political events (Schumpeter 1927).

to do with the affective charisma of politicians, or the State Leviathan as guarantor of the social order. In markets, it spreads disorder by 'destructive creation'.

Seemingly to Cournot, Schumpeter looks at economic phenomena within social, institutional and political evolution in history; the dynamics in the political sphere has its own degree of liberty, with disquieting effects of turbulence or autonomous change. In 1942, in *Capitalism, Socialism and Democracy*, Schumpeter eventually argued the prophecy of the dissolution of the capitalist order. In his analysis, as in Cournot's theorizing, political power gains legitimacy and stands only when grounded on deep emotions. If the entrepreneur builds endogenous economic change, the bourgeoisie as a social group is incapable to sustain the charismatic foundations of power that rule societies, because of its individualistic values, its training and the myopic concentration on profits. Markets and the creative destruction process stand on State institutions in continuity with the feudal order. The innovative entrepreneur is not the charismatic leader of the political community; capitalism survives thanks to its temporary symbiosis with public powers of feudal roots. Government, as the force to impose order and establish orderly, collective conditions of life (Hobbes's Leviathan fundamental role) rests on institutional pillars from the feudal age. The symbiosis works thanks to the metamorphoses of class and status roles; governing elites enclose both people from the new classes and representatives from the old dominant groups (Schumpeter 1942: 136–137):

> With the utmost ease and grace the lords and knights metamorphosed themselves into courtiers, administrators, diplomats, politicians and into military officers of a type that had nothing whatever to do with that of the medieval knight. And -most astonishing phenomenon when we come to think of it- a remnant of that old prestige[18] survives even to these day, and not only with our ladies. (Schumpeter 1942: 137)

This symbiosis is unstable, and Schumpeter reads the growing hostility towards capitalism in contemporary society as the visible signal of a

[18] The reference is to 'the mystic glamour and lordly attitude' of ancient feudal lords.

self-destruction process by capitalism itself. Capitalism as a social order is mined by the disgregating nature of its values, by the failing legitimacy of its leading characters, by the progressive decomposition of 'protective' social groups, that is the stable strata of small proprietors, craftsmen, farmers, whom technical progress and great enterprises destroy (Schumpeter 1942: 139–142). Schumpeter wrote in the Preface:

> In the second part – Can Capitalism Survive – I have tried to show that a socialist form of society will inevitably emerge from an equally inevitable decomposition of capitalist society. Many readers will wonder why I thought so laborious and complex an analysis necessary in order to establish what is rapidly becoming the general opinion, even among conservatives. (Schumpeter 1942 [1992]: 409–410)

The political arena is portrayed in a dismal way. Schumpeter looks at politics as dominated by the perverse competition operating through the manipulation of opinion and the deception of constituencies, which are easily cheated because the common voters have myopic views. After the progressive disintegration of the capitalist order, he forecasts the combination of democratic institutions deprived of real power with centralized market socialism leaded by a number of great trusts. Paradoxically, the adumbrated system represents a return to the Walrasian dream to tame the Leviathan. Market socialism, whether fully or partially centralized, even if dominated by monopolies, is managed according to inner rational laws of effective administration; it is autonomous from the inflammable world of politics, and only apparently in the grips of democratic institutions. In the hypothetical socialist society thus constituted, the equilibrium between democracy and socialism, in the meaning Schumpeter attributes to these concepts, may be unstable; it requires a certain degree of welfare and economic growth to smooth social tensions. To maintain the balance between centralized economic power and democracy, people should be highly civilized, and the political elites fairly stable; citizens should freely legitimate the institutional structures (Schumpeter 1942 [1992]: 301–302). If the balance breaks down, the centralized socialist structure attributes to political elites a tremendous amount of power over common people. Socialist democracy, then,

becomes a terrible imposture, much more than it is in any mature democracy in capitalism (Schumpeter 1942 [1992]: 302). A subtle poison comes to light in cynical tones: Schumpeter was conscious of the imposture in Soviet Russia as regards the brutality of the socialist discipline. In some pages, he highlights the 'sinister connotations' of Soviet rule, arguing that they are the effects of the historical context and the underdeveloped economy (Schumpeter 1942 [1992]: 212 ff.). The brutality of the totalitarian Leviathan, although remarked, looks as far apart from the inner laws of socialist markets.

