

# **Somalia: Understanding the Feasible Institutions**

Christopher J. Coyne and Peter T. Leeson\*

## **I. Introduction**

Few people would consider Somalia a pleasant place to live. The central government collapsed in 1991 and the country remains in a state of ‘anarchy’ to this day. The country has long been plagued by conflict, humanitarian concerns, and economic stagnation. Most recently, Somalia has been in the news for the increased prevalence of piracy off of the country’s shore.

The many problems plaguing Somalia have led to numerous interventions by a range of international actors. These interventions have attempted to address a variety of problems facing the country. For example, several interventions have attempted to reestablish a central government, while others have focused on providing humanitarian and economic aid. For the most part these interventions must be considered failures. Efforts to reestablish central government have repeatedly stalled, and in many cases interventions motivated by humanitarian concerns have actually increased conflict (see Coyne 2008: 144).

The purpose of this paper is to place the problems in Somalia in a realistic context. We argue that past interventions have failed because they ignore the institutional alternatives actually available to Somalia, focusing instead on those that are not part of Somalia’s “feasible institutional opportunity set.” Many interventions in Somalia have been based on institutional arrangements achieved in other countries, but which are unachievable, at least in the medium

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\* Christopher Coyne ([chris.coyne@mail.wvu.edu](mailto:chris.coyne@mail.wvu.edu)), Department of Economics, West Virginia University, P.O. Box 6025, Morgantown, WV, 26506-6025 and Peter T. Leeson ([pleeson@gmu.edu](mailto:pleeson@gmu.edu)), Department of Economics, George Mason University, MSN 3G4, Fairfax, VA 22030.

term, in Somalia. This approach neglects the underlying process through which more desirable institutional outcomes elsewhere emerged in these places over time. Foreign interventions to date assume that Somalia's status quo is inferior to the institutional possibilities available to Somalia. But this overlooks the fact that the current state of anarchy that characterizes Somalia is preferable to the institutional arrangement that existed before Somalia's government collapsed in 1991. It also overlooks the fact that interventions can, and often, do more harm than good. While it is possible that interventions can generate a preferable state of affairs, it is also possible for interventions to produce real harms. These harms impose significant costs on ordinary citizens with little associated benefit. Understanding what can be done, if anything, to assist Somalia and other countries commonly characterized as 'weak' and 'failed' first requires understanding the feasible set of institutional alternatives available in the country.

## **II. What are Institutions?**

Institutions are the formal and informal rules governing human interaction (North 1990). Institutions can be economic, legal, political, or social. Some examples of formal institutions include courts and police systems, as well as more abstract notions such as the rule of law, which are often codified in written rules. Other examples include specific political structures such as a parliamentary or presidential system; majority rule or proportional representation; uni-cameral or bi-cameral legislature; and representative or direct democracy. Legal structures such as judiciary independence and elected or appointed judges are also examples of formal institutions. A final example of a formal institution is codified standards that are known to all members of a group or industry. These standards may be established by the members of the group or by some external authority. In both cases the rules are formally written and binding to all belonging to the group.

Similar logic applies to private clubs and social organizations, which have written rules which bind all members.

Informal institutions include culture, norms, and conventions backed by social custom. Examples of informal institutions are organizational structures such as associations, families, which are emergent in nature. Many economic and social interactions are based on informal norms of trust and reciprocity. It is these norms and customs that enable people to interact and cooperate with strangers.

Most societies have a mix of formal and informal institutions. In some cases informal institutions are codified to become formal law. In such instances formal institutions serve to complement existing informal institutions. In other cases formal institutions do not recognize or align with underlying informal practices. Where this occurs, the enforcement of formal institutions is relatively costly since informal institutions do not complement and support formal institutions.

Institutions are important because they provide the general rules of the game that facilitate or prevent economic, legal, social, and political interactions. In providing the rules of the game, institutions provide incentives by influencing the costs and benefits associated with different activities. As such, institutions provide constraints on what can and cannot be achieved at any point in time. Understanding the institutional arrangements within a society is therefore critical for understanding economic, legal, social and political outcomes. It is within this context that we need to consider what is feasible in Somalia.

### **III. Somalia's Feasible Institutional Opportunity Set**

Somalia has had dysfunctional institutions from its earliest days as an independent country. To a large extent this is due to a failure to appreciate the constraints imposed by informal institutions. The Republic of Somalia was formed in 1960 by joining the former colonies of British and Italian Somalia. The Republic was modeled after Western democracies with a prime minister, a National Assembly, and an elite bureaucracy. However, these formal institutions failed to operate in the manner their designers intended.

Coyne (2008: 138-9) attributes this failure at least partially to geography and the related social organization that emerged over a long period prior to independence. The land in Somalia is characterized by desert with an arid climate and little rainfall; the main economic activities are farming and pastoralism. Given this geographic landscape, Somalia's pastoralists divided into clans to provide collective support to group members. Clans and subgroups within clans are consequently a fundamental aspect of life within Somalia and the main form of association between Somalis. Since individuals identify primarily with their clans, there is no real Somali national identity. Because of this, long-standing informal institutions did not support the national formal institutions established at the time of independence in 1960.

