THE PARADOX OF "WARLORD" DEMOCRACY:

A Theoretical Investigation

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Abstract

Political theorists from Machiavelli to Huntington have denied the possibility of popular government arising out of the chaos of civil war, instead prescribing an intermediate stage of one-man rule by a Prince, Leviathan or a military dictator. Based on recent empirical evidence of post civil war democratization in El Salvador, Mozambique and elsewhere, I show that democracy can arise directly from anarchy. Predatory warring factions choose the citizenry and democratic procedures over a Leviathan when (1) their economic interests depend on productive investment by the citizens; (2) citizens' political preferences ensure that power allocation will be less biased under democracy than under a Leviathan; and (3) there is an external agency (e.g. the United Nations) that mediates and supervises joint disarmament and state-building. Ultimately, I discuss the implications of this argument for the basic intuitions of classical political theory and contemporary social theory regarding democratization and authoritarianism.

INTRODUCTION

A consensus is emerging among political scientists that democracy can originate from several types of social conditions (Przeworski et al. 2000 and Shapiro 2001). Democracy can be a by-product of modernization (Lipset 1959). It can be the result of the emergence of the bourgeoisie (Moore 1966), or an organized working class (Rueschemeyer et al. 1992). However, the least studied and seemingly most unlikely source of democratization is large-scale civil war, even anarchy. Indeed, vicious African and Central American warring factions who obviously have no normative commitment to democratic ideals have created democracies. Democracy came about in an environment in which there is no political culture of tolerance, the state institutions have badly failed or even collapsed, the civil society is weak, and political actors profoundly distrust each other.[2]

The claim that democracy can in fact arise from civil war is backed by hard empirical evidence. Using measures of democracy provided by Jaggers and Gurr (1998) and civil war data from Licklider (1993), I find that nearly forty percent of all civil wars that took place from 1945 to 1993 resulted in an improvement in the level of democracy.[3] Civil wars gave birth to relatively stable democracies in Mozambique, El Salvador, Guatemala, and Nicaragua among others (Bermeo (2003), p. 160-1). The most spectacular improvements were experienced in Mozambique and El Salvador (14 points on the Polity 98 scale.)

Post civil war democratization is particularly puzzling because it occurs in a context in which most political theorists not only predict but also recommend dictatorships. For instance, writing against the backdrop of English civil wars and at a time when royalists were wondering whether they had to resist a conquering republican regime, Hobbes ([1968] 1985) contends they (the royalists) should surrender their political rights to the rulers so long as they could govern and put an end to the civil war. Schumpeter (1942) argues that his minimalist or procedural conception of democracy would emerge only where there is political tolerance and a strong state. Huntington (1968) considers any form of liberal democracy simply unattainable in the absence of political order. In his study of the historical experience of the emergence of European states, Tilly (1990) suggests that warlords can create a state. But he is quick to add that the European experience in state creation is not replicable in post-WWII developing countries. In addition, there is no evidence in Tilly's works to suggest that European warlords have ever created

democratic states. Nevertheless, this emergence of democratic regimes from chaotic situations sounds like the confirmation of an old Kantian intuition. In his essay "Perpetual Peace" published in 1795, Immanuel Kant contends that

> The problem of the formation of the (republican) state, hard as it may sound, is not insoluble even for a race of devils, granted that they have intelligence.

He then lays out the following theoretical puzzle.

> Given a multitude of rational beings who, in a body, require general laws for their own preservation, but each of whom, as individual, is secretly exempt himself from this restraint: how are we to order their affairs and how to establish for them a constitution such that, although their private dispositions may be really antagonistic, they may yet so act as checks upon one another, that is, in their public relations the effect is the same as if they have no such evil sentiments. Such a problem must be capable of solution (p. 582).

But Kant's awareness of this matter has not led to a systematic explanation of how a republican constitution can arise from an interaction between "rational beings" with "evil sentiments."[4] Exploring Kant's remark in the light of post-civil war democratization strategies, I present a theory of democracy as an arbitration mechanism that stands as a solution to the Kantian paradox of a republican constitution framed by "a multitude of rational beings" without moral commitments to democratic values. It aims to offer a theory of post-civil war democratization.

WHAT IS POST-CIVIL WAR DEMOCRATIZATION?

