

Autocracy and Anocracy.*

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1 Institutions and Democratization

Recent events have focussed the world's attention on how autocrats have survived for so long in countries like Tunisia, Egypt and Libya, and what triggers popular revolt. The literature on transitions to democracy has been partly historical, building on the seminal work of Douglass North on the role of institutions, and partly empirical and theoretical, using aspects of game theory to model the calculations of autocrats as they fight to maintain power.

In the historical mode, there has been discussions about why North America was able to follow Britain in a path of economic development, but Latin America and the Caribbean islands, though generally far richer initially, fell behind in the nineteenth century. In their discussion of Latin American economic development, Sokoloff and Engerman (2000) have emphasized the different factor endowments of North and South America.¹ In addition they have suggested that slavery in the New World resulted in institutions that were not conducive to economic growth.²

In contrast, Przeworski and Curvale (2006) argue that while economic inequality tended to persist and has been related to the degree of political inequality, many aspects of the developmental path appear highly contingent. Indeed, whether Latin American economies grew, and the extent to which they protected the factors of capital, land and labor, seems to be dependent on shifting

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¹See also Engerman and Sokoloff (1997, 2002).

²See also Nunn (2008) who explores the causal relationship between those parts of Africa from where slaves were taken, and the subsequent degree of economic development.

balances of power between differing activist groups (Edwards (2011)). Acemoglu (2008), for example, provides a model that contrasts oligarchic polities like the plantation economies of the eighteenth century Caribbean with more democratic polities such as the United States.³ The oligarchic polity may be richer initially, but the ability of their elite to protect their own agrarian interests by oppressing labor leads to growing inefficiency. This will be exacerbated if there are conflicts between elements of the elite over who is to rule. In a democratic polity, with more equal economic power initially, if the franchise is extended and the power of the landed or capital elite curtailed, then the economy will become increasingly open, resulting eventually in greater entrepreneurial and technological advances. These inferences match the discussion in Schofield and Gallego (2011) and Schofield (2010) of industrial development in Britain in the eighteenth and early nineteenth centuries, and in the U.S. in the late nineteenth and early twentieth centuries.

Works by Przeworski *et al.* (2000), Boix (2003), Acemoglu and Robinson (2006a), North *et al.* (2009) and Schofield (2009) have explored the transition between autocratic or oligarchic regimes and democracy. There has also been much debate over the “modernization hypothesis” that the level of economic development drives the “level and consolidation of democracy.”⁴ An alternative hypothesis is that of *critical junctures*,⁵ as for example illustrated by the contingency of the Glorious Revolution in 1688,⁶ the repeal of the Corn Laws in 1846,⁷ or the Reform Act of 1867 in Britain.⁸

The historical analyses of Acemoglu *et al.* (2000, 2001, 2005, 2008, 2009, 2011) lend support to the critical junctures hypothesis. Acemoglu and Robinson (2011) also argue that agrarian elites hold back the process of industrial development because they fear the loss of rents from their control of land. As discussed in Schofield (2006a), the agrarian elite in Great Britain was co-opted in the sense that they were protected until the repeal of the Corn Laws. In the Austrian-Hungarian and Russian empires, and even in Germany until the late nineteenth century, the agrarian elites maintained a veto against industrialization.⁹

Acemoglu and Robinson (2001, 2008), Acemoglu, Johnson and Robinson (2004) examine the role of institutions in facilitating economic development, while Acemoglu *et al.* (2010) focus on the role of the military. There is also a growing literature on how autocrats can retain power (Bunce, 2000; Gandhi and Przeworski, 2007; Magaloni, 2008) or can lose it through coup d'état (Gallego, 1996, 1998; Gallego and Pitchik, 2004; Collier and Hoeffler, 2005; Collier, 2009).

³Easterly (2007a) sets up a formal model to analyze productivity and factor models and Easterly (2007b) uses an interesting instrumental variable to relate inequality to underdevelopment.

⁴Acemoglu *et al.* (2009).

⁵See Acemoglu and Robinson (2011) in particular.

⁶North and Weingast (1989); Pincus and Robinson (2009).

⁷See McLean (2001).

⁸Lizzeri and Persico (2004); Mokyr and Nye (2007)

⁹Maybe we should see the Civil War in the US as a conflict to overcome the Southern agrarian veto against industrialization. See Egnal (2009).

One recent attempt to understand the process of democratization is given by Epstein *et al.* (2006) which emphasizes the category of “partial democracies” or “anocracies.”¹⁰ These exhibit mixed characteristics of both democratic and autocratic regimes. In Latin America and many of the polities of the old Soviet Union, for example, there have been moves towards partial democracy and then reversion to military or autocratic rule. The Caucasus in particular has been prone to civil war, and after the transition period there appears to have been a move to greater autocracy.¹¹

Levitsky and Way (2002) have noted that the post-Cold War world has been marked by the proliferation of hybrid [or partial] political regimes:

In different ways, and to varying degrees, polities across much of Africa (Ghana, Kenya, Mozambique, Zambia, Zimbabwe), post-communist Eurasia (Albania, Croatia, Russia, Serbia, Ukraine), Asia (Malaysia, Taiwan), and Latin America (Haiti, Mexico, Paraguay, Peru) have combined democratic rules with authoritarian governance during the 1990s. Scholars often treated these regimes as incomplete or transitional forms of democracy. Yet in many cases these expectations (or hopes) proved overly optimistic.

The general idea of much of this work just cited follows on from the seminal arguments of North¹² that “good” institutions facilitate economic growth, where by “good” is meant the combination of secure property rights and what North et al. (2009) call “open access.”¹³ Many of the impediments to growth discussed in this literature focus on the ability of oligarchic elites to maintain institutions that give them *de facto* power rather than *de jure* power.¹⁴ The case of Great Britain illustrates a very long and slow process of “democratization.”

Indeed, there is an old argument, originally given in Condorcet (1994 [1795]) and developed by Madison (1999, [1787]) in Federalist X that only a free society can attain the “truth” in the sense of making wise choices. A recent version of this argument by Golub and Jackson (2010) considers updating of beliefs in a social network, and shows that if there are agents, the oligarchy, who have undue social weight, then the society cannot make full use of the information that it has available.

Indeed recent work has looked for the roots of open access in Europe rather than in the Arab world or China being a result of the limit on the monarch’s

¹⁰See also Gandhi and Vreeland (2004), Vreeland (2008), Fjelde (2010) and Regan and Bell (2010).

¹¹Broers (2005), Carothers (2002), Cheterian (2008), Muskhelishvili et al. (2009), Muskhelishvili (2010).

¹²North (1981, 1990, 1993, 1994, 2005).

¹³“Open access” refers to a political economy that has both an open political system and an open economy.

¹⁴For example, Acemoglu (2006) presents a model where the elite have the power to pursue inefficient policies in order to extract rent, but which cause the economy to stagnate. This power may not be legitimated by any of the *de jure* rules of the society.

power because of feudalism¹⁵ and the later ability of proto-parliaments to form, particularly in city states.¹⁶

In England, the increase of power of Parliament after 1604 and the reign of King James I was followed by the "Glorious Revolution" in 1688, and the move over the next two hundred years to much more democratic polity. Ferguson (2011) puts the emphasis on science and property, and Mokyr (2010) discusses the way the Scottish Enlightenment ideas of Smith and Hume combined with the belief in scientific progress to bring about the economic and political transformations in Britain that made themselves apparent in the eighteenth century. McLean (2006, 2010) argues that Madison and Jefferson were much influenced by these Scottish Enlightenment ideas, particularly with regard to the design of political institutions and the separation of state and religion in the United States.

But the critical junctures hypothesis suggests there is nothing automatic about these transitions. Moreover, it is possible that the political and economic institutions that eventually arise are incompatible with each other. As discussed in Schofield and Gallego (2011), markets may be efficient in some domains, but may need regulating in situations of risk. It seems that we need a theory of institutions that builds on, or incorporates, the general equilibrium model of economics.

However, the political economic models that are available tend to consider a single economic axis, and to utilize the notion of a median citizen as the unique pivotal player. While these models have been illuminating, they do not easily provide the formal tools to express the power by political or economic elites. One way to do this is to utilize a higher dimensional policy space, where one set of axes refers to the economic factor space, and the second set of axes refer to the political realm.

