HOW TO RUN AN EMPIRE

Indirect Rule and the Making of U.S. International Hierarchy
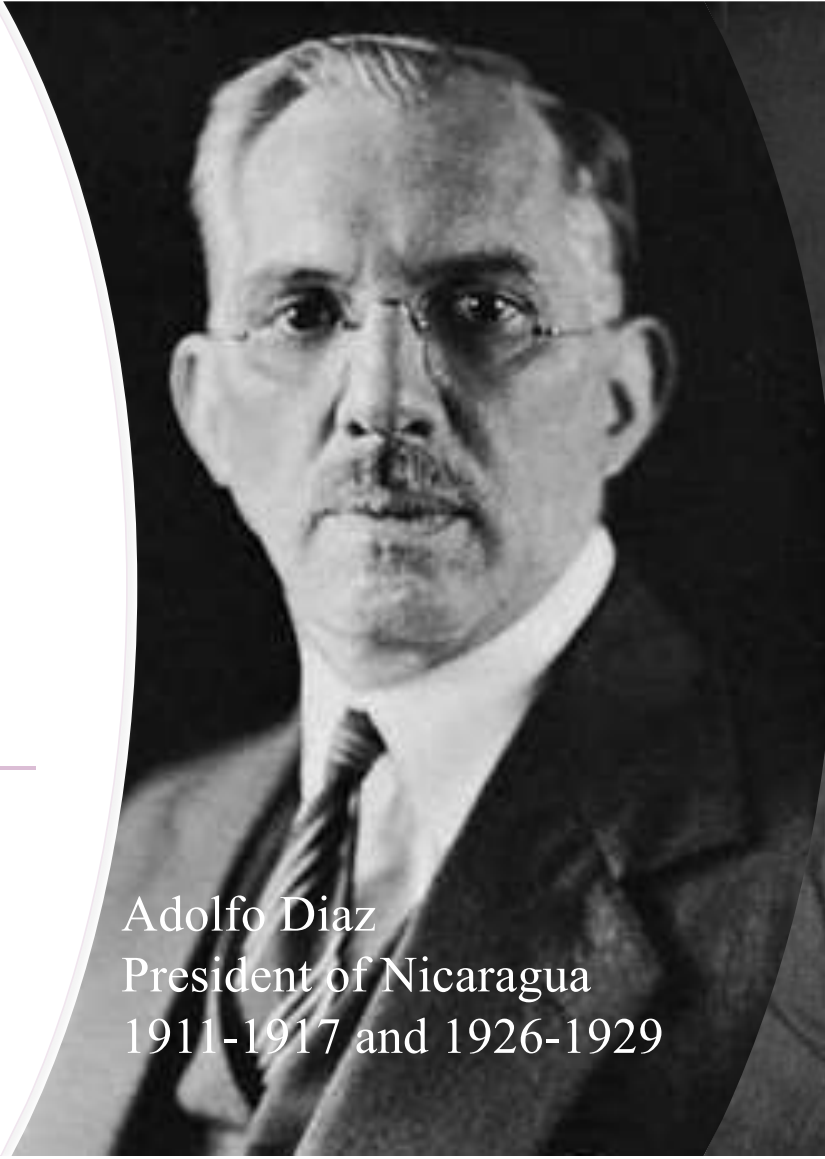