Post-civil war democratization is different from the kind of political liberalization that followed the breakdown of authoritarian governments in Europe and Latin America, and which has received much attention in the literature on transitions to democracy. First, post-civil war democratization is primarily motivated by the need for political order. Citizens adhere to this form of democracy because it generates social order as a by-product and offers protection against large-scale theft and illegal expropriation carried out by predatory warring factions. Citizens prefer this form of democracy because it allows them to change governments peacefully. In other words, in a

post-civil war democracy, Popperian methods (1962) for transferring power without violence become preponderant. The need to control the ability of competing political elites to revert to political violence, at least temporarily, may dominate the need for popular representation or even public accountability. Thus, a post-civil war democracy is Schumpeterian at best. It is essentially a tool for elite cooperation in the process of creating political order.

To better understand transitions to democracy, it is essential to parsimoniously present the key differences between democratization following an authoritarian breakdown and democratization following civil wars. Polish and South African transitions for example were qualitatively different from those in Mozambique and El Salvador. Whereas in the former cases, citizens were fighting for a more open political process and basic political rights, in the latter, citizens wanted to end a civil war and to create a sociopolitical order. The process of democratization following an authoritarian breakdown typically involves an authoritarian government facing a more or less democratic opposition that is supported by a burgeoning civil society. Democracy comes into existence in such an environment when the balance of power within the government shifts in favor of the more moderate elements, and who successfully negotiate a political compromise with the democratic opposition.

In contrast, the process of democratization in a war-torn society sometimes involves predatory warring factions with no normative commitment to democracy, facing a very weak, collapsed civil society. Democracy in such a context has come about as the consequence of a peace agreement. Moreover, a key component of the democratization process in a war-torn country such as El Salvador has been the demilitarization of the warring factions and the reconstruction of the state. The electoral process was a tool for the creation of political order.[5] In sharp contrast with El Salvador, in South Africa and Poland the purpose of holding elections was to secure the representation of previously excluded political or social groups. State-building efforts were not central to the transition process.

The fact that civil wars in countries such as Mozambique or Nicaragua have been preceded by authoritarian rule may explain why the transition literature does not clearly distinguish between the authoritarian breakdown and post-civil war democratization. In fact, the choice of democracy in these countries might have been partly rooted in the politics of exclusion that took place before the civil war. However, the war itself has such a profound effect on the government that post-civil war democracy is more an institutional response to civil war than to pre-civil war authoritarian rule. In

Mozambique and Nicaragua, the civil war almost annihilated the authoritarian political situation that led to war, whereas in post-authoritarian situations, many features of the previous regimes have pervaded.[6]

Not only are post-authoritarian democratization and post-civil war democratization empirically distinct political categories, their normative justifications appeal to very different traditions of democratic theory. Whereas political liberalization following authoritarian breakdown is typically in line with the liberal traditions of Locke ([1689] 1967) and Hamilton et al (1788), post-civil war democratization essentially appeals to the Hobbesian and Schumpeterian traditions, with an emphasis on order and conflict resolution.[7] The liberal element in post-civil war democratization stems essentially from its promise of protection of citizens' rights to property. Thus, although a defense of the minimalist and Schumpeterian conception of democracy might be extremely relevant in a civil war-torn society, it might not be sufficient in a post-authoritarian society. In such a society, issues of accountability and representation, not sociopolitical order, are the top priorities of the democratic opposition and various groups in civil society.

A THEORY OF POST-CIVIL WAR DEMOCRATIZATION

Why would warring factions agree to democratize? Why would they defer to the citizenry the role of deciding which faction has control over the government? To address these questions, I describe the strategic situation created by the civil war. I present the players and their strategies and predict the equilibrium outcome of their strategic interaction. An equilibrium in the game is defined as the strategy profile that is self-enforcing, and in which no player can gain by choosing another strategy.

