

# **Dictators and their viziers: Endogenizing the Loyalty- Competence Trade-off**

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## **Abstract**

The possibility of treason by a close associate has been a nightmare of most autocrats throughout history. More competent viziers are better able to discriminate among potential plotters, and this makes them more risky subordinates for the ruler. To avoid this, rulers, especially those which are weak and vulnerable, sacrifice the competence of their agents, hiring mediocre but loyal subordinates. Furthermore, any use of incentive schemes by a personalistic dictator is limited by the fact that all punishments are conditional on the dictator's own survival. We endogenize loyalty and competence in a principal-agent game between a dictator and his viziers in both static and dynamic settings. The dynamic model allows us to focus on the succession problem that insecure dictators face. (JEL: D72, H00, C72, C82)