One important aspect of economics is the benefit resulting from trade. For example, Ferguson (2011) argues that China fell behind the "West" after 1400 or so because it closed itself off from exchange with the rest of the world, while the European powers vigorously pushed for trade with Asia. Recent work has begun to model how the elite may strangle trade in order to maintain their power in the political economy (Galiani and Torrens, 2011).

Finally, since the political realm has to incorporate popular support, we should utilize a stochastic model so as to emphasize the intrinsic aspect of uncertainty that is associated with any electoral or political process. Our intention is to model de facto power of elite groups, characterized by their control of different economic factors, and their ability to use political institutions to their

¹⁵Blaydes and Chaney (2011) argue that feudalism meant that the monarch depended for military support on the great land-owning barons. As Magna Carta (1215) illustrates, this constrained the monarch's power. Feudalism did not occur in the Arab world, so autocrats were not constrained in this fashion.

¹⁶Stasavage (2010, 2011) argues that in a large state like France it was more difficult to form a merchant coalition able to constrain the monarch. Proto-parliaments, or early Parliaments, occurred in Anglo-Saxon England in the tenth century, as discussed by Maddicott (2010), as well as in the small city states in Europe from the eleventh century.

advantage.¹⁷ At the same time we need to elucidate the conflicts that exist between these activist groups.

In the next section, we use the model in an attempt to understand the relationship between an autocrat and his supporters, followed by discussion of recent attempts to overthrow autocrats in a number of partial democracies and anocracies.

2 Oligarchies and Anocracies

To construct a general theoretical model, we first start with the political economic assumption that power derives from the control of the factors of capital, land and labor. The distribution of these factors can be described by a point in a high dimensional *economic factor space*. Perpendicular to the economic space is the *political space*.

The empirical work to date suggests that the definition of the political space depends on the specific country and time. For example, this political axis in the United States can be identified with civil and social rights, while for Britain, this axis is defined by nationalism, and in particular by attitudes to the European Union. In Canada, the political axis involves decentralization or regionalism. Analyses of elections in Israel and Turkey indicate that both religion and nationalism (or security) define the political space. In Georgia the two political axes are related to demands for democratization and attitudes with regard to westernization.¹⁸

For purposes of exposition, Figure 1 gives an extreme simplification of this idea, representing a single dimensional economic factor space, involving an opposition between Land or Labor and Capital, and a single dimensional political space, to be interpreted in terms of the degree of political equality in the society - namely the opposition between pure democracy, to the north in Figure 1, and autocracy to the south in the figure.¹⁹ Figure 1 is based on the idea of activist groups, as proposed earlier by Aldrich (1983). The Figure is meant to suggest that democratic and partially democratic or anocratic polities can, in principle, be modelled in similar ways, since this model has also been used by Miller and Schofield (2003, 2008) to provide a heuristic analysis of U.S. elections.

Schofield (2009) and Schofield and Gallego (2011) suggest the following formal model.

Firstly, the factor elite has an ellipsoidal utility function, centered at R, as illustrated in Figure 1, indicating their primary concern with that factor. Similarly the political elite, in autocratic or anocratic regimes is less interested in the particular disposition of economic factors, but rather in their utilization in order to maintain political power. This assumption on elite utilities provides the

¹⁷Even when there are elections, in most anocracies these are rigged or manipulated.

¹⁸See Schofield *et al.* (2011a,b,c,d,e), Schofield and Gallego (2011).

¹⁹Indeed, for countries like Turkey and Israel, it would be necessary to utilize a two dimensional political space and however many dimensions would be necessary to represent the conflicting economic interests.

context in which the economic and political elite arrange the bargain that keeps them in power. Figure 1 presents a *contract curve (or set)* between the economic elite (whether land or capital, centered at R) and the autocrat’s immediate coterie of supporters (centered at C).²⁰ In many parts of the world, the key autocrat supporters would be the military. It is implicit here that the preferred policy point, on the social or political axis, of different elements of the economic elite need not coincide with those preferred by the autocrat or the military. This contract curve represents the set of bargains that are possible, and thus specifies the nature of the resources, military and capitalistic, that can be made available to the political leader. Again, it is not crucial that the bargain be only between capital and the political or military elite. It is quite possible in some regimes that the landed elite control the critical factor.²¹ The resources made available by this contract can then be used to maintain political power, either by offering bribes in order to maintain support, or by threatening punishment against opposition members.

The “valence” of a political leader is the non-policy attractiveness from the point of view of the citizens. Valence can be intrinsic to the leader, due to the natural characteristics that he exhibits and are perceived by the citizens. However, valence can also be affected by the resources contributed by the various activists who support the leader. We call this “activist valence.” With just two activist groups, the “activist valence” of the autocrat, named 1, can then be expressed as a combination

$$\mu_1(z_1) = \mu_A(S_R(U_R(z_1))) + \mu_C(S_C(U_C(z_1))).$$

The term $S_C(U_C(z_1))$ denotes the resources contributed by the coterie of autocrat supporters, expressed in terms of the supporters’ utility function, $U_C(z_1)$, and dependent on the autocrat position, z_1 , while $S_R(U_R(z_1))$ are the resources contributed by the elite located at R. In the same way we may assume that an anti-regime leader, named 2, will gain resources from democratic and labor activists, as described by a contract curve located in the opposed quadrant in Figure 1. Each member or citizen, i , in the society has a utility function, based partly on some preferred position in the factor space, but also on what we have called the *valences* of the various political leaders. This model distinguishes between the perceived valences by the citizens of the various political leaders and the valence that results from the resources made available to the political leader by the economic or political elites. The *balance locus* gives the equilibrium locus of each of the political leader, j , obtained by the maximization of an appropriate support function, V_j .

This support function may be the total vote share of leader j in a democratic polity, or the elite support in an anocracy or autocracy. In Figure 1, the point marked $z_1^*(z_2)$ satisfies the balance condition for leader 1, because the electoral

²⁰See Miller and Schofield (2003) for the definition of the activist contract curve.

²¹As Diamond (2008) has noted, oil is the crucial factor in many authoritarian petro-regimes, including such states as Azerbaijan, Gabon, Iran, Kazakhstan, Nigeria, Russia, Sudan, Uzbekistan and Venezuela.

and activist “pulls” are directly opposed. The electoral pull is the direction of change associated with the populist support, while the activist pull is the direction favored by the activists. This point denotes the position that maximizes the regime’s support function, in response to an opposition position, denoted z_2 .

Since politics is always uncertain, we can extend this model by incorporating the beliefs or subjective probability estimates of what is likely to occur.

[Insert Figure 1 here]

In a democratic regime, the best position (what we have called a *local Nash equilibrium*, or LNE) of a political leader will depend on the intrinsic valences of political opponents and the activist contribution functions. In a “partial democracy” or oligarchy, the weighted electoral mean of the leader will be a weighted sum of the preferred positions of those with some power in the polity (called the *selectorate* by Bueno de Mesquita et al, 2003). Not all societies treat all individuals the same. In the United States before 1860 most non-whites did not have a vote. Before the twentieth century women did not have the vote. In anocracies some individuals will have a great deal of power, and most will have very little influence.

In Figure 1 we distinguish *the contract set* of the elite support group of the leader from the *weighted electoral mean* of the regime’s leader as well as the *mean of the selectorate*. The point denoted “the mean of the selectorate” is the center of the distribution of preferred positions of all who influence political decisions. Even in a democracy, there may be powerful interest groups who, through money or other resources, have an undue influence on decisions.²² In an autocracy these resources may be land, or capital, or military capacity and give the elite great de facto power.²³

The weighted electoral mean of the leader weighs the different members of the selectorate depending on sociodemographic parameters such as ethnicity, or location, or wealth, etc. Opposition leaders will also be characterized by possibly a quite different support group and thus by different weighted electoral means. Indeed, the model proposed in this paper suggests that the weighting used by the various political leaders may depend on the degree to which the members of the selectorate are “bribeable.” The point of this model is that it allows, in principle, for the formation of different support groups for a political leader and a potential opposition. These opposed support groups may indeed be members of the society’s oligarchy but defined by their control of different factors, or by different ethnicity etc. The model can also be adapted to the case of coup d’état, when some members of the autocrat’s support group switch allegiance to an opposition leader.