At the time of independence, political affiliations developed along clan-based lines that were already the established means of social and economic identity and interaction. Various groups sought positions of power—not to benefit Somalia society at large, but instead to benefit members of their narrow social group. The result was a fragile political system leading to the assassination of President Abdirashid Ali Shermarke in 1969.

Following the assassination Major General Muhammad Siad Barre seized power via bloodless coup. Barre remained in power until civil war led to the collapse of his regime in 1991. Many members of the international community viewed the collapse of Barre's regime as

problematic because it left Somalia in a state of anarchy. The civil war, and resulting implosion of government, led to numerous foreign interventions based on a variety of motivations including reestablishing a central government, as well as providing humanitarian and economic aid and assistance.

Unfortunately, these interventions have tended to neglect what is feasible in Somalia. The central government collapsed not because it was poorly designed, but because the array of existing informal institutions was fundamentally at odds with the formal institutions that were imposed. These formal institutions wrongly assumed the existence of certain informal institutions that could serve as their foundation. Absent this foundation, the result was dysfunction and the ultimate collapse of the formal institutions. Subsequent interventions that attempted to establish new formal institutions have failed for the same reason.

In some sense we should be grateful that these efforts to reestablish a central government have in fact failed. While establishing an effective liberal democracy with all of the associated benefits—constraints on elected officials, protections of private property rights, protection of civil and religious liberties, etc.—is indeed a first best, it is simply not possible given the current institutional constraints in Somalia. The choice Somalia faces is *not* between the current state of anarchy and the type of liberal democracy that exists in developed Western countries. Instead, Somalia's relevant alternatives are between anarchy and something that looks like the previous Barre regime, which was the antithesis of liberal democracy. Barre's regime was characterized by brutality against ordinary citizens and the absence of basic infrastructure and other goods and services that well-functioning governments provide.

Several studies have recognized the proper contrast group and have compared the current state of Somalia to the situation in the country before the collapse of the Barre regime. Leeson

(2007) uses the collapse of the Barre regime as an ‘event study’ to analyze the impact of anarchy on Somalia’s development. He finds that on nearly all of the 18 indicators of development considered that Somalia has improved since the collapse of the central government. Leeson goes on to discuss how the emergence of critical sectors in Somalia’s economy in the absence of predatory state is the central driver of this improvement, and Leeson and Boettke (2009) discuss how private “institutional entrepreneurs” in Somalia have helped pioneer the property protection required for Somalia’s stateless economy to function. Powell et al. (2008) and Leeson and Williamson (2009) compare Somalia’s performance across several key development indicators to other countries in similar situations but which have central governments in place. They find that Somalia outperforms these other countries on a large number of measures.

These studies point to two important conclusions. First, to understand the situation in Somalia one must employ the appropriate benchmark. The relevant comparison for Somalia is not developed countries, but instead the other likely alternatives for Somalia. If another central government was actually established in Somalia it is probable that it would look something like the Barre regime. Of course there would be some differences, but these differences would be a matter of degree and not a matter of kind. Second, in many ‘weak’ and ‘failed’ states the absence of a predatory central government may be preferable to the existence of any form of central government. Along these lines, Leeson and Williamson (2009) conclude that anarchy in Somalia is a constrained optimum given that ideal political institutions are not within Somalia’s feasible institutional opportunity set.

#### **IV. The Errors of Foreign Intervention**

Foreign interventions are often motivated by the best of intentions: helping those in need. The many interventions in Somalia over the previous decades are no different. However, as noted above, most of these interventions have failed to achieve the outcomes they sought after. There are two main reasons why this is so.

First, foreign interventions typically focus on outcomes instead of the underlying process that generated those outcomes (Coyne 2009, North et al. 2009). Interventions are usually designed and carried out by those living in developed countries. People in these countries may have a ‘Western bias’ regarding how institutions should look elsewhere. In reality, the institutions that characterize developed countries were not delivered wholesale in a neat bundle. Instead these institutions emerged over significant periods of time without a central plan imposed from above. Foreign interventions tend to neglect this underlying process in the hopes of achieving a ‘quick fix’ to the problems that plague underdeveloped countries.

The irony is that foreign interventions are least likely to work where they are, in theory, needed most. In theory the poorest and most underdeveloped countries are those most in need of the change that foreign interventions attempt to engender. However, interventions based on outcomes already achieved in developed countries are likely to be ineffective in these countries precisely because they are not within the set of feasible institutional arrangements. Attempting to impose these outcomes presupposes an array of certain institutional prerequisites that do not exist in Somalia or in other countries in similar situations (see Coyne 2007).

