

# Violence and Social Orders

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It is a great honor and a pleasure to be the inaugural Upton Scholar. During my residency, I have come to appreciate not only Miller Upton but Beloit College, and I am delighted to be here.

I am going to present here a very brief summary of a new book I and two co-authors, Barry Weingast, professor of political science at Stanford University, and John Wallis, professor of economics at the University of Maryland, have just finished. We have attempted to develop an entirely new approach to understanding how a society evolves through time.

After the summary, which I will attempt to make precise, I want to consider some of the implications of the book not only for rethinking the past, which a lot of this book is concerned with, but also for thinking about the present and the future and what we ought to be doing in the social sciences.

The title of our book is *Violence and Social Orders: a Conceptual Framework for Interpreting Recorded Human History*. That is a really modest title—designed to disarm. It was chosen deliberately because we wanted to rethink the fundamentals of how society has evolved through time.

The human world has undergone two dramatic social revolutions, both producing fundamental changes in the stock of knowledge. The first began ten

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thousand years ago with the discovery of agriculture and the growth of larger societies, the first cities, and the emergence of hierarchical social organization. The second began about 250 years ago with the development of new industrial technologies, the rise of nation states and the emergence of new and sophisticated political and economic organizations.

The two revolutions each led to new ways of organizing human interaction and ordering society. Our conceptual framework lays out the logic underlying the two new social orders and the process by which societies made the transition from one to the other. After laying out the conceptual framework, we consider the logic of the social order that appeared ten millennia ago—what we call the limited access society or the natural state. Natural states used the political system to regulate economic competition and create economic rents. It then used these rents to order social relationships, control violence, and establish social cooperation.

The natural state transformed human history. Indeed, the first natural states developed the techniques of building and recording that resulted in the beginning of recorded human history. Most of the world today still lives in natural states.

Next, we consider the logic of the social order that emerged in a few societies at the end of the eighteenth and beginning of the nineteenth centuries, what we call open access societies. As with the appearance of natural states, open access societies transformed human history in a fundamental way. Perhaps twenty-five countries and maybe fifteen percent of the world's population live in open access societies, and the rest, about eighty-five percent of the world, live in natural states still. Open access societies regulate economic competition in a way that dissipates rents and uses competition to order social relationships. The third task of the book is to explain how societies make the transition from one to the other.

I want to elaborate on the conceptual framework. In the primitive social order that preceded the natural state, human interaction occurs mainly through repeated face-to-face interaction, and all relationships are personal. The typical size unit of human interaction is the band of about twenty-five people. The level of violence within and between groups is very high.

The natural state provided a solution to violence by embedding powerful members of society in a coalition of military, political, religious, and economic elites. Elites all possessed special privileges, access to valuable resources or valuable activities and the ability to form organizations. Limited access to activities,

organizations, and privileges produce rents for the elites. Because these rents are reduced if violence breaks out, rent creation enabled elites to credibly commit to each other to limit violence. Violence plays a role all through our discussion: we think that the threat of violence all through history has dominated the way in which societies have tried to deal with organization and cooperation.

Natural states are stable but not static. In comparison with primitive order, limited access orders—natural states—significantly expanded the size of societies. Hierarchies of elites built personal relationships that extended the control of the dominant coalition. Personal relationships in natural states resulted from traditional face-to-face interaction. In well-developed natural states, elite privileges included control over powerful social organizations such as a church, government, courts, and military units.

Open access orders, built on the organizational achievements of the natural state, extend citizenship to an ever-growing proportion of the population. All citizens are able to form economic, political, religious, or social organizations to produce any number of functions. The only proscribed function is the use of violence. Unlike the natural state, which actively manipulates the interests of elites and non-elites to ensure social order, the open access society allows individuals to pursue their own interests through active competition. Individuals continue to be motivated by economic rents in both political and economic markets.

In an open access society, social order is maintained through the interaction of competition, institutions, and beliefs. Control of the military is concentrated in government, and control over the government is subject both to political competition and institutional constraints. Attempts to use government to coerce citizens, either directly through the use of military force or indirectly through manipulation of economic interests, result in the activation of existing organizations or creation of new organizations that mobilize economic and social resources to establish control over the political system.