In both democratic and autocratic regimes, the leader with greater intrinsic valence will be less dependent on the resource support of activists or the factor

²²See for example, the analysis of US elections in Schofield *et al.* (2011a,b).

²³Even though the autocrat in Egypt has been forced from office, as of April 2011, the military elite still has overwhelming power .

elite. Moreover, the greater the intrinsic valence of an opponent, whether a revolutionary or a leader of a democratically chosen opposition, the further will the position of the regime's leader be from the electoral center.²⁴

The expression for the activist valence, given above, is for the simple case of two activist groups supporting the autocrat. The model can be readily generalized to the case of many groups. The essence of the model, however, is that there will be conflict both within activist groups and between the groups.

Some partial democratic systems have evolved so that the political equilibrium is relatively stable, as illustrated by *Russia* under President (now Prime Minister) Putin. The model presented in Schofield and Gallego (2011) shows that Putin had extremely high valence in the election of 2007. This appears to be the consequence of the status of Russia as an oil exporter and the very high price of oil in 2007.²⁵ The invasion of Georgia by Russia in early August, 2008, and the problem over Russian gas prices and supplies in Eastern Europe and the Ukraine in January 2009 shows that Putin is ready and able to extend Russian power in its sphere of interest, especially in a situation where the United States has its military resources over-committed in Iraq and Afghanistan. However, the Russian stock market fell dramatically in mid September, 2008, partly as a consequence of the conflict with Georgia over South Ossetia and Abkhazia in 2008,²⁶ but more specifically as a result of the global economic crisis of late 2008.²⁷ Such an event will obviously affect the stability of support coalitions and the valences of political leaders.²⁸ Russia has also extended its influence in its "near abroad", by persuading Ukraine's president Victor Yanukovich, to extend the lease on Russia's naval base in Sebastopol until 2017, in return for a bargain price on Russian gas. Russia also had a hand in the overthrow of Kyrgyzstan's President, Kurmanbek Bakiyev, in April 2010, leading to a new government under Roza Otunbayeva. Bakiyev himself had deposed the first president, Askar Akayev in the so-called Tulip Revolution in 2005.

Mikheil Saakashvili is the third and current President of Georgia and leader of the United National Movement Party. He became president on 25 January 2004 after leading the 2003 bloodless "Rose Revolution." Eduard Shevardnadze resigned after Saakashvili took 96% of the vote in the election in November 2003. Welt (2010) comments that

Georgia's Rose Revolution stemmed from Georgians' discontent with an ineffectve, criminalized, and corrupt ruling regime. Georgia's ruling party was not only unpopular before the 2003 election, but also weak.

²⁴Since the electorate can be described by some distribution of preferences over economic and political outcomes, we define the center as the mean of this distribution.

²⁵The present price of oil is still high at over \$100/barrel.

²⁶Lucas (2009) warns of the threat posed to the West by Putin's new power.

²⁷Vice-president Biden's visit to Tbilisi in July 2009 to meet with President Saakashvili was intended to reassure Georgia that the US is concerned about Russian expansion.

²⁸Nonetheless, Putin was able to force through legislation in the Duma in January 2008 that potentially allows him to regain the office of President in the future.

Saakashvili was regarded as a pro-NATO and pro-USA leader who initially spearheaded a series of political and economic reforms. In 2004, he established an armed presence in the disputed regions of South Ossetia and Abkhazia. In 2007, a series of anti-government demonstrations were triggered by accusations of murder and corruption from several opposition groups. These led to clashes between police and demonstrators in the streets in Tbilisi on 7 November, and a declaration of a state of emergency. The restriction imposed on some mass media sources led to harsh criticism of the Saakashvili government by the Human Rights Watch for using “excessive” force against protesters. The International Crisis Group warned of growing authoritarianism.

Shortly after the election, in April 2008, the province of South Ossetia rejected a power-sharing deal, and insisted on full independence. In August 2008, a series of clashes between Georgian and South Ossetian forces resulted in Saakashvili ordering an attack on the town of Tskhinvali. In response, the Russian army invaded South Ossetia, followed later by the invasion of Georgia. Eventually there was a ceasefire agreement, and on 26 August the Russian president, Dmitry Medvedev, signed a decree recognizing Abkhazia and South Ossetia as independent states. On August 29, 2008, in response to Russia’s recognition of Abkhazia and South Ossetia, Georgia broke off diplomatic relations with Russia.

Since then, opposition parties have accused the president of rigging elections and using riot police to crush opposition rallies. Opposition against Saakashvili intensified in 2009, when there were mass demonstrations against him. The next presidential election is planned for 2013. In preparation, on October 15, 2010, the Parliament approved by 112 to 5 a constitutional amendment that increased the power of the prime minister over that of the president. It was thought that this was a device to allow Saakashvili to take on the role of prime minister in 2013, just as Putin had done in Russia.²⁹

3 Survival of Autocrats

Mugabe has been in power in *Zimbabwe* since 1980, and the country currently suffers from inflation of over a million percent. A month after Zimbabwe’s election on March 29, 2008, the electoral body declared that Morgan Tsvangirai, the leader of the opposition party, had won more votes than President Robert Mugabe, but only 48%, not a majority, and that a runoff on June 27 would be necessary. Mugabe and his supporters initiated a process of murder and intimidation forcing Tsvangirai to withdraw, leaving Mugabe in power. On July 11, 2008, Russia and China vetoed a US led attempt in the U.N. Security Council to impose sanctions on Zimbabwe, and on July 26, the Bush administration announced new sanctions against Zimbabwe. Although the talks over power-sharing broke down on July 29, because of Mugabe’s insistence that he remain president, the opposition candidate for Speaker of the Legislature, Lovemore

²⁹See the discussion in Schofield and Gallego (2011).

Moyo, won the position by a vote of 110 to 98. On September 15, 2008, a power-sharing agreement set up a finely-balanced coalition government. The combined opposition will have a one-person majority in the cabinet, but it will be chaired by President Robert Mugabe. Morgan Tsvangirai will be Prime Minister and deputy chair of the cabinet, and will also chair a Council of Ministers, which will “oversee the formulation of government policies by the cabinet” and “ensure that the policies so formulated are implemented by the entirety of government.”

Mugabe’s party, the Zanu-PF and the two opposition groups in the Movement for Democratic Change (MDC) agreed to “accept the irreversibility of Mugabe’s seizure and redistribution of land.” Nonetheless, there still appeared to be a deadlock in October 2008, over Mugabe’s insistence that he retain control of the police and security forces, as well as most of the crucial ministries. In November, Mugabe’s decided to forbid a humanitarian visit by the former U.S. President, Jimmy Carter, Kofi Annan, the former United Nations Secretary General, and Graça Machel, Nelson Mandela’s wife. However, the deadlock appeared to have broken on January 30, 2009, when Tsvangirai agreed to join the government in return for shared control over the police. Finally, Tsvangirai was sworn in as Prime Minister on February 11. Mugabe made an extraordinary show of his power by inviting the Iranian president, Mahmoud Ahmadinejad to Harare for an international trade show in April, 2010.

Not all autocrats are able to hold on to power as tenaciously as Mugabe. In *Pakistan*, the assassination of Benazir Bhutto, on 27 December, 2007, and the military’s increasing fear of the power of the Taliban, led the way to the defeat of President Pervez Musharraf’s party in the election on February 18, 2008, and the creation of a coalition government consisting of the Pakistan Peoples Party (with 120 seats), chaired by Asif Ali Zardari (Bhutto’s widower) and the Pakistan Muslim League-N (with 90 seats), led by Nawaz Sharif. The Pakistan Muslim League-Q, led by Chaudhry Shujaat Hussain, with only 51 seats in the 342 seat National Assembly, still supported Musharraf. (See Rashid (2008) for the maneuvering between the United States and Musharraf in the period up to the election.)

