

Protection and security are variations of the same good that is considered the quintessential collective good provided by the state. We study its provision by examining a setting in which one of four types of regimes could emerge: (i) Anarchy, whereby the population sorts itself between producing "peasants" and "bandits;" (ii) self-governing groups of peasants who provide collective protection; (iii) A "Leviathan" who maximizes net income (tribute receipts from peasants minus the cost of protection); and (iv) multiple lords who act as Leviathan does, except that they fight over the rents created by collective protection. Though self-governance is best for peasants and bandits alike, it faces a problem of long-term viability. With low enough costs of establishing a state, the stable regime is (iv) (competing lords), leading to a tragedy of coercion: all the savings from the provision of collective protection are dissipated and welfare is as low as in the absence of a state. The framework also fits modern stories, with applications to gangs and mafias and the conditions prevailing in many of today's economies.