On the contrary, in 1944, in *The Road to Serfdom* Hayek argued that the planned economy centralizing resources under government control escalates towards the centralization of political power leading to totalitarian rule. Totalitarian rule drives society towards both ethical and economic disasters. The centralization of control on resources in socialist planning blocks the creative impulse that nurtures discovery and innovation, and severely undermines the efficient use of dispersed knowledge. The main thesis of the book is that central planning, far from being a neutral frame for the collective organization of production and distribution, forces political institutions to degenerate into totalitarian rule. Liberal democracies cannot survive under the hierarchical frame of command that central planning requires; such command erodes the responsible initiative, the values and the shared norms of trust on which open, free market societies stand. In his vision of totalitarianism, Hayek echoes themes similar to those Halévy, and later Arendt, refer to. Nazi and Bolshevik ideologies share the dream of returning to a compact society, whose members have no value as independent persons; they are grains of the whole governed by the common end. Under totalitarian rule, the very idea of ethics disappears. The attribute of humanity pertains to the individual person only as far as he or she is recognized as belonging to the community, in conformity to totalitarian ideology (Hayek 1944 [2008]: 162). To continue with the metaphor above, according to Hayek, the totalitarian Leviathan has no limit in ethical principles, all being admitted by the collective end cementing society. Cruelty becomes the effective tool of historical logic. This gloomy vision of totalitarianism and planning was neatly opposed to Schumpeter's arguing, although Schumpeter was not openly attacked in the book. Two chapters notably dealt with

how totalitarian rule progressively undermines habits and norms of civil ethics by harassment and propaganda, the diffusion of official lies, the reward of ferocity and intrigue, the promotion of ruthless individuals to top positions. Totalitarian rule destroys moral identity, and the inner texture of values which frame social intercourse in liberal societies. In *The Road to Serfdom,* two sets of arguments are strictly linked: the impossibility to democratically manage the political institutions in societies with centralized planning; the consequent totalitarian drift in State power, with the ethical decay of political elites, and the loss of moral values in society at large. Hayek will develop these subjects in some of his writings soon after the war, concerned for the fragile rebuilding of liberal constitutions in European countries.

In their opposed prophecies on the Leviathan and the market in dynamic interaction in socialist societies both Schumpeter and Hayek dealt with the complex evolution linking changes in institutions, the building up of individual identities and social values, and economic activities. Both dealt with ideologies, and the ways in which people subjectively perceive their links to the political community, or how moral feelings influence economic life. There is no doubt that Hayek captured effectively the bias towards totalitarianism inherent in the illiberal ideologies extolling collective governance. In the contemporary world, most authoritarian Leviathans take milder forms with respect to the totalitarian regimes of the 1930s and 1940s; in a number of countries, the borders between autocracy, democracy and the market economy seem blurred. They are also highly unstable, just as Schumpeter and Hayek guessed.

2.5 Institutions and Authoritarian Power in Development Economics

After the end of the cold war and the fall of the Soviet Empire, political changes towards democratic transformation took place in various areas of the world. Many of these processes get stuck, and the emerging democratic States remain hybrid. Formally liberalized, they are dominated by political elites, which in various ways violate human rights, block the

access to power to opposition forces according to alternation rules, use and abuse public resources to support their leaders or their cronies. The contemporary world sees authoritarian Leviathans, whose political elites manage discretionary power in the use and abuse of State functions, even when they rule within the legal frame of constitutional law, under competitive elections for the nomination of State authorities, legislative assemblies or local municipalities. Scholars in political science propose alternative classifications of such hybrid regimes, debating their persistence and stability versus their evolution towards full democracy or totalitarianism.

In a recent study, Levitsky and Way explore the political experience in 35 States classified as 'competitive authoritarian regimes' (Levitsky and Way 2010). These scholars refuse the label 'transitional' democracies, as if these States were in sure transition towards democracy; the evolution of unfinished democracies admits a variety of outcomes: the progressive transformation in stable democracies, the stabilization of hybrid structures or the reversal to authoritarian rule. To the procedural definition of democracy on the criterion of competitive elections, with Schumpeterian roots, they add the requirement that both the ruling elite and the opponents share fair access and opportunities in the elections' competition.[19] In fully authoritarian regimes, which still exist in the global world, the political opponents have no access to power by legal means in competitive elections. Authoritarian regimes are classified as closed regimes, where no democratic institutions exist at the national level, and hegemonic regimes, where the political opponents are persecuted or forced to exile, and elections are divested by human rights violations, obstacles in accessing them, or frauds.