On Monday, August 18, 2008, Musharraf was forced to resign from the Presidency, in order to avoid impeachment. The coalition broke up on August 25, and Yousaf Raza Gilani became Prime Minister. Zardari was elected President on September 6, 2008, apparently with Sharif’s support. The army remained neutral in these various political contests, but on September 10, the day after Zardari’s inauguration as President, the military chief, General Ashfaq Parvez Kayani, strongly criticized the United States for its incursions into the tribal areas of Pakistan to seek out the Taliban and Al Qaeda. Although Zardari is considered pro-American, he echoed Kayani’s sentiments at his speech to Parliament on September 20. While the nature of the implicit compact between the military and the government is unclear, the army still owns or controls enormous wealth, land and much of the manufacturing capacity of the country, as well as its nuclear arsenal.

After the terrorist attack by Lashkar-e-Taiba (part of the Islamic Front, and linked to Al Qaeda) on Mumbai, India, in late November, 2008, fears have

been expressed that this attack was supported by elements of the Pakistan security forces, and designed to further destabilize Indian Pakistan relations. Since then, relations between Zardari and Sharif have soured. The Supreme Court, at Zardari's behest, disqualified Sharif from elective office. The Punjab, Sharif's stronghold, has been put under the rule of a governor and its provincial assembly dismissed. On the other hand, Zardari reinstated Chief Justice Iftikhar Chaudhry on March 16, and this move can be seen as an important step towards the rule of law.

In April, the Taliban struck a peace deal with Zardari, allowing them to control the Swat Valley and then the town of Bruner, only 65 miles from Islamabad. By May, this peace deal had broken down, and fighting between the Taliban and the military forces had caused refugees, estimated at 1.3 million, to leave the Swat Valley. Rashid (2009) suggests that

Pakistan is close to the brink, perhaps not to a meltdown of the government, but to a permanent state of anarchy, as the Islamist revolutionaries led by the Taliban and their many allies take more territory, and state power shrinks.

Osama bin Laden was killed by US marines in Pakistan on May 2nd, 2011. His bunker was near a Pakistan military camp, which led many to infer that the military had provided him with some protection.

On June 12, 2009, elections were held in *Iran*, and the reformist candidate, Mir Hussein Moussavi, was declared to have been beaten by Mahmoud Ahmadinejad in a Presidential election that was probably fixed. The establishment reacted violently to street demonstrations in support of Moussavi. On June 20, an innocent girl, Neda Agha-Soltan, was murdered in Tehran, allegedly by a militia man, although Ahmadinejad called the death "suspicious." On July 4, the former presidents, Mohammad Khatami and Ali Akbar Rafsanjani, together with an influential group of clerics, the Association of Researchers and Teachers of the holy city of Qum, came out against the establishment and Supreme Leader, Ayatollah Ali Khamenei. Eventually, on August 3, Khamenei approved Ahmadinejad as president, although the two former presidents still dissented. Major opposition demonstrations continued till December, 2009. Some 4,000 people were arrested in connection with protests following the presidential election. At least three of the demonstrators died in prison, and a number of prison guards were indicted for murder.

Ahmadinejad continued his strategy of annoying the West, and on September 23, 2010, even went so far as to declare to the United Nations General Assembly in Washington that the US had orchestrated the terrorist attacks on September 11, 2001.

In *Afghanistan*, in the first round election of August 20, 2009, the incumbent President, Hamid Karzai won almost 50% of the vote, but this appeared to be the result of massive fraud. The challenger, Abdullah Abdullah, with about 31%, withdrew from the second round. Under U.S. pressure, Karzai has promised to deal with corruption. To show his independence, however, Karzai

invited Ahmadinejad to Kabul in late March, 2010. The election for the Parliament, the *Wolesi Jirga*, took place on 18 September 2010. Many of the elections for the 249 parliamentarians were declared fraudulent or invalid, but by November the Independent Election Commission had declared the final result valid. Karzai avoided the inauguration of the Parliament for over two months, ruling by decree, but was forced to set a date in January, 2011. The Afghan parliament opened on January 26 in Kabul, and the Obama administration declared the opening was “a significant milestone,” demonstrating a commitment to the country’s democracy. However, by July 6 a majority of the Parliament sought the impeachment of Karzai over the legality of the Election Commission’s declaration that 62 members of the Parliament had won their seats through fraud, and should be replaced.

In *Iraq* after the election in March 2010, there was still some uncertainty after ten months about the form of the government.³⁰ In the election, Ayad al-Allawi’s *Iraqiya* list was first with 91 seats; Prime Minister Maliki’s State of Law coalition took 89 seats; the Shi’a Iraqi National Alliance was third with 70 seats (40 seats of which were held by the Sadrism group led by Moktada al-Sadr); the Kurdistan Alliance was fourth with 43 seats. Other factions won 32 seats. Allawi first attempted to construct a coalition with a majority of 163 seats out of 325. On May 4, State of Law joined forces with the Iraqi National Alliance, and called itself the National Alliance, but only controlled 159 seats. On May 15 the Sadrism group within the National Alliance withdrew its veto over Maliki becoming prime minister again. Maliki and Allawi then held their first meeting on June 12. But on August 16, *Iraqiya* broke off all talks with State of Law saying that Maliki had described *Iraqiya* as a Sunni grouping. *Iraqiya* followed this on September 25 by announcing it would not participate in a government led by Maliki. The National Alliance then chose Maliki as its candidate for prime minister on October 1.

In some desperation, on October 30, Saudi Arabia invited Iraq’s political leaders to Riyadh in an attempt to find a compromise, and on November 1, Maliki was able to obtain support from the Shi’ite Fadila faction. On November 11, Parliament held its second session since the election and chose Osama al-Nujaifi, a Sunni and member of *Iraqiya*, as its speaker, and re-elected Jalal Talabani, a Kurd, as president. Finally, on November 25, Talabani officially re-appointed Maliki as prime minister and ordered him to form a cabinet, which he did on December 21, 2010. However, three key security ministries—the Ministry of Defense, the Ministry of Interior, and the Ministry of State for National Security remained unfilled and were taken by Maliki for himself “until suitable persons can be found.” There is every reason to regard Iraq as a “chaotic” polity, in the sense that the dominant coalition seems to shift in unpredictable ways.

An inference from this model presented above is that the “equilibrium” position of an autocrat may be so far from the center that the opposition will attempt to remove the dictator, even in the face of bribes or punishment strate-

³⁰Members of Parliament still received their monthly checks of \$10,000 from the administration, and appeared in no hurry to formally agree to the inauguration of Parliament.

gies. For example, on January 14, 2011, Tunisia's president, Zine el-Abidine Ben Ali, was forced to flee the country after 23 years of autocratic rule, because of huge popular demonstrations, during which perhaps 200 people died. The Muslim political movement, Ennahdha, or Renaissance, began regrouping, and there were fears that there would be conflict between Tunisia's secular military forces and religious groups. Elections were planned for July, but have been postponed till October, 2011.

On 25 January 2011, thousands of Egyptian protesters, mobilized largely on the Internet and the social networking sites and energized by the revolution that ousted Tunisia's dictator, occupied Tahrir Square, in Cairo for hours, beating back attempts to dislodge them by police officers wielding tear gas and water cannons. Egypt is the most populous country in the Arab world and there is fear that the popular uprising might spread to other Middle Eastern countries. People flooded into public squares in Cairo, Alexandria and other major cities. In spite of the government imposed curfew, Egyptians are still on the streets on Sunday 30 January 2011. Tens of thousands of protesters are calling for Hosni Mubarak to step down, and demanding a move towards a more democratic country. This is the most serious challenge to Mubarak's regime as the uprising has brought to the surface decades of smoldering grievances against Mubarak who has been in office for 30 years.

Within days of the start of the protests, Mubarak called in the army. On 28 January he ordered his entire cabinet to resign while stating that he would stay in office. The change in the cabinet did not calm protesters who were asking for Mubarak resignation. Mubarak relied on the military for support by naming the head of military intelligence, Omar Suleiman, as his new vice president. State media said the country's new prime minister would be the air force chief, Ahmed Shafik. On January 31, the military declared that it would not use force to stop the protests, and the next day Mubarak, under pressure from Obama declared he would not run for re-election. The pressure from the military intensified, and Mubarak resigned from the Presidency on February 11, much to the delight of the protesters. About 800 people died in the protests that brought about this change. The military then disbanded Parliament, suspended the constitution and announced it would remain in power for six months, until an election could be arranged. By late March the military had banned any further protests. The military council faced a quandary over how to deal with the protestors and announced that "it is aware of the demands of the people, but wants to underline the need for the return of normal life in Egypt." The new Prime Minister, Essam Sharaf, told the crowds in Tahrir Square on March 4 that they were the ones "to whom legitimacy belongs."