The key players of the game are two warring factions and the citizenry.[8] The two factions are involved in a violent conflict for political supremacy. To support the war effort and enjoy the economic benefits of political control, they also engage in extortion and expropriation of citizens' wealth.[9] Thus, the warring factions might enjoy political supremacy for its own sake, but for the purposes of the present analysis, they want such supremacy because it provides economic benefits, particularly the right to "expropriate" the fruits of the citizens' labor or control the extraction of raw materials in the areas under their control.[10]

While warring factions are motivated by power, citizens are motivated by security concerns (Kalyvas (2002)). The citizenry is divided into three groups: those affiliated with one of the two factions, such as political supporters or political activists and the rest, who are not unaffiliated with either faction.[11] The affiliated citizens are protected and enjoyed the full benefit of their investment, while the non-affiliated citizens are not protected and can be expropriated by warlords.

The two warring factions have been involved in a costly and inconclusive conflict for control over the government. The conflict has reached a stalemate in which the probability of victory by either side has become very low, and a large portion of the citizenry has either fled the country or hidden their assets due to a wild expropriation in the hands of the warring factions and their members.[12] The stalemate has led the factions to consider the possibility of signing a peace agreement and creating a new government. A long-term peace agreement entails bargaining over future spoils of office, which is nearly impossible. So factions decide to call upon an independent third party to arbitrate the process of creating the new government. The third party or the arbitrator can be a single player whom we will loosely refer to as Leviathan (e.g., a foreign power or military leader). It can also be a large set of individual players such as the citizenry of the country.

There are three meaningful stages to the game. In the first stage, the two factions simultaneously choose whether to invite Leviathan, democratize, or maintain the status quo. If the two factions agree on their choice, that choice is implemented. Otherwise, the status quo is maintained. If they choose Leviathan, it picks one of the factions to run the government, and together they eliminate illegal expropriation and provide ordinary citizens with the security. If the factions were to choose democracy, they would then ban illegal expropriation and set up an electoral process. In that process, each faction proposes a tax rate. Then, the electorate observes the proposal and chooses its preferred candidate. The faction with the most votes wins and implements its tax policy.[13] The following is a sketch of the full game.

Insert Figure I here

The sole source of wealth in society is the citizens' investment. Investment is assumed to be costly, but to generate private wealth for whoever invests, but it also has a positive effect on the wealth of the society as a whole (including the warring factions). The warring factions' payoffs depend on the productive investment made by the residents of the country, an investment that

generates a positive externality. This assumption is likely to be violated when the warring factions control natural resources such as diamond (as in Sierra Leone or Angola), are involved in drug trafficking (as in Columbia), or are heavily sponsored by a foreign country. In this case, the residents' investment has very limited effect on the warring factions' political decisions.[14] My goal is to show that a key difference between civil wars that do result in democracy (e.g., in Mozambique and El Salvador) and civil wars that do not (Sierra Leone, Angola) resides in the degree of economic dependence of the factions on citizens' investment. The result would indicate that democratization is less likely when the factions depend heavily on foreign aid or natural resource wealth.

The Status Quo

The status quo situation is a "state of belligerence" that is characterized by a great deal of lawlessness. The state of belligerence is distinguishable from Hobbes's understanding of the state of nature. It is not a fictitious account of a prepolitical condition of humanity. Instead, it is an illustration of concrete civil wars where factions are involved in costly battles. Members of both warring factions illegally expropriate part of the fruit of the citizens' labor. Taking the factions' expropriation levels as given, unaffiliated individuals choose how much to invest to maximize their retained output minus cost.[15] The following result is the first and (quite intuitive) equilibrium prediction of the game under the status quo.[16]

> Result 1: Citizens' investment decreases when the anticipated level of expropriation increases.

That is to say, citizens will tend to work less when they anticipate more expropriation from warlords. As a result, wealth-maximizing warlords will want to curtail their greed in the face of the grim reality of a shrinking pie. This very simple result is quite important because it makes the cost of the conflict endogenous.

Leviathan

The second alternative that may be available to the warring factions is to invite an external enforcer or leviathan that, for a "price," will create a new government, eliminate illegal expropriation, and uphold an authoritarian rule of law. The external enforcer does two things: (1) tax citizens and (2) decide which factions will constitute the government. The external enforcer wants to leave each faction guessing about its real preference and may favor either faction. The equilibrium prediction under Leviathan is given by:

> Result 2: There is more expropriation under Leviathan than under democracy. However, citizens are better off under Leviathan than under the status quo. In addition, both factions will never agree to invite Leviathan.