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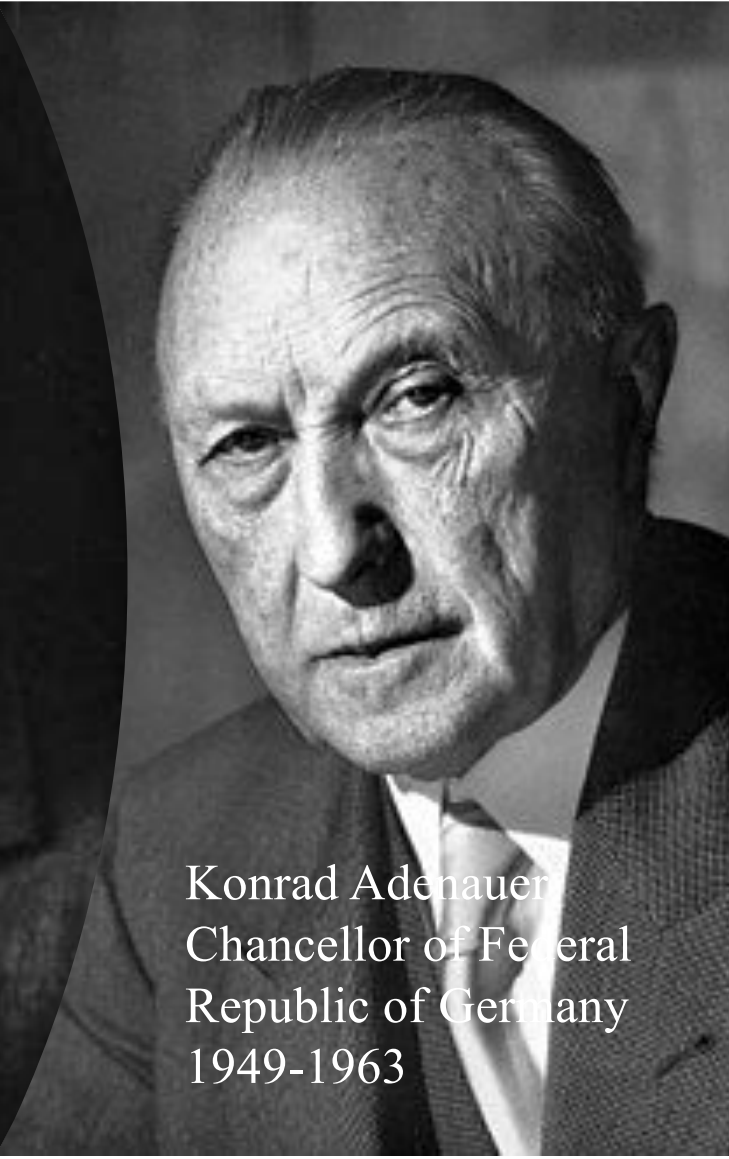# A Tale of Two Hierarchies