Even a fairly popular monarch can have severe difficulties from popular unrest. King Abdullah II of *Jordan* dismissed his government on February 1, 2011, after street protests, inspired by events in Tunisia and Egypt, demanded the resignation of Prime Minister Samir Rifai, who is blamed for a rise in fuel and food prices. The King's motorcade was attacked by youths on June 13, after he had given a speech promising reforms leading to a Parliamentary system of government. He did say that sudden change could lead to "chaos and unrest."

The King has asked an ex-army general, Marouf al-Bakhit, to be Prime Minister and a new cabinet was formed in mid July.

On July 1, *Moroccans* voted overwhelmingly to approve a new constitution proposed by the popular King Mohammad VI roughly two weeks earlier. This new constitution represents the culmination of a process crafted largely by the king in an attempt to quell the protests. However, the King will choose the Prime Minister from the majority party in Parliament, but he will still hold ultimate power. There were protests that the reforms had not gone far enough.

In February in Manama, *Bahrain*, protesters in Pearl Square demanded that King Hamad bin Isa al-Khalifa, a Sunni, agree to a constitutional democracy, which would probably give power to the main Shi'ite opposition group, *Al Wefaq*. The crown prince, Sheikh Salman bin Hamad al-Khalifa, ordered the police to leave the square on February 19. *Al Wefaq* pulled out of parliament and demanded the dismissal of the Prime Minister, Sheik Khalifa bin Salman al-Khalifa, the King's uncle, as well as the formation of a new unity government. On March 17, Saudi Arabia sent 1,000 troops to Bahrain, to help contain pro-democracy protests led by majority Shi'ite Muslims. These protests had led to the deaths of 29 people. The government of Bahrain proceeded to imprison doctors who helped wounded insurgents. Saudi Arabia has neutralized opposition by spending lavishly on low income housing.

In the *Yemen*, Ali Abdullah Saleh, President for 32 years, offered concessions to protesters, announcing that he would not run again, but also said he would only transfer power to "safe hands." About 200 protesters have been killed during the political rallies. The Presidential Palace was attacked and Saleh was flown to Saudi Arabia on June 4 for urgent medical treatment of wounds sustained in the attack.

In the *Sudan*, there were protests against Omar Hassan al-Bashir, who took power in a military coup in 1989. More than 70,000 people fled the violence in Sudan's South Kordofan state, where the government says it is disarming rebels. The region borders South Sudan, a largely Christian and animist region, which gained independence from the mostly Arabic-speaking, Muslim north on 9 July, 2011.

In mid February, there were also violent clashes between the police and demonstrators and over 100 deaths in Benghazi, the second largest city of *Libya*, where Col. Muammar el-Qaddafi has been in power for 41 years. By February 20, the uprising had spread to the capital, Tripoli, and the autocrat's son, Saif al-Islam el-Qaddafi, spoke on television about an "apocalyptic civil war." In the next few days the closing of oil wells in Libya forced the price of oil over \$100/barrel and the U.S. stock market as measured by the Dow fell over 2%. Qaddafi sent in mercenaries and members of the military that were still loyal against the opposition. The makeshift rebel army portrayed itself to the West and to Libyans as an alternative to Qaddafi's autocratic rule. The rebels faced the possibility of being outgunned and outnumbered in what increasingly looks like a civil war. As Qaddafi's troops advanced to within 100 miles of Benghazi, the rebel stronghold in the west, the United Nations Security Council voted to authorize military action, aimed at averting a bloody rout of the rebels by

loyalist forces. On March 19, American and European forces began a broad campaign of strikes against Qaddafi and his government, unleashing warplanes and missiles in a military intervention on a scale not seen since the Iraq war. Qaddafi was defiant in the face of allied strikes and warned of a “long war.” Without the Arab League’s endorsement, the United Nations Security Council likely would not have passed Resolution 1973 on March 17, which approved “all necessary measures” to protect the Libyan people. By July it appeared the rebels were running out of money and ammunition. In spite of the international assistance it was unclear in late July whether the rebels would be able to dislodge Qaddafi. The death toll was estimated to be many thousands. However, in late August the rebels suddenly took Tripoli, and Qaddafi’s family fled to Algeria. On September 1, the rebels’ Transitional National Council, under the new prime minister, Mahmoud Jibril, convened in Paris, to discuss the transition to a new government with the major powers involved, France, the United Kingdom and the United States. Britain and the US released over \$3 billion of frozen assets. A draft constitution will be put to a referendum within four months.

The demonstrations in Tunisia, Egypt, Bahrain, the Yemen and Jordan in January and early February triggered further demonstrations in *Iran* on February 14, which the government attempted to put down as before. Protests also erupted in Tahrir Square in Baghdad, *Iraq*, on February 25.

In *Syria* in March, Bashar al-Assad, who took control after his father’s death in 2000, has set the military against the protesters, leading to perhaps 1300 deaths. A spokesman for the U.N.’s Office of the High Commissioner for Human Rights said that the “situation in Syria has worsened considerably” during the week of March 19-26, with the use of live ammunition and tear gas by the authorities having resulted in a total of at least 37 people being killed in Daraa, including two children. Hundreds of people took to the streets in and around the capital, Damascus, on April 1 and security forces and ruling party loyalists attacked protesters with batons at Rifaii mosque in the city. Thousands of refugees fled over the border to Turkey, and President Erdogan of Turkey formally objected to Assad’s use of excessive force.

There were now fears of a civil war of Sunni against Shia throughout the Middle East.

The relationship between Israel’s Prime Minister, Benjamin Netanyahu and Turkey’s Prime Minister, Tayyip Erdogan were however still strained because of the “Gaza Freedom Flotilla” incident” on 31 May 2010.

The examples all show how elites can be fragmented in autocratic states, but must yet compete with each other for some degree of popular support. The possibly chaotic response of the mass of citizens seems to follow what have been called *belief or information cascades*. Bikhchandani, Hirschleifer, and Welsh (1992) introduced this notion to describe the rapidly changing beliefs and actions in a society. The idea has been applied by Karklins and Petersen (1993) and Lohmann (1994) to the fall of the Iron curtain in 1989/1990 and by Schofield (2006a) to the onset of the Civil War in 1860 and the civil rights movement in the 1960’s in the U.S.

Applying the formal model presented above, it may be possible to pinpoint

the logic of autocratic durability, by analyzing the complex relationships between leaders, the military, the people and, in countries like Afghanistan, warlords and religious activists. Schofield and Levinson (2008) used a simplified version of the formal model set out in to examine three types of authoritarian regimes that have predominated in the twentieth-century: bureaucratic military dictatorship, fascist dictatorship, and the communist party dictatorship.

They argued that the theoretical prerequisites for regime change to democracy were sequentially harder to meet. These prerequisites included:

(1) enough economic and/or political inequality to induce an oppositional underclass to demand that some power redistribution be formally institutionalized,

(2) not so much inequality in economic or political power that the authoritarian elite is willing to incur almost any cost to keep power,

(3) the ability of the regime's opponents to overcome the collective action problem inherent in organizing a revolution,

(4) for democracy to be achieved, reformers within the authoritarian bloc must align themselves with moderate opposition leaders to force authoritarian hardliners into accepting transition.

While these conclusions were drawn from an historical analysis of Franco's Spain, Argentina under the military Junta during 1976-1983 and the Soviet Union, they may also be valid for the partial democracies discussed above. Schofield (2009) applies the model to other autocratic regimes, namely China, North Korea, Cuba, Bolivia, and Iran, while Galiani, Schofield and Torrens (2010) extend the activist model originally presented in Schofield (2006b) to include trade. Galiani and Torrens (2011) develop this formal model to explain how autocracies might hold onto power.