The result is driven by the fact that the situation between Leviathan and its favored faction is quite similar to the situation between the two warring factions under the status quo. In any case, the outcomes, as far as unaffiliated individuals are concerned, are almost identical. Under Leviathan, the citizens do not control who will be in charge of the government and what the government does. The tension between the desire to expropriate more (because it increases the direct payment to the government), and the desire to expropriate less (because of its effects on investment) are resolved in favor of more expropriation since Leviathan and its agent "compete" over expropriation as under the status quo.

The faction that would not be favored by Leviathan would clearly be worse off than under the status quo and democracy. Therefore it can never be the case that both factions would choose to invite Leviathan. Even if each faction receives a positive signal to indicate that Leviathan favors it, it will never be the case that, in equilibrium, both factions agree to invite the Leviathan. The reason is simple. Even if one faction obtains a favorable signal, it realizes that the other faction will agree to invite Leviathan only if it observes a favorable signal too. Since this is impossible, it can never be the case that the two factions will *coordinate* and agree to invite the Leviathan.

A final note: suppose that instead of creating the new government with only faction, Leviathan establishes a power-sharing government that would draw resources from both factions. Under this scenario, citizens would still invest less than they would under the status quo. This is because competition over expropriation would then involve three players (Leviathan and the two factions), instead of two players (Leviathan and one faction). As a result, both factions and the

citizens would be worse off than under the status quo. Therefore, they will not agree to invite Leviathan.

Democracy

Democracy is modeled through the agreement of both factions to abide by the results of democratic elections. Such elections would allow one of the factions to form a government and eliminate illegal expropriation. The probability that Faction 1 assigns to winning in democratic elections is denoted by q, and the probability that Faction 2 assigns to winning 1-q. These probabilities measure the level of support that they enjoy or that they expect to enjoy among unaffiliated individuals, as well as on the number of their affiliated supporters. The probabilities summarize the level of optimism of the warring factions in the future of democracy in the country.[17]

Democracy payoffs may be not enforced, unless there is an effective and impartial police force, and other state institutions. But "Who will control the coercive powers of the state once the central authority has been reconstructed?" (Hartzell 1999: 7). I assume that the process of creation of the state involves transfers of military and human resources from each faction. The process will be mediated and supervised by neutral external agencies such the United Nations through the UN peacekeeping operations.[18] Thus, internal security measures or state-building processes take the form of an integration of the antagonists' armed forces or a decentralized and federated command structure for the armed forces (Walter (1999)).[19]

I assume that when the state institutions are properly created, democracy (if chosen) will be enforced and electoral process will be free of violence.[20] In other words, when citizens are concerned about postelection violence and the warring factions contribute to the state building effort, democracy payoffs will be realized. The factions will choose democracy if the payoffs associated with it are at least as high as the status quo payoffs and the payoffs under Leviathan. Since the payoffs under each scenario depend on the citizens' investment, which in turn depends on the anticipated levels of expropriation, we need to compare the level of expropriation under democracy to its level under Leviathan and the status quo. The following equilibrium outcome compares the degree of expropriation under the various scenarios:

Result 3. There is less expropriation under democracy than under the status quo or
Leviathan.

The intuition behind this result is that individuals who know that they will be expropriated
will work less, and a democratic government deals with this reduction in productivity better than
warring factions would under the status quo. Under the status quo, there is a "race to bottom" in the
expropriation game between the warring factions since a dollar that is not stolen by one faction
could be stolen by the other. The competition leads to an over-expropriation.

Now consider the situation under democracy. First, the factions have disarmed and deprived
themselves of their power to illegally expropriate. Second, citizens prefer lower taxes and would
work harder if the factions could commit to such a strategy. The factions would not mind choosing
such a strategy if it did not lead to a lower revenue than the status quo. But, in fact, parties are to
some extent forced to lower taxes to improve their chances of winning the elections. Indeed, to get
more votes, the parties will be willing to lower taxes to the point where their expected revenues
under democracy are equal to their expected revenues under the status quo. Thus, because there is a
lower rate of expropriation, citizens work harder. Both the winning faction and unaffiliated
individuals are better off compared with the situation under the status quo. The faction that loses
the election may be worse off because it loses its ability to expropriate, but its loss is moderated by
the fact that citizens work harder and therefore generate a higher level of well being for the whole
society.