> We define full authoritarianism as a regime in which no viable channels exists for opposition to contest legally for executive power.(…) Competitive authoritarian regimes are distinguished from full authoritarianism in that

[19] 'Competitive authoritarian regimes are civilian regimes in which formal democratic institutions exist and are widely viewed as the primary means of gaining power, but in which incumbents' abuse of the state places them at a significant advantage vis-à-vis their opponents. Such regimes are competitive in that opposition parties use democratic institutions to contest seriously for power, but they are not democratic because the playing field is heavily skewed in favour of incumbents. Competition is thus real but unfair' (Levitsky and Way 2010: 5–7).

> constitutional channels exist through which opposition groups compete in a meaningful way for executive power. Elections are held regularly and opposition parties are not legally barred from contesting them.(…) What distinguishes competitive authoritarianism from democracy, however, is the fact that incumbent abuse of the state violates at least one of three defining attributes of democracy: (1) free elections, (2) broad protection of civil liberty, and (3) a reasonably level playing field. (Levitsky and Way 2010: 6–7)

In regimes of competitive authoritarianism, the ruling elites try to manage elections by committing local frauds, intimidating political activists, committing legal abuses, appropriating public resources, silencing the press on charges of defamation or other spurious charges, or imprisoning political opponents on false allegations under formally legal procedures. Public funds are systematically used to support the campaign of members of the elite running for office; electoral promises or cronyism capture the votes of individuals and communities in the constituencies.[20]

In political science, the classification of 'illiberal democracies' is controversial (Zacharias 1997). Alternative definitions of hybrid regimes are adopted, all relevant to the contemporary international scenario: constitutional autocracies, with limited access to vote; regimes whose elected assemblies are under the superior guard of religious, military or dynastic authorities; restricted democracies, where some political forces are excluded from the competition (Diamond 2002). The dynamics of these regimes is complex.[21] Various interpretations contest the idea of 'modernization', that is the assertion that the evolutionary processes of democratization basically depend on the trend of per capita income. Levitsky and Way underline that effective political apparatuses play an important role in the middle-term evolution of political institutions. They influence the capacity of elites to stay in power, much as the stability and the cohesion of the State administration on which elites depend. International relations in terms of alliances, agreements, sanctions, aid have a primary role; the amount of trade flows, tourism, foreign investment, participation in international networks for training or education also play a relevant role

[20] See the summary table in Levitsky and Way (2010: 13).

[21] On divergent paths of evolution, see for example, Pepinsky (2009) or Slater (2010). On the evolution of political regimes see also Huntington (1968 [2006]).

(Levitsky and Way 2010: 13). The plurality of actors involved in patterns of economic development, in international geopolitics, and in domestic political governance affect the evolution of political regimes: the stabilization of the authoritarian regime versus the stabilization of democracy; the regime change, new political forces emerging within the old institutional structure; the dissolution of the State, if the political competition opens dramatic crises that end into civil war in contested States.

The contemporary hybrid regimes manage market economies; their elites intrude into market activities. There is a wide literature dealing with neo-patrimonialism in postcolonial African States, many of which are competitive authoritarian regimes, or authoritarian hybrid regimes according to other definitions.[22] Patrimonialism is associated to foreign aid and the complex bargaining on aid and debt with international organizations and foreign governments. International or local NGOs work within the market economy, supplying services which should be provided by public institutions. Military commercialism, that is the systematic presence of the military in economic activities, is a worldwide phenomenon. Moyo, who studied the case of Zimbabwe, lists a number of countries where it is prominent in economic life.[23] In hybrid authoritarian States, the political dynamics calls into question the ambiguous relations of the incumbents in power with the market space, and the way markets work at the junction of private interests and public power. Which new questions does this commixture present to the old core or the new disorder of economic theory?

The literature of public choice and the 'new political economy' explores the dynamics of political choice starting from optimizing decision-making according to optimal decision theory, assuming rational choice and the intelligent forecasting of costs and benefits also by actors in the public sector (Lazear 2000; Waterman 2002; Besley 2007). Economic modelling of

[22] See Englebert and Dunn (2014) for a survey on neo-patrimonialism in African States.