Extending this model to deal with complex polities, like Iran, Iraq, Pakistan and Russia³¹ would potentially involve three economic factor dimensions, as well as various political dimensions such as equality, nationalism, and religion. It is possible that the military will be strongly opposed to religious activists, as Schofield *et al.* (2011d) show is the case in Turkey. The conflicts between the secular military and the non-secular government, led by Erdogan of the AKP, came to a head over the Ergenekon affair, which has involved the prosecution of more than 240 people, allegedly involved in plotting against the state. The government proposed constitutional changes that would limit the power of the Constitutional Court to ban parties. The ideological conflict became more pronounced on July 28, 2011, when most of the top military resigned their positions.

On the other hand, in Pakistan it would seem that the military is divided between those who support and those who fear religious fundamentalism. In Afghanistan and Iraq the situation is even more complex. The former country is, in a sense, partly governed by factious warlords, whose wealth depends on their control of trade in opium³² and weapons, and who rightly fear that the

³¹See Schofield and Zakharov (2010) for a model of the Duma election in 2007.

³²Rashid (2008) notes that in 2006 Afghanistan produced 93% of the world's heroin. There

Taliban threaten their power. In Iraq, the election in 2010 showed that the electorate is sharply and regionally divided between Sunni, Shia and Kurd, with a policy space characterized by religion and nationalism, just as in Turkey.

In June, 2009, the Presidential contest in Iran between the reformist Mohammad Khatami and current President, Mahmoud Ahmadinejad, turned on economic issues (oil), nationalism (the bomb) as well as the influence of religious activist groups. Meanwhile, the opposition to Turkish membership of the European Union by President Sarkozy of France and Chancellor Merkel of Germany may cause Turkey to turn away from the West. In October, 2009, Erdogan visited Tehran and met with President Ahmadinejad of Iran. Turkey and Russia are also discussing the possibility of having Russian gas supplies transit through Turkey. The result of these moves by Turkey will affect the whole Middle East. Rashid (2001) suggests that the situation in the Middle East can be called the “New Great Game” after the struggle for empire in the eighteenth century contest between Russia and Great Britain (Hopkirk, 1994; Meyer and Brysac, 1999). One aspect of the current great game is that the United States deploys an imperial toolkit that includes “democratization” and “liberalization of markets.”

As noted above, Levitsky and Way (2002) comment that the initial optimism about democratization has been followed by the realization that many regimes in Africa, Eurasia and Latin America, are only partially democratic, and do indeed involve authoritarian governance. Khalizad (2010) and Worden (2010) suggest that democratization in Iraq and Afghanistan, in particular, will be hindered by widespread corruption. The recent events in the Middle East show however that popular support for democracy can overwhelm even powerful autocrats. Since many of these autocrats were secular and opposed religious activist groups, their overthrow may well pose a quandary for the United States.

4 Concluding remarks

This paper has considered a general model of politics which can be used as the basis for discussion of the behavior of leaders in such partial democracies or anocracies as Russia, Georgia, Zimbabwe, Pakistan, Iran and Iraq, and the recent popular movements against autocrats in Tunisia, Egypt, the Yemen, and above all, Libya. In such polities, while elections are utilized in order to maintain the pretence of legitimacy, the political leaders must also obtain resources from various political and economic elites, in order to maintain power. It is suggested that the logic of the electoral model also holds for autocrats: if their relative valence falls with respect to an opponent, then there may be a contest between the militaristic activist pull and the populist pull. Economic shocks or events in neighboring states, may destroy the stability of the autocratic support coalition and this will have an effect on the willingness of the citizens to accept autocratic rule.

are also untapped reserves of oil, gas and many minerals.

The discussion suggests the profound importance of the social choice notion of “chaos.” Theory suggests that in the absence of a dictator or autocrat, then political choice may be completely indeterminate.³³ Recent events in Tunisia, the civil wars in Georgia and more generally in the Caucasus after the collapse of the Soviet Union, provide evidence of this possibility. Indeed the result of the removal of Saddam Hussein in Iraq provides even stronger evidence. As we have seen in Iraq, it can take many years to build democratic institutions that may be capable of generating required public goods. It is hardly surprising, once some kind of ordered peace is established, that the citizens prefer autocracy to disorder. As Schofield (2006a) points out, Keynes was well aware of this social quandary when he wrote his great work in 1936.

In an Appendix to this chapter we present President Obama’s speech in Westminster Hall, London, on May 25 to the House of Commons and House of Lords. The speech shows his keen awareness of the necessity of the Atlantic Alliance of the United Kingdom, the European Union and the United States to the preservation of peace and the importance of democratic ideals against the tendency to autocracy.

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³³McKelvey (1976), Saari (1997), Schofield (1978).

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5 Appendix. President Barack Obama’s speech in Westminster Hall, London, May 25, 2011.

My Lord Chancellor, Mr. Speaker, Mr. Prime Minister, my lords, and members of the House of Commons:

I have known few greater honors than the opportunity to address the Mother of Parliaments at Westminster Hall. I am told that the last three speakers here have been the Pope, Her Majesty the Queen, and Nelson Mandela – which is either a very high bar or the beginning of a very funny joke. (Laughter.)

I come here today to reaffirm one of the oldest, one of the strongest alliances the world has ever known. It’s long been said that the United States and the United Kingdom share a special relationship. And since we also share an especially active press corps, that relationship is often analyzed and overanalyzed for the slightest hint of stress or strain.

Of course, all relationships have their ups and downs. Admittedly, ours got off on the wrong foot with a small scrape about tea and taxes. (Laughter.) There may also have been some hurt feelings when the White House was set on fire during the War of 1812. (Laughter.) But fortunately, it’s been smooth sailing ever since.

The reason for this close friendship doesn’t just have to do with our shared history, our shared heritage; our ties of language and culture; or even the strong partnership between our governments. Our relationship is special because of the values and beliefs that have united our people through the ages.

Centuries ago, when kings, emperors, and warlords reigned over much of the world, it was the English who first spelled out the rights and liberties of man in the Magna Carta. It was here, in this very hall, where the rule of law was first developed, courts were established, disputes were settled, and citizens came to petition their leaders.

Over time, the people of this nation waged a long and sometimes bloody struggle to expand and secure their freedom from the crown. Propelled by the ideals of the Enlightenment, they would ultimately forge an English Bill of Rights, and invest the power to govern in an elected parliament that’s gathered here today.

What began on this island would inspire millions throughout the continent of Europe and across the world. But perhaps no one drew greater inspiration from these notions of freedom than your rabble-rousing colonists on the other side of the Atlantic. As Winston Churchill said, the “. . . Magna Carta, the Bill

of Rights, Habeas Corpus, trial by jury, and English common law find their most famous expression in the American Declaration of Independence.”

For both of our nations, living up to the ideals enshrined in these founding documents has sometimes been difficult, has always been a work in progress. The path has never been perfect. But through the struggles of slaves and immigrants, women and ethnic minorities, former colonies and persecuted religions, we have learned better than most that the longing for freedom and human dignity is not English or American or Western — it is universal, and it beats in every heart. Perhaps that’s why there are few nations that stand firmer, speak louder, and fight harder to defend democratic values around the world than the United States and the United Kingdom.

We are the allies who landed at Omaha and Gold, who sacrificed side by side to free a continent from the march of tyranny, and help prosperity flourish from the ruins of war. And with the founding of NATO — a British idea — we joined a transatlantic alliance that has ensured our security for over half a century.

Together with our allies, we forged a lasting peace from a cold war. When the Iron Curtain lifted, we expanded our alliance to include the nations of Central and Eastern Europe, and built new bridges to Russia and the former states of the Soviet Union. And when there was strife in the Balkans, we worked together to keep the peace.

Today, after a difficult decade that began with war and ended in recession, our nations have arrived at a pivotal moment once more. A global economy that once stood on the brink of depression is now stable and recovering. After years of conflict, the United States has removed 100,000 troops from Iraq, the United Kingdom has removed its forces, and our combat mission there has ended. In Afghanistan, we’ve broken the Taliban’s momentum and will soon begin a transition to Afghan lead. And nearly 10 years after 9/11, we have disrupted terrorist networks and dealt al Qaeda a huge blow by killing its leader — Osama bin Laden.