The bottom line is: if parties can commit to lower the level of expropriation (which they do
at state-building stage of the game by disarming themselves), then citizens would work harder and
invest more. As result, a level of expropriation that is lower than that under the status quo can be an
equilibrium outcome. This leads to the following:

Result 4. There is a threshold probability q* that is less than ½, such that, whenever the
factions think they have at least q* chance of winning the election, they will choose to
democratize.

Because the rules of the game are such that if one faction insists on maintaining the status quo, there is nothing that the other faction can do about it, there is always a chance that the status quo is maintained. However, if both factions assess a high enough chance of winning in future democratic elections, there also exists a more interesting scenario where both parties choose democracy. Democratization occurs when the distribution of political preferences of the citizens is such that factions assess a reasonable chance of winning the first and subsequent democratic elections. In other words, q* reflects the diversity of political interests in the current and future electorate.

The economic dependence of the warring factions on citizens' productive investments and that they are divided explain in large part why they choose to institutionalize the power of the citizens by democratizing. In countries such as Angola and Sierra Leone, where there are lootable resources (diamonds), democratization is unlikely since the warring factions do not depend on citizens' investments to maximize their revenues, and anarchy is highly profitable in the short run.[21] In a country such as El Salvador, not only do the warring factions depend on domestic investment during the civil war, but also their own economic interests become less conflictive. As Wood (2000) shows, the democratic pact between the Farabundo Marti National Liberation Front (FMLN) and National Republican Alliance (ARENA) in El Salvador was facilitated by the fact that ARENA became less reliant on agriculture.

The great challenge of a post-civil war democracy is that its institutions play both the (Hobbesian) role of securing the protection of ordinary citizens against illegal expropriation and the (Popperian) role of securing a peaceful power sharing between the factions. This is because warring factions need to convince each other and the citizens that they are ready to take turns in ruling the country. They also need to convince citizens that they are serious about eliminating political banditry. They need to simultaneously develop law enforcement institutions, such as an effective police force and a criminal justice system, as well as political institutions, such as a depoliticized judiciary and electoral commission. Without those institutions, the promise of security of property for citizens or political rights for the warring factions will not be realized, and the choice of democracy will not be validated.

Illustrative Example: El Salvador

The civil war in El Salvador during the 1980s was largely the result of gross inequality and repression by the military government. The inequality dates back to the mid-1800s, when government policies concentrated land into the hands of the "fourteen families" to produce coffee "efficiently". This high concentration of wealth and power led to a series of peasant and worker uprisings, culminating in the movement led by Augustin Farubundo Marti in the 1920s (Paige 1997 , Torres-Rivas 2001). In 1932, the insurrections were stamped out by a number of military officers who then seized power through a coup d`etat. The next fifty years were characterized by cycles of reform and repression, but inequality and military domination remained constant (Montgomery 1995; Paige 1997). In 1980, a coalition of eighteen leftist and far leftist groups formed the Revolutionary Democratic Front (FDR) and later the Farabundo Marti National Liberation Front (FMLN), the military affiliate of the FDR. A civil war broke out between government forces and the FMLN.

Both factions were predatory. For instance, the cotton industry was an easy target for FMLN fighters because of its susceptibility to fire and bug infestations. Fighting also led to the abandonment of farms, which were subsequently appropriated by the peasants affiliated with the guerillas. As predicted by Result 1, competitive predatory behavior led to under-investment, especially in the agricultural sector. Coffee production decreased by nearly 50%, the GDP per capita fell by 28% between 1978 and 1982, and there were a massive emigration of the economic elite in the 1980s. The contribution of agricultural export to domestic production fell from 25% to well below 5%, a very sharp decline that Wood (2000) attributes to increased insecurity over land property and to a shift in the structure of economic production away from export agriculture (p. 57).[22]