[23] 'The contemporary phenomenon of military intrusion into the political economy is not unique to Zimbabwe. It appears in a number of countries around the world, including Angola, Bangladesh, China, Cuba, the Democratic Republic of Congo (DRC), Egypt, El Salvador, Guatemala, Honduras, Indonesia, Pakistan, Rwanda, Thailand, Turkey, and Vietnam. These countries were a mix of communist-oriented regimes or post-communist societies and military dictatorships, authoritarian and semi-authoritarian regimes' (Moyo 2016: 352).

political behaviour is applied to issues of public finance, administrative decisions, electoral systems, regulation and incentives. This ample research field (with disputable results) does not lead to the radical rethinking of the neo-Walrasian paradigm, or to the investigation of market dynamics in the shady mixture of public decision-making and private choice in countries where government invasiveness is that of hybrid or fully authoritarian regimes. Meanwhile, in contemporary theory, the breakdown of the paradigm of Olympian rationality, to put in Simon's terms, is a theme of growing relevance. Bowles and Gintis coined the term contested exchanges to account for the capacity to impose a contractual obligation in exchange: such capacity is assumed a priori in the neo-Walrasian model, including a built-in enforcement clause; in real markets it operates thanks to disciplinary mechanisms regulated by power relations (Bowles and Gintis 1993). Bowles and Gintis refer to various scholars who studied the interaction between internalized social norms, sanctioning mechanisms for contractual violations and power hierarchies. The capacity for power relations to impose sanctions is relevant in long-term contracts, or in contracts with personal and trust aspects.

These issues arise in the studies on advanced market economies, within the frame of reasonably functioning institutions protecting property rights and democratic rights. They are of primary importance for markets in societies ruled by authoritarian regimes, where access to resources is subject to political whim, sanctions can be set arbitrarily, public decisions are tied to influence peddling, and likewise. Agency problems, transaction costs, contested or uncertain property rights, the unequal distribution of income and wealth, the entanglement between political hierarchy and market transactions, affect how markets work, their roles depending on political change and the stability or instability of State power. There is an urgent need to recognize the gap between the ideal model of the rational economic agent and behaviour under authoritarian rule. The ideological machine that fuels authoritarian power, silencing free choice in repression, captures support thanks to cognitive, emotional and identity-based pressures aimed at promoting mimetic behaviour. The agent is not an isolated individual, whose preferences are independent of the dynamics of social interaction. In the totalitarian society, even when individuals fight to defend their private space and resist, they are affected in their

decisions by promise, persuasion, threat and brutal violence exerted by the State. The control over the body, the techniques of mass repression, the fabrication of opinion and information by propaganda, spying and the wiping of historical memory, all impose heavy pressure; it weights on the youth, vulnerable in education or in family uprooting. The elimination of the opposition destroys the heritage of political, ethical and spiritual experience; it weakens the capacity for criticism and intellectual dialogue. Carnage cancels social groups, which are the bearers of technical, moral or cultural knowledge. The rational foresight paradigm is meaningless for totalitarian experiences like the massacre of a quarter (or a third) of the population in Cambodia, the Stalinist purges in the 1930s, Hitler's plan to exterminate the Jews and Romani or the mass deportation of Slavs, the famines caused by crazy policies in Ukraine and China. In milder authoritarian regimes, the invasive manipulation of opinion hardly justifies ideas of consumer sovereignty within given preferences. Without denying the ugly presence of opportunism, identity-based dynamics make it difficult to explain political allegiance as the optimal solution to a cost-benefit computation.

In such broader perspective, economists need new theoretical tools, as much as studies on specific historical experiences. In development economics, interpretations based on the dynamics of institutions have long remained in the background compared to the neoclassic growth model, the various endogenous growth models, or the econometrics of growth differentials, where supposedly exogenous long-term factors (ethnic fragmentation, tropicality, closed boundaries, etc.) play a crucial role. These attempts confine the understanding of development to methods of applied econometrics, without deep knowledge of context and events. Even if the models include several variables, they signal again the elimination of authoritarian rule from the market picture, not only in atemporal equilibrium but in reading long-term evolution. In recent literature, the many Leviathan's avatars return to the forefront in historical-developmental narrations, presenting dynamic change in the economies in a discursive style (North et al. 2012; Acemoglu and Robinson 2012; Fukuyama 2014). In the course of history, the forms of state power, property rights and other social institutions, the extent and the types of markets create stories of successful economic development, or cases of stagnation or

decline. Among these narratives, let us recall the scenarios Acemoglu and Robinson outlined in *Why Nations Fail*, and the alternative vision Fukuyama proposed in *Political Order and Political Decay*.