Together, we have met great challenges. But as we enter this new chapter in our shared history, profound challenges stretch before us. In a world where the prosperity of all nations is now inextricably linked, a new era of cooperation is required to ensure the growth and stability of the global economy. As new threats spread across borders and oceans, we must dismantle terrorist networks and stop the spread of nuclear weapons, confront climate change and combat famine and disease. And as a revolution races through the streets of the Middle East and North Africa, the entire world has a stake in the aspirations of a generation that longs to determine its own destiny.

These challenges come at a time when the international order has already been reshaped for a new century. Countries like China, India, and Brazil are growing by leaps and bounds. We should welcome this development, for it has lifted hundreds of millions from poverty around the globe, and created new markets and opportunities for our own nations.

And yet, as this rapid change has taken place, it’s become fashionable in some quarters to question whether the rise of these nations will accompany

the decline of American and European influence around the world. Perhaps, the argument goes, these nations represent the future, and the time for our leadership has passed.

That argument is wrong. The time for our leadership is now. It was the United States and the United Kingdom and our democratic allies that shaped a world in which new nations could emerge and individuals could thrive. And even as more nations take on the responsibilities of global leadership, our alliance will remain indispensable to the goal of a century that is more peaceful, more prosperous and more just.

At a time when threats and challenges require nations to work in concert with one another, we remain the greatest catalysts for global action. In an era defined by the rapid flow of commerce and information, it is our free market tradition, our openness, fortified by our commitment to basic security for our citizens, that offers the best chance of prosperity that is both strong and shared. As millions are still denied their basic human rights because of who they are, or what they believe, or the kind of government that they live under, we are the nations most willing to stand up for the values of tolerance and self-determination that lead to peace and dignity.

Now, this doesn't mean we can afford to stand still. The nature of our leadership will need to change with the times. As I said the first time I came to London as President, for the G20 summit, the days are gone when Roosevelt and Churchill could sit in a room and solve the world's problems over a glass of brandy — although I'm sure that Prime Minister Cameron would agree that some days we could both use a stiff drink. (Laughter.) In this century, our joint leadership will require building new partnerships, adapting to new circumstances, and remaking ourselves to meet the demands of a new era.

That begins with our economic leadership.

Adam Smith's central insight remains true today: There is no greater generator of wealth and innovation than a system of free enterprise that unleashes the full potential of individual men and women. That's what led to the Industrial Revolution that began in the factories of Manchester. That is what led to the dawn of the Information Age that arose from the office parks of Silicon Valley. That's why countries like China, India and Brazil are growing so rapidly — because in fits and starts, they are moving toward market-based principles that the United States and the United Kingdom have always embraced.

In other words, we live in a global economy that is largely of our own making. And today, the competition for the best jobs and industries favors countries that are free-thinking and forward-looking; countries with the most creative and innovative and entrepreneurial citizens.

That gives nations like the United States and the United Kingdom an inherent advantage. For from Newton and Darwin to Edison and Einstein, from Alan Turing to Steve Jobs, we have led the world in our commitment to science and cutting-edge research, the discovery of new medicines and technologies. We educate our citizens and train our workers in the best colleges and universities on Earth. But to maintain this advantage in a world that's more competitive than ever, we will have to redouble our investments in science and engineering,

and renew our national commitments to educating our workforces.

We've also been reminded in the last few years that markets can sometimes fail. In the last century, both our nations put in place regulatory frameworks to deal with such market failures – safeguards to protect the banking system after the Great Depression, for example; regulations that were established to prevent the pollution of our air and water during the 1970s.

But in today's economy, such threats of market failure can no longer be contained within the borders of any one country. Market failures can go global, and go viral, and demand international responses.

A financial crisis that began on Wall Street infected nearly every continent, which is why we must keep working through forums like the G20 to put in place global rules of the road to prevent future excesses and abuse. No country can hide from the dangers of carbon pollution, which is why we must build on what was achieved at Copenhagen and Cancun to leave our children a planet that is safer and cleaner.

Moreover, even when the free market works as it should, both our countries recognize that no matter how responsibly we live in our lives, hard times or bad luck, a crippling illness or a layoff may strike any one of us. And so part of our common tradition has expressed itself in a conviction that every citizen deserves a basic measure of security — health care if you get sick, unemployment insurance if you lose your job, a dignified retirement after a lifetime of hard work. That commitment to our citizens has also been the reason for our leadership in the world.

And now, having come through a terrible recession, our challenge is to meet these obligations while ensuring that we're not consuming – and hence consumed with – a level of debt that could sap the strength and vitality of our economies. And that will require difficult choices and it will require different paths for both of our countries. But we have faced such challenges before, and have always been able to balance the need for fiscal responsibility with the responsibilities we have to one another.

And I believe we can do this again. As we do, the successes and failures of our own past can serve as an example for emerging economies — that it's possible to grow without polluting; that lasting prosperity comes not from what a nation consumes, but from what it produces, and from the investments it makes in its people and its infrastructure.

And just as we must lead on behalf of the prosperity of our citizens, so we must safeguard their security. Our two nations know what it is to confront evil in the world. Hitler's armies would not have stopped their killing had we not fought them on the beaches and on the landing grounds, in the fields and on the streets. We must never forget that there was nothing inevitable about our victory in that terrible war. It was won through the courage and character of our people.

Precisely because we are willing to bear its burden, we know well the cost of war. And that is why we built an alliance that was strong enough to defend this continent while deterring our enemies. At its core, NATO is rooted in the simple concept of Article Five: that no NATO nation will have to fend on its

own; that allies will stand by one another, always. And for six decades, NATO has been the most successful alliance in human history.

Today, we confront a different enemy. Terrorists have taken the lives of our citizens in New York and in London. And while al Qaeda seeks a religious war with the West, we must remember that they have killed thousands of Muslims — men, women and children — around the globe. Our nations are not and will never be at war with Islam. Our fight is focused on defeating al Qaeda and its extremist allies. In that effort, we will not relent, as Osama bin Laden and his followers have learned. And as we fight an enemy that respects no law of war, we will continue to hold ourselves to a higher standard — by living up to the values, the rule of law and due process that we so ardently defend.

For almost a decade, Afghanistan has been a central front of these efforts. Throughout those years, you, the British people, have been a stalwart ally, along with so many others who fight by our side.

Together, let us pay tribute to all of our men and women who have served and sacrificed over the last several years — for they are part of an unbroken line of heroes who have borne the heaviest burden for the freedoms that we enjoy. Because of them, we have broken the Taliban's momentum. Because of them, we have built the capacity of Afghan security forces. And because of them, we are now preparing to turn a corner in Afghanistan by transitioning to Afghan lead. And during this transition, we will pursue a lasting peace with those who break free of al Qaeda and respect the Afghan constitution and lay down arms. And we will ensure that Afghanistan is never a safe haven for terror, but is instead a country that is strong, sovereign, and able to stand on its own two feet.

Indeed, our efforts in this young century have led us to a new concept for NATO that will give us the capabilities needed to meet new threats — threats like terrorism and piracy, cyber attacks and ballistic missiles. But a revitalized NATO will continue to hew to that original vision of its founders, allowing us to rally collective action for the defense of our people, while building upon the broader belief of Roosevelt and Churchill that all nations have both rights and responsibilities, and all nations share a common interest in an international architecture that maintains the peace.

We also share a common interest in stopping the spread of nuclear weapons. Across the globe, nations are locking down nuclear materials so they never fall into the wrong hands — because of our leadership. From North Korea to Iran, we've sent a message that those who flaunt their obligations will face consequences — which is why America and the European Union just recently strengthened our sanctions on Iran, in large part because of the leadership of the United Kingdom and the United States. And while we hold others to account, we will meet our own obligations under the Non-Proliferation Treaty, and strive for a world without nuclear weapons.

We share a common interest in resolving conflicts that prolong human suffering and threaten to tear whole regions asunder. In Sudan, after years of war and thousands of deaths, we call on both North and South to pull back from the brink of violence and choose the path of peace. And in the Middle East, we

stand united in our support for a secure Israel and a sovereign Palestine.

And we share a common interest in development that advances dignity and security. To succeed, we must cast aside the impulse to look at impoverished parts of the globe as a place for charity. Instead, we should empower the same forces that have allowed our own people to thrive: We should help the hungry to feed themselves, the doctors who care for the sick. We should support countries that confront corruption, and allow their people to innovate. And we should advance the truth that nations prosper when they allow women and girls to reach their full potential.