I want to review the above in noneconomic terms. We think there are two fundamental ways that human beings in the last ten thousand years have organized society. In one, a small percentage of the population are elites. They control a system, whether in political, religious, or economic organizations. They capture most of the gains of the society and so the rest of the society are generally second-class citizens—slaves, serfs, or just persons with no particular property rights. This way of organization has dominated and still dominates the world. More

than eighty percent of the world's population still lives in such societies. Open access is a new development. It rests upon competition in political and economic markets, and it particularly rests on bringing greater and greater proportions of the population to becoming participating citizens with equal rights. The fundamental difference, of course, is that in the limited access society—the natural state—personal relationships and who you are and whom you know count.

In open access society there are property rights and impersonal exchange; who you are is less important than what you do and what you can do. This impersonal exchange has opened up by competition driving forces that have encouraged enormous expansions in economic growth and prosperity in the modern world. A rich society is a result of an open access society.

The question arises, how does a transition occur? The transition is a problem because limited access societies are societies in which elites run the systems. They are a small proportion of the population—ten, fifteen, twenty percent at the most—but they are getting all the benefits and, obviously, anything that changes or undermines them is something they would not welcome. Open access societies are just the reverse. They are competitive. Competition dominates the way in which both political and economic markets work. The economy works by innovative creation; there is competition in markets, and those players who create more efficient, productive methods stand to gain and replace those who are less efficient. Innovation and creativity are the heart of what makes markets work and what has made the modern world so dynamic and such an extraordinary place.

How do you get from the limited to open access? It is not easy. Most of the world is still a natural state and still lives with very incomplete and imperfect forms of economic, political, and social organizations; the great percentage of the population play no part in the way in which their societies are run. What would ever move a society from one to the other? We argue in our book that there gradually emerged conditions that made it in the self-interest of the elites to move toward open access. We call these doorstep conditions and contend that there are three of them.

The first doorstep condition is that elites extended property rights beyond themselves to a broader group of the population. Why would they do that? They do that if markets are expanding and if they can gain by extending privileges further and further. Let me illustrate by way of an historical example. In the fifteenth to sixteenth century, England began developing overseas with organizations such as the East India Company. The elites found that if they extended the

markets so that they allowed other people beyond the elites to buy shares in the stock, they could enormously increase the output and increase the income they could derive and the capital they could use to expand what they were doing.

The second doorstep condition was the allowing of a growth of a broader array of organizations and institutions that could take advantage of the new opportunities that arose as a result of the first condition. The organizations had to have some degree of independence and, in particular, they had to have perpetual life. Perpetual life in a world where you had only personal exchange is obviously a contradiction in terms. In personal exchange, when the person who runs the organization dies the organization also dies. Necessary, therefore, was the evolution of institutional arrangements in organizations that would make possible the creation of a broader set of opportunities and therefore broader participation. Organizations took on a life of their own and began to build policies and activities outside the narrow confines of the elites themselves.

The third condition was that the military gradually broke out from being under control of the elites and came under independent control so that it would not be a tool for the elites to use in retaining power. I know from personal experience how common the use of this tool is. As an advisor to Latin American countries I have seen that every time a ruling elite got into trouble, they would call in the military, create a dictatorship, and recreate the old system of political and economic rents. Wresting control of the military from the grip of the elites is a particularly difficult but essential doorstep condition to achieve.

All three of those conditions have to be occurring if a society is to move beyond the natural state. This confluence does not occur very often. When it does occur, the result is the gradual creation of a whole new world—the world of open access. The dominant feature of open access is that “who you are” becomes less important. Much more important are the rules of the game, well-defined property rights, and the judicial systems at work. Their creation is a long and difficult process.

I also know this from personal experience. I am an advisor to half a dozen countries around the world. All of them are limited access societies or natural states. As an advisor also to the World Bank, I have watched the Bank attempting to change these societies into open access ones. The attempts fail; the Bank has spent about \$125 billion failing. The reason is very straightforward. The policies the Bank encourages are policies that work in open access societies: competition, free markets, property rights that are secure. In a limited access society, in which

the doorstep conditions are not fulfilled, policies that work in open access societies undermine the very security of the elites. Violence becomes the order of the day. The problem is evident in Iraq today. Iraq is a classic case of having broken down a limited access society and not having replaced it with anything, and we are in the midst of trying to figure out how to deal with such a situation—not very effectively, I might add.