In *Why Nations Fail* Acemoglu and Robinson collect historical episodes to explain, within a unified theoretical framework, the foundations of power, institutional evolution and the wealth or poverty of nations. They range over diverse ages and places to argue that institutional arrangements, not geography or culture, promote paths leading to prosperity or to vicious circles trapping communities into stagnation and poverty. They focus primarily on property rights and freedom of initiative, but they acknowledge the importance of the contingencies of history, with the accumulation of differences. 'Inclusive' institutions promote growth in contrast to 'exclusive' ones, which defend constituted social powers aimed at extracting rents, in a *conventio ad excludendum* (Acemoglu and Robinson 2012: 73 ff.). Freedom in economic activity fuels technological innovation and creative destruction; the supply of public services and infrastructure, and the defence of justice play their part. In development, there are no dynamic 'laws' of capitalism but different frames of society and many kinds of equilibrium (Acemoglu and Robinson 2012: 462, 2015: 4). Their extensive picture is oversimplified; but the book emphasizes the temporality of history. In theoretical explanation, complex transition processes play the crucial role, beyond the formal dynamics of growth models; historical experience is acknowledged, and historical narration is the language of investigation. The authoritarian state and its methods of exclusion are at the centre of the discourse, although the authors deal only in passing with the political dynamics of authoritarian regimes. The authors bluntly reject the paradigm of modernization, forecasting a difficult transition towards democracy in hybrid authoritarian regimes such as China or Russia, which promoted growth and enjoyed its benefits to support their patrimonial elites under authoritarian rule. The symbiosis between markets and hybrid authoritarian regimes cannot produce sustainable prosperity in the long run (Acemoglu and Robinson 2012: 441 ff., 446).

In *Political Order and Political Decay*, Fukuyama reflects on the ways political institutions change, claiming that their evolution cannot be reduced to the economic discourse, and affirming the specificity of their dynamics, even within the theoretical schematization of what he calls political universals. In his picture, a great deal of space is devoted to the

weakness of the state in its inability to provide adequate public services, perform the function of guaranteeing security, assuring justice and respect for the law. States that are strong in the 'despotic' power of repression can be weak in the infrastructural power of making laws and making people obey them, providing quality public services in the fields of security, education and health[24] (Fukuyama 2014: 38). According to Fukuyama, today the construction or consolidation of the state according to these broader parameters is the disturbing theme in many of the world's nations, apart from the processes of democratization, which may leave patrimonialism intact in the management of public authority, or even consolidate it.

> Modern political systems are built on a tripod consisting of a modern State, rule of Law, and democratic accountability. States are about accumulating and using power, while law and accountability seek to constrain and channel power. If the tripod becomes unbalanced in either direction, it falls over into either dictatorship or weak – or at an extreme, failed – government. Patrimonial or neo-patrimonial governments – political systems in which the rulers regard the state as a species of private property from which they can privately profit – are universally present throughout the developing world and are in fact one of the primary cause of underdevelopment and poverty. Getting from such a patrimonial state to 'Denmark' – that is, an impersonal state that treats citizens equally, protects their rights, and observes a clear line between public and private interest- is a much more difficult transition for most societies than moving from authoritarian government to democracy. (Fukuyama 2014: 550)

A broad area of research is open from the historical and theoretical point of view on the economy of the authoritarian state, on the ways the state and the market intermingle in different institutional models and paths of development. It is a crucial theme for the prospects of the world economy. This is the spectrum of issues we should be looking at, rather than focusing solely, as is too often the case today, on the conventional opposition between the State and the market as regards the macroeconomic and welfare policies of advanced economies.

[24] Fukuyama adopts the terminology introduced by the sociologist Michael Mann (Fukuyama 2014: 38).

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