We do these things because we believe not simply in the rights of nations; we believe in the rights of citizens. That is the beacon that guided us through our fight against fascism and our twilight struggle against communism. And today, that idea is being put to the test in the Middle East and North Africa. In country after country, people are mobilizing to free themselves from the grip of an iron fist. And while these movements for change are just six months old, we have seen them play out before — from Eastern Europe to the Americas, from South Africa to Southeast Asia.

History tells us that democracy is not easy. It will be years before these revolutions reach their conclusion, and there will be difficult days along the way. Power rarely gives up without a fight — particularly in places where there are divisions of tribe and divisions of sect. We also know that populism can take dangerous turns — from the extremism of those who would use democracy to deny minority rights, to the nationalism that left so many scars on this continent in the 20th century.

But make no mistake: What we saw, what we are seeing in Tehran, in Tunis, in Tahrir Square, is a longing for the same freedoms that we take for granted here at home. It was a rejection of the notion that people in certain parts of the world don't want to be free, or need to have democracy imposed upon them. It was a rebuke to the worldview of al Qaeda, which smothers the rights of individuals, and would thereby subject them to perpetual poverty and violence.

Let there be no doubt: The United States and United Kingdom stand squarely on the side of those who long to be free. And now, we must show that we will back up those words with deeds. That means investing in the future of those nations that transition to democracy, starting with Tunisia and Egypt — by deepening ties of trade and commerce; by helping them demonstrate that freedom brings prosperity. And that means standing up for universal rights — by sanctioning those who pursue repression, strengthening civil society, supporting the rights of minorities.

We do this knowing that the West must overcome suspicion and mistrust among many in the Middle East and North Africa — a mistrust that is rooted in a difficult past. For years, we've faced charges of hypocrisy from those who do not enjoy the freedoms that they hear us espouse. And so to them, we must squarely acknowledge that, yes, we have enduring interests in the region — to fight terror, sometimes with partners who may not be perfect; to protect against disruptions of the world's energy supply. But we must also insist that we reject as false the choice between our interests and our ideals; between stability and

democracy. For our idealism is rooted in the realities of history — that repression offers only the false promise of stability, that societies are more successful when their citizens are free, and that democracies are the closest allies we have.

It is that truth that guides our action in Libya. It would have been easy at the outset of the crackdown in Libya to say that none of this was our business — that a nation's sovereignty is more important than the slaughter of civilians within its borders. That argument carries weight with some. But we are different. We embrace a broader responsibility. And while we cannot stop every injustice, there are circumstances that cut through our caution — when a leader is threatening to massacre his people, and the international community is calling for action. That's why we stopped a massacre in Libya. And we will not relent until the people of Libya are protected and the shadow of tyranny is lifted.

We will proceed with humility, and the knowledge that we cannot dictate every outcome abroad. Ultimately, freedom must be won by the people themselves, not imposed from without. But we can and must stand with those who so struggle. Because we have always believed that the future of our children and grandchildren will be better if other people's children and grandchildren are more prosperous and more free — from the beaches of Normandy to the Balkans to Benghazi. That is our interests and our ideals. And if we fail to meet that responsibility, who would take our place, and what kind of world would we pass on?

Our action — our leadership — is essential to the cause of human dignity. And so we must act — and lead — with confidence in our ideals, and an abiding faith in the character of our people, who sent us all here today.

For there is one final quality that I believe makes the United States and the United Kingdom indispensable to this moment in history. And that is how we define ourselves as nations.

Unlike most countries in the world, we do not define citizenship based on race or ethnicity. Being American or British is not about belonging to a certain group; it's about believing in a certain set of ideals — the rights of individuals, the rule of law. That is why we hold incredible diversity within our borders. That's why there are people around the world right now who believe that if they come to America, if they come to New York, if they come to London, if they work hard, they can pledge allegiance to our flag and call themselves Americans; if they come to England, they can make a new life for themselves and can sing God Save The Queen just like any other citizen.

Yes, our diversity can lead to tension. And throughout our history there have been heated debates about immigration and assimilation in both of our countries. But even as these debates can be difficult, we fundamentally recognize that our patchwork heritage is an enormous strength — that in a world which will only grow smaller and more interconnected, the example of our two nations says it is possible for people to be united by their ideals, instead of divided by their differences; that it's possible for hearts to change and old hatreds to pass; that it's possible for the sons and daughters of former colonies to sit here as members of this great Parliament, and for the grandson of a Kenyan who served as a cook in the British Army to stand before you as President of the United

States. (Applause.)

That is what defines us. That is why the young men and women in the streets of Damascus and Cairo still reach for the rights our citizens enjoy, even if they sometimes differ with our policies. As two of the most powerful nations in the history of the world, we must always remember that the true source of our influence hasn't just been the size of our economies, or the reach of our militaries, or the land that we've claimed. It has been the values that we must never waver in defending around the world – the idea that all beings are endowed by our Creator with certain rights that cannot be denied.

That is what forged our bond in the fire of war – a bond made manifest by the friendship between two of our greatest leaders. Churchill and Roosevelt had their differences. They were keen observers of each other's blind spots and shortcomings, if not always their own, and they were hard-headed about their ability to remake the world. But what joined the fates of these two men at that particular moment in history was not simply a shared interest in victory on the battlefield. It was a shared belief in the ultimate triumph of human freedom and human dignity — a conviction that we have a say in how this story ends.

This conviction lives on in their people today. The challenges we face are great. The work before us is hard. But we have come through a difficult decade, and whenever the tests and trials ahead may seem too big or too many, let us turn to their example, and the words that Churchill spoke on the day that Europe was freed:

In the long years to come, not only will the people of this island but . . . the world, wherever the bird of freedom chirps in [the] human heart, look back to what we've done, and they will say 'do not despair, do not yield. . . march straightforward'.

With courage and purpose, with humility and with hope, with faith in the promise of tomorrow, let us march straightforward together, enduring allies in the cause of a world that is more peaceful, more prosperous, and more just.

Thank you very much.

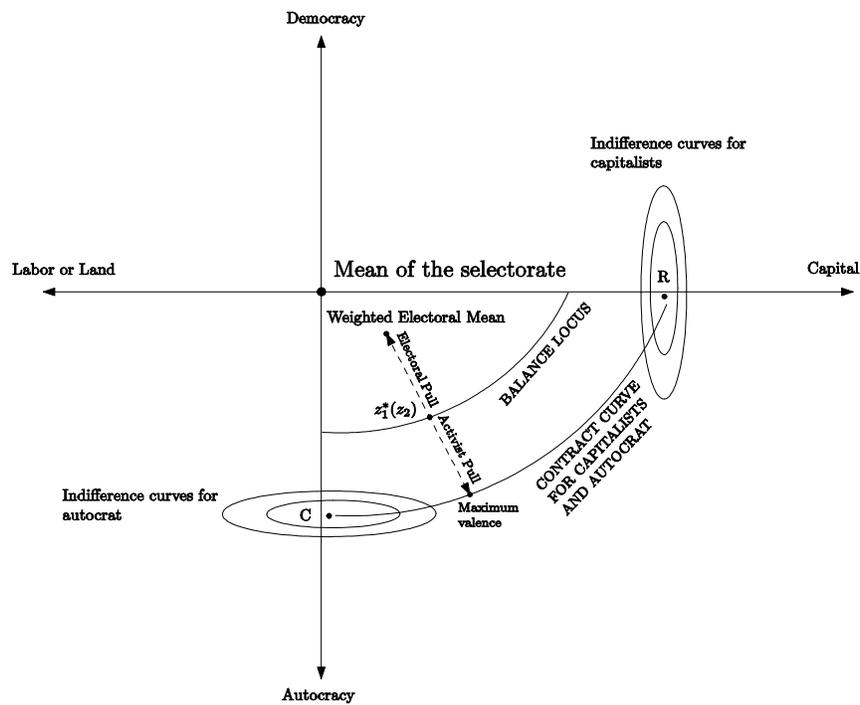


Figure 1: The autocrat balance locus