

## Lecture 8 – Dictatorship

The Wintrobe paper

([http://publish.uwo.ca/~rwintrob/WorkingPapers/DICTATORSHIP\\_SURVEY.pdf](http://publish.uwo.ca/~rwintrob/WorkingPapers/DICTATORSHIP_SURVEY.pdf)) is a very broad and insightful survey of dictatorship. He starts with the proposition that dictatorships are different from democracies in that the former can use repression to maintain their power. However, the use of repression leads to what Wintrobe calls the “Dictator’s Dilemma”. People are afraid of dictators and, therefore, reluctant to criticize. Therefore, the dictator cannot know how much support he has. He (It is unlikely that he is a she.) would like to use a combination of both repression and cooptation (what Wintrobe calls “loyalty”) to secure his position. But it is tricky to get the right mix of the two due to a lack of information. So dictators tend to pay very high prices to select groups of people to secure their loyalty.

Wintrobe has a fairly elaborate classification system for dictatorships. But for our purposes it is sufficient to work with two basic types: “tinpots” and “totalitarians”. The basic idea is that tinpots are mainly interested on making money off of being dictators while totalitarians care mostly about maximizing their power.

It costs money to repress people. Dictators have to organize secret police to try to figure out who is against them. This is a challenge due to the dictator’s dilemma. He has to set up prisons, train riot police, perhaps order soldiers fire on civilians, etc. A tinpot would rather not spend the money. He will try to just spend the minimum necessary to hold power. And if there is a positive economic shock, perhaps when the international price of some commodity the country exports goes up, he will tend to respond by reducing repression. This is because if the economy is doing better people are happier and less inclined to rebel so the dictator need not apply so much repression in order to hold power.

A totalitarian, on the other hand, responds to a positive economic shock by increasing repression. Again, repression costs money. But repression can increase a dictator’s power. When the economy improves this will give a dictator additional resources which the power-maximizing totalitarian will channel into repression.

There are some additional subtleties to the relationship between power and money. The two can be mutually reinforcing. That is, more power can make it easier for the dictator to raise more money but more money in turn can make it easier for the dictator to increase his power, etc.... However, this is true only up to a point. Eventually a dictator reaches a stage where the money that would be required to increase his power by another unit would be larger than the amount of additional money he would be able to raise based on that extra unit of power. This is where totalitarians and tinpots diverge, with the former continuing to spend money to load up on power while the latter protects his consumption.

Another idea with a strong history in economics is known as the “irony of absolutism” first proposed by Douglass North who argued that dictators can be too strong

for their own good. Nobody is keen to lend money to an absolute ruler because there is nothing to stop him from just repudiating his debts. It turns out that King's have often paid higher interest rates on their loans than have their wealthy subjects. The solution to this problem can be a feisty parliament that wrestles away some of the King's power, as the English parliament did with the Glorious Revolution (1688).

Which is better for economic growth: dictatorship or democracy? People have done a lot of empirical work in this area. There seems to be no clear advantage for either system in terms of average growth rates. There is some weak evidence that relatively mild dictatorships might have a tendency to grow relatively fast. This could be because they repress pressures for redistribution and so-called rent seeking (people focusing their efforts on taking resources away from other people rather than producing new wealth.). It may be because dictatorships favour business interests. But one thing is clear. The growth performance of dictatorships is highly variable. Some grow very fast. Some grow very slowly or even shrink. So democracies might not grow faster than dictatorships on average but they are a better bet.

Amartya Sen noticed something important about dictatorships and democracies. Famines never occur in democracies. To generalize, democracies deal better than do dictatorships with crises because in the former serious problems generate pressure for solutions while in the latter problems are often covered up and repressed.

Wintrobe discusses in some detail the ideas of Mancur Olson. Briefly, Olson's idea is that dictatorship is better than anarchy. Under anarchy society might be plagued by a succession of roving bandits who strike and move on. Since the bandits do not stick around they have no incentive to promote economic development. So they just steal whatever they can lay their hands on and leave people destitute. A dictator, on the other hand, exercises ongoing control. He wants to have a good economic base from which to siphon off resources. So dictatorship can be progressive and developmental.

These ideas are sensible and they probably fit much economic history. But, as Wintrobe points out, they seem rather unhelpful for some of the most notorious dictatorships the world has seen. For example, what about the Soviet Union whose leadership imposed a horribly inefficient economic system and military priorities that were terrible for the economic development of the country? Before communism Russia was developing rather steadily even though it was lagging behind the rest of Europe. Although the communist party was in a prime position to siphon off resources it did quite a poor job of fostering economic development. Or what about Cambodia whose leadership pretty much destroyed everything it could find, people and economic infrastructure?

Finally, consider policy of the outside world toward dictatorship. In particular, what are the effects of aiding and trading with dictators? A tinpot dictator will tend to simply keep for himself all the benefits of aid or trade. After all, he is already applying the minimum repression necessary to hold power. The only way he can ease repression and hold power is by simultaneously buying more loyalty. Therefore, if aid can be conditioned on improving human rights (reducing repression) this can work to reduce repression as long as the aid is sufficiently large. Such a policy would not help to get rid of the dictator but at least it would support the easing of repression.

Giving aid to totalitarians is potentially even worse. Their tendency would be to use the money just to increase repression. But again if human rights conditionality can be

effectively imposed the money might be channelled into buying loyalty, reducing repression while the totalitarian would still maintain or increase its power. Again, such a policy would not be breaking the dictator's hold on power. But it might be justified on humanitarian grounds.