Now, what all this has to say is that the whole way we have thought about economic activity and economic organization has been wrong. It has been wrong because it does not encourage growth. For example, if you want to improve the prospects of poor countries in the world, you do not want to use the tools of an open access society, such as secure property rights, which you cannot put into place overnight. What you want to do is move limited access societies to become more and more secure and move them up to fulfill doorstep conditions. That is a long road. Trying to create democracy in Iraq—a society that is nowhere near being ready for such activities—has been a disaster.

Aid policies have made a mistake in what we have been trying to do because we have misunderstood the very nature of what makes for social order in limited access societies. In such societies, order is maintained by the elites interacting with each other and not getting into conflict, and that requires cooperation. Once you break down the structure without replacing it or without creating the conditions that would move you into a more advanced kind of competitive society, you get violence and disorder.

How do we produce results that will create development in limited access societies that moves them from being fragile to stable natural states? A fragile natural state is one that has just emerged from having violence be dominant and has replaced it with a set of institutions that allow it very gradually to maintain order. A more stable natural state is one in which institutions gradually develop that widen the horizons of the players to include ways of having specialization and division of labor and gradually build up a more complex structure.

A mature natural state is one like Mexico, which has developed quite complex structures, including a number of organizations that are independent of government control and personal exchange, but in which the dominant structure is still personal interaction of the elites.

We have tried to persuade the World Bank, I think successfully in the last few years, that it must rethink how to improve society's development, rethink the characteristics of an open access society versus a natural state or limited access

society and how they work. And once you have understood the institutional and organizational structure of the societies, then ask yourself how incrementally you can make them work better. That is what we are trying to do.

Now, that is a very brief summary. What are the implications? The place to begin is to recognize that we live in a dynamic world. One of the real limitations of economics is that it has an enormously powerful set of tools to look at how a market or economy works at a moment in time but not over time.

Our interest is in a dynamic world, a world that is continually changing. The movement within the natural state (from fragile to stable to mature) and then of the doorstep conditions to the modern, open access society means a continual evolution. But it is more complicated than that, which is the reason we get into so much trouble as economists when we give advice. Every society is different. Every society evolves its own culture. It has its own beliefs, its own experiences, its own institutions, and as they have evolved, therefore, they are unique. If you try to uniformly apply what worked in country A to country B, you are going to get in trouble. It is not going to work the same way because beliefs and institutions are going to be different in each society. Indeed, I have a general rule: before I go to advise a country, I spend six months reading about its culture, history, and beliefs so that I can understand what makes it tick. I do not give advice to any country until I have done that.

That is a very expensive and time-consuming effort and it keeps me into mischief trying to keep up with all of it; but nevertheless it is a way to think intelligently about the process of change. Economic advice so often is wrong because it says generalizations can be applied anywhere and they work. That is just simply not true.

My last point here is that it is a non-ergotic world. An ergotic world would be one in which the fundamental underlying structure is uniform and exists everywhere. In such a world, if you understand that fundamental underlying structure and you want to solve a new problem, you go back to fundamentals and then build your theory based on the structure. Now that is what is done in the physical sciences and the natural sciences. The social sciences, however, have no such tools; and, what is much more difficult—the world just keeps changing. The fundamentals that made the United States the country that it is today are fine today, but they are not going to work tomorrow. Now, this should not surprise you because if you look at your own life and the changes that have occurred in

your own history, you realize the economy and social order of twenty or thirty years ago are not what they are today.

To take one simple illustration: information costs have been revolutionized in the world. So revolutionized that everything we do is transformed with respect to the speed and the form of communication. The result is a completely new world. Now, this poses a real dilemma for us because the theory we have to deal with our economy today is a theory that was predicated on what worked. In fact, economists have created elaborate models of how the economy worked. To the degree the economy stays the same, the models may work very well. But how long are they going to stay working that way? A few general points underlie what I am asserting. The way in which we understand the world is subjective. We get impulses through our eyes, ears, nose and feelings, and these go into the brain, and there, the brain has to make sense out of them. Cognitive science, which is the place we should begin all intelligent and interesting structure in the social sciences, attempts to understand how the brain takes and organizes impulses so we can translate them into making sense of the world we live in.