Second, foreign interventions are grounded in the assumption that improvements to the status quo, as bad as it may be, are possible. We are not denying that this is one possible outcome. However, this view ignores the possibility that the status quo may reflect a constrained optimum—i.e., it may represent the best that can be achieved given the myriad of constraints,

such as history and culture, confronted. Every status quo can be improved upon if the constraints within which it takes shape are ignored. But this is of course irrelevant. What matters in practice is whether the status quo can be improved upon given the constraints that shape its emergence. When these constraints are acknowledged, it is not only possible that the status quo may be the best that is achievable at the moment; it is also possible that interventions may generate negative unintended consequences that not only fail to improve upon the status quo, but actually produce even worse outcomes.

Negative unintended consequences refer to some unanticipated cost or bad associated with an action. Negative unintended consequences emerge when a simple intervention is imposed on a complex system. Interventions are relatively simple because those designing the intervention cannot possess all of the relevant knowledge regarding the working of the institutions underpinning the broader system. Given their necessary simplicity relative to the overall system, interventions often shift the incentives facing individuals in an unanticipated manner, resulting in unforeseen effects. An example will illustrate this logic.

As noted earlier, interventions in Somalia have often led to increased conflict among Somali citizens. This is because occupiers' presence shifts the incentives Somalis face. Specifically, the benefit of engaging in conflict increases with occupiers' presence because various groups throughout the country seek to secure as much power and as many resources as possible.

This desire to obtain as much power as possible can be traced back, at least partially, to another set of negative unintended consequences created by decades of foreign aid provision to Somalia's central government. Prior to the collapse of Somalia's central government, foreign aid accounted for approximately 70 percent of the Barre regime's budget (von Hippel 2000: 85).

This aid not only created dependency on the welfare of outsiders, but also attached significant monetary profit to holding powerful positions in government. In her discussion of the violence in the capital city of Mogadishu, von Hippel (2000: 85) recognizes this when she notes that “Many Somalis erroneously believe that a restored central government, based in Mogadishu, will once again cause the foreign aid floodgates to open at similar levels to those prior to state collapse. Mogadishu therefore remains the most hotly contested piece of real estate in the country...” This is but one example of a case where an intervention motivated by the best of intentions can generate perverse outcomes that have lasting effects.

## **V. Concluding Thoughts**

Our discussion has several implications for understanding what can be done about the situation in Somalia. First, the analysis of Somalia must be grounded in the proper context. The appropriate comparison is not between the existing situation in Somalia and some ideal set of institutions. Instead, the appropriate comparison is between Somalia’s existing situation and other feasible alternatives. As discussed above, one alternative for Somalia that looms large is a government similar to the brutal and ineffective Barre regime that wielded power over Somalis from 1969 to 1991. Given this comparison, it may very well be the case that Somalia’s current state of ‘anarchy’ is preferable to the alternatives.

Second, given the array of constraints facing Somalia, the classification of the country as a ‘weak’, ‘failed’ or ‘collapsed’ state is erroneous. Somalia’s institutions are weak and failed only when compared to developed countries or to some abstract ideal. However, these comparisons are irrelevant given that they are not in Somalia’s set of feasible institutional arrangements. Characterizing Somalia in this manner implies that somehow interventions can

fix state failures and dysfunction. This is not an argument for determinism and is not meant to imply that Somalia can never evolve or develop. Instead, the argument is that this development cannot be centrally planned by outsiders.

Third, grandiose foreign interventions aimed at ‘fixing’ Somalia’s institutions are more likely to fail than to succeed. Interventions are typically Western biased and focus on the outcomes observed in developed countries while neglecting the underlying processes that generated these outcomes. Further, given the knowledge constraints facing those designing foreign interventions, negative unintended consequences are likely. It is possible that these negative unintended consequences can generate a state of affairs that is worse than the status quo that the initial intervention attempted to improve upon.

Fourth, and closely related, state collapse may be a preferable compared to the alternatives. As noted above, significant foreign aid was required to prop up the Barre regime before its collapse. While this aid was intended to help Somali citizens, it had the opposite effect. It allowed for a strengthening of Barre’s power, which was characterized by a brutal dictator who imposed significant costs on ordinary citizens while generating little, if any, associated benefit. The absence of a central government is by no means a first-best outcome. However, compared to the alternative of the Barre regime, or some variant government, it may be a preferable, second-best outcome. Central governments are only desirable to the extent that they provide net benefits to citizens. Where governments generate a net cost, which is the norm in many of the world’s poorest countries, there is little reason to prop governments up through foreign aid and related interventions (see Coyne and Ryan 2009).

It should be noted that while these implications were discussed in the context of Somalia, they can be extended to other states in a similar situation. In general, our discussion calls for

increased humility over the grandiose plans underpinning most foreign interventions. Economic, social, legal, and political development is not the result of planning on the part of outsiders. It is a largely spontaneous, bottom up process of experimentation. The process of development, or the ultimate outcome of that process, cannot be known *ex ante*. The best that the international community can do in Somalia, and elsewhere, is to allow people the freedom to discover what works and what does not.

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