Adolfo Diaz
President of Nicaragua
1911-1917 and 1926-1929

Konrad Adenauer
Chancellor of Federal
Republic of Germany
1949-1963

How Does International Hierarchy Work?

- Like empires before it, the United States rules indirectly through local allied groups with policy preferences (more or less) aligned with its own
    - Unable to achieve their own preferred policies, these groups collaborate with the U.S. in exchange for political support
    - U.S. offers additional sidepayments to induce further policy concessions
- When the allied group is small, indirect rule will be autocratic and hierarchy will be illegitimate
- When allied group is large, indirect rule is compatible with democracy and appears "voluntary" or "anarchic"

1. Interests

|———————————————————————|————————————————————|
b=0   a   d=1
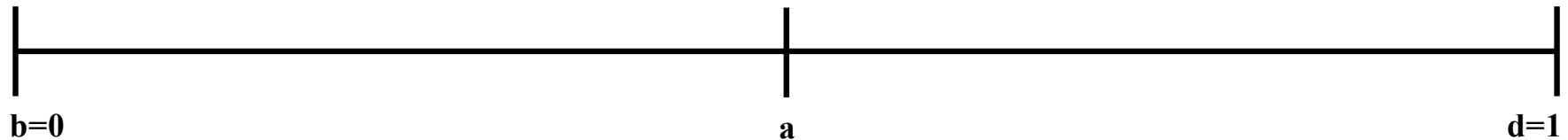
Group B's ideal point: b=0 (the opposition)
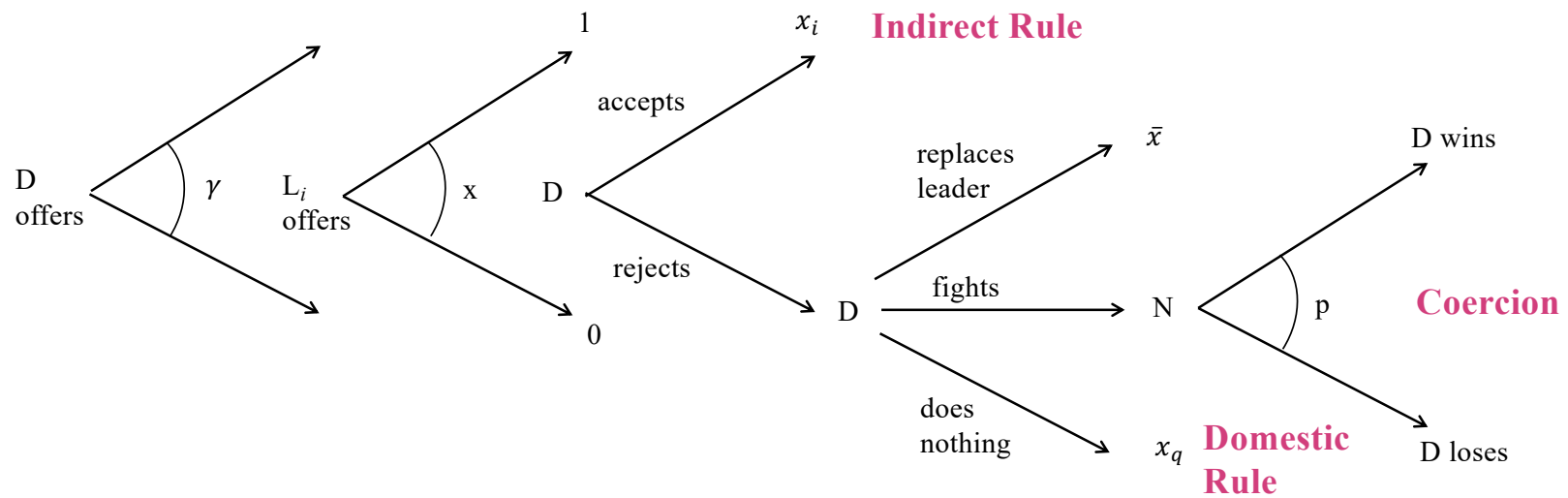$U_B(x) = 1 - x$

Group A's ideal point: a (the allied group)
$U_A(x) = -|a - x|$

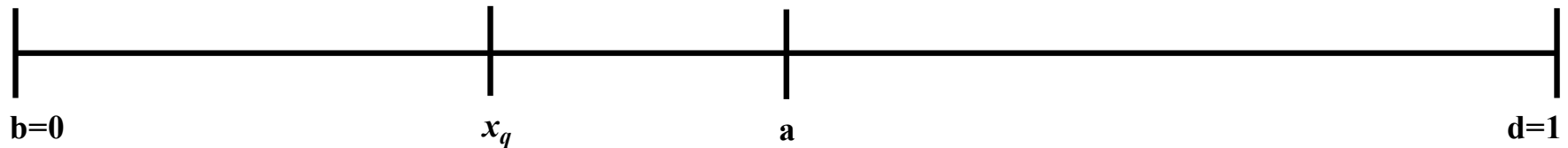The dominant state's ideal point: d=1 (the U.S.)
$U_D(x) = \sigma x$
where σ represents the specific assets at risk

2. Interactions

Actor	x_q	x_i	D wins	D loses	$\bar{x}$
Dominant State (D)	σx_q	$\sigma x_i - \gamma$	$p(\sigma 1 - c_D)$	$(1-p)(\sigma x_q - c_D)$	$\sigma \bar{x} - \gamma - r$
Opposition (Group B)	$-x_q$	$-x_i$	$p(-1 - c_B)$	$(1-p)(-x_q - c_B)$	$-\bar{x}$
Allied Group (Group A)	$-(a - x_q)$	$-|a - x_i| + \gamma_A$	$p(1 - a - c_A)$	$(1-p)(a - x_q - c_A)$	$-|a - \bar{x}| + \gamma_A$
Leader (L_j)	$-(a - x_q)$	$-|a - x_i| + \eta\gamma_A$	$p(1 - a - \eta c_A)$	$(1-p)(a - x_q - \eta c_A)$	$-|a - \bar{x}| + \eta\gamma_A$