Note the implications of what I am saying. It means that the way I understand the world is not only going to be different from the way you understand the world, but it is going to be very different from the way in which a Papuan in New Guinea understands the world. Why? Because the different experiences we all have had are going to be so different that they have built up a whole new understanding of the world around us that will be absolutely different in New Guinea than it is in the United States.

Now, before you despair with that, note that culture here plays a crucial role. Culture connects the past with the present. Much of our belief system, therefore, has evolved, and so we can have a culture that has some degree of coherence to it.

That is fine, but do not forget that as we keep changing, the culture keeps changing; the belief systems underlying it are changing because we are getting new experiences. The first order of business we have is to understand the whole way by which human beings understand and build a set of relationships—the way in which their experiences get translated into a belief system which in turn then translates into a set of institutions.

We then try to order them in such a way that we can make sense out of the world and have it run the way we want it to with the ever-present possibility of disorder and violence being a crucial dilemma. What we have first is

belief systems, which then translate into creating institutions, but even that is complicated because institutions are rules, norms, social order, and enforcement characteristics.

Economic institutions—property rights and other social rules that we talk about in economics—are derivative of political institutions. The political system defines the kind of economic rules of the game and the judicial system you have. All that makes for a very complicated story. All of that will be understood very imperfectly, and even if we do understand it today, it will change tomorrow.

The process of surviving in the world we live in not only means that we must understand the world, but as it keeps evolving, we must keep on changing our understanding and adjusting so that we can keep up with it—a very complex process, always imperfectly done. With different experiences in the Islamic society, to take the classic modern illustration, from Western society, we produce differences of views, conflict, disorder, and warfare. We have not solved any of those problems. We have a dynamic system that is evolving. It is evolving very imperfectly. And to the degree that we understand it at all, we understand it very imperfectly.

We have done well enough in the last two hundred years to create societies, like the United States, with a degree of order and structure to produce levels of well-being that were unimaginable in the past. We have done very well in a small part of the world, in open access societies that are maybe fifteen to twenty percent of the world's population. However, the rest of the world is still left behind and is finding it very difficult to move into an open access society.

Moreover, we are continually faced by the fact that our world is changing so rapidly that we have to employ adaptive efficiency to keep up with it. What we mean by adaptive efficiency is that we create an institutional framework that encourages experimentation when we run into new problems, such as the financial crisis we face today. Since the problems are new and novel, we do not have a theory to explain them, so we experiment with new ideas, new policy measures, and new intuitional arrangements.

You want to have institutions that encourage experimentation. You also want to have a structure that eliminates failures. Bankruptcy laws are a good example of a structure that helps markets weed out commercial failures. Similarly, in order to function properly, a society must have a way to eliminate failed political experiments. But when we create policies, organizations, and institutions to address new problems, we also create vested interests, and there will be attempts

to perpetuate them even if the new structure does not work well. I am painting for you a complex story. It is an ongoing dilemma of how you deal with a world that continually evolves like this.

What are some of the implications of this story for the world we live in today? The most obvious one is that we live in an open access society. Is it going to continue to be open access? Does it threaten to fall back into being a limited access society? That is an ever-present threat. How stable is the system that we have? How likely is it to persist? What kinds of rules can we make and what kinds of policies can we pursue that will encourage its persistence?

My story can be related to the present world. We are facing a fundamental financial crisis. It is a financial crisis that our economists like to say looks like the 1930s or maybe 1990. It has some similarities, but the beginning of wisdom is to recognize that in the 1930s, the world was a very simple world. The institutions and organizations it had—how they worked, how they operated, what made them work—were completely different from those in the world in which we live. It did not have derivatives. It did not have the institutional arrangements that have fostered both the complexity and instability we are experiencing presently. Today we grope to make sense out of this world so that we can deal with it. We are still engaging in adaptive efficiency.

We are going to try a lot of things. Most of the things we have done so far, I might add, are not going to work very well. We will try things, and eventually, something will work better and we will get somewhere. It is an ongoing process. It requires that we maintain adaptive efficiency, that we do not cut off alternatives that are promising; all of that is making for a world that is very complex.

It is a very exciting world.