3. Domestic Rule

$$x_q = \lambda_j \pi$$

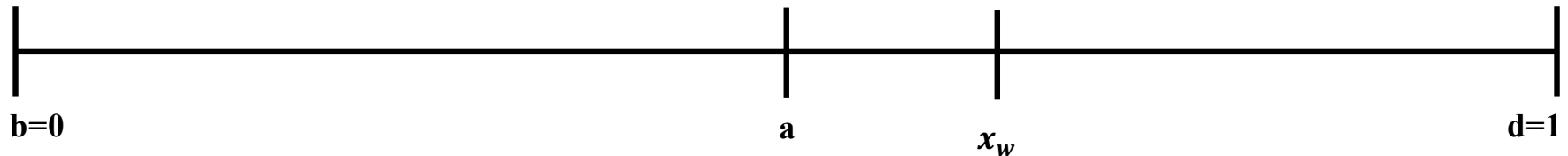b=0 x_q a   d=1

Where π is the effort by group A to influence policy
and λ_i represents the competence of the leader of group A

Examples: "Anarchic" relations between
countries

4. Coercion

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b=0                          a      x_w                   d=1
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$$x_w = p(\sigma 1 - c_D)$$

where p = probability of victory
and c_D = costs of fighting

x_w is the minimum offer from A that satisfies
D's expected payoff from war

Examples: U.S. military occupations in
Caribbean/Central America and
postwar Germany and Japan

5. Indirect Rule

$$x_i = \lambda_i(\pi + \gamma)$$

b=0 x_q a   d=1
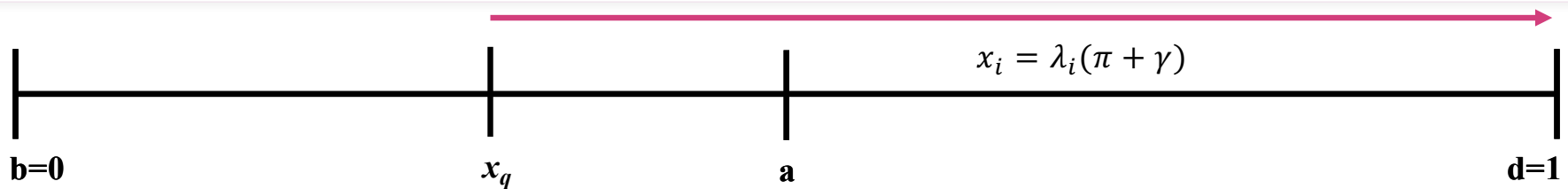
Where γ is the governance cost to D of supporting group A

$$\gamma = \gamma_B + \gamma_A$$

γ_B = resource transfer to A to suppress B
γ_A = sidepayment to A

Examples: Most of U.S.-Caribbean/Central America
and postwar U.S.-Europe

(Some) Implications

- The smaller the governance costs, the more likely is indirect rule

- The higher the probability of victory and/or the lower costs of fighting, the more likely is coercion

- The more aligned the preferences of A and D, the more powerful A is at home, and the more competent the leader, the more likely is domestic rule

Cases

Variable	Caribbean Basin (1898-1932)	Europe (1945-1955)	Middle East (1990-2020) (tentative coding)
Specific assets (σ)	High		
Ideal point of allied group (a)	Moderate	High	Low
Power of allied group (π)	Moderate-to-high	High	Moderate-to-high
Competence of leader ($\underline{\lambda_i}$)	Low-to-moderate	High	Moderate
Probability of victory (p)	High	Moderate	High
Costs of war to dominant state (c_D)	Low	High	Moderate
Governance costs (γ)	Low	Moderate	High
Costs of replacing leader (r)	Low	High	Moderate
Predicted Outcome	Indirect rule with frequent replacement of leaders; coercion possible when leaders are sufficiently incompetent	Indirect rule; domestic rule possible if ideal point is sufficiently high and/or governance costs are sufficiently high	Indirect rule; coercion or domestic rule possible if governance costs are sufficiently high

Questions?