The war was thus extremely destructive and inconclusive. By 1984, both sides realized that an outright military victory was extremely unlikely; however, neither side trusted the other enough to begin negotiations. The government and military feared the FMLN would use the talks to build up military strength while pushing for reductions in the size of the government army. They feared the rebels would leave the negotiations after obtaining a decisive military edge. The rebels feared that negotiations would expose their clandestine organization and enable the military to eliminate leaders through a massive "dirty war." In 1990, both warring factions finally agreed to invite the United Nations Secretary General to mediate further negotiations.[23] To be sure, the assassination by the military of the six Jesuits during the 1989 offensive had led to a sharp decrease in US support

for the military under the status quo. Without a strong US support of their war effort, the military had no choice but to negotiate. The final settlement, reached in 1992, included the following terms: the disbanding of rebel forces incrementally over a nine-month period; the government purchase of land for redistribution in rural areas with the beneficiaries repaying the government; the purging of the government officers' corps; the absorption into the regular army of the national guards and the treasury police; the dissolution of the military intelligence and civil defense units; and the creation of new police forces (Montgomery1995).

More important, the two warring factions agreed to hold elections. The agreement was possible because 1) each faction assessed a high enough chance of winning either the first or subsequent post-civil war elections, and 2) each faction thought their economic interests would be protected under democracy. In particular, the FMLN was looking well beyond the first election and thought that democracy would protect their political rights as well as the economic interests of their constituents.[24] At the same time, according to Paige (1997), the ARENA and its constituents (the coffee plantation owners) believed that there was a high enough chance that they would win the first post-civil war election and control the government (p. 215).

However, the stated goal of the parties was the creation of a political system in which real power is allocated by elections. The winners must be guaranteed that they will obtain genuine control over government decisions. The losers must be guaranteed that opportunities for their political participation will continue and will not subsequently be repressed and eliminated (Gibb and Smyth 1990, 1).

In summary, the outcome of the civil war in El Salvador illustrates the main point of the theory outlined above: democratization can be forced by the economic cost associated with a breakdown of civil order. In other words, the rationale for democratization stems in part from its ability to generate the rule of law as a by-product. The El Salvadorian case also sheds light on the difference between inviting an external enforcer (such as Syria in Lebanon) and an arbitrator (such as the United Nations in El Salvador). Once the factions have decided to settle on democracy, an external arbitrator can facilitate its implementation by providing the resources for successful negotiations and transparent transition to democracy.

Are there aspects of classical political theory that could help explain or predict the emergence of democracy from civil wars? What are the connections (if any) between the theory developed here and classical political theory?

I claim that, despite some possible similarities, classical political theory does not fully explain or predict that political order, and democracy could *simultaneously* arise from civil war. For instance, the Hobbesian and Lockean political theories unequivocally preclude warlord democratization, and Machiavelli considers warlords not as creators of Italian republics but instead their worst enemies.[25] In addition, Machiavelli quite explicitly favored the authoritarian solution during the transition period between anarchy and popular rule.[26] However, my theory of post civil war democracy echoes crucial aspects of Machiavellian republicanism inspired by popular-rule in Rome (McCormick 2001). Machiavelli presents the people or the plebes in the Roman republic as the ultimate arbitrator of the competition for political power among the nobles. Finally, I find that even though standard theories of state formation (Tilly 1990, Huntington 1968) preclude the creation of democratic states from a situation of civil war, they provide useful building blocks to develop a theory of post civil war democracy.

Below, I examine some aspects of Hobbesian and Lockean political theories to illuminate the differences between their understanding of political order and the theory of warlord democracy. In order to emphasize my demarcation, I will explore one of the major concepts of modern political thought, the "archaic notion" of the state of nature as Nozick (1974) calls it, which is used by Hobbes and Locke as well.[27]

The Hobbesian Theory of Political Order

The theory presented here is partly grounded in a Hobbesian theory of social order. The theory's context is the British Islands plagued by a decade long civil war, which generated lawlessness. Hobbes (1968) models the civil war environment as one in which people are assumed to be in relentless pursuit of power. Hobbes explains that the equality of ability in people to accumulate power leads to an equal hope among them for achieving all their desired ends. So if two people want the same thing, which they cannot both have, they will probably end up destroying

each other (p. 87). People feel secure only if they see that no other power is great enough to endanger them (p. 88). This produces a cyclical effect, so that as some try to accumulate power, others are forced to do the same.

If people constantly try to dominate others, it creates a zero-sum game where acquiring power means making others powerless. The game also generates chaos in society and the fear of violent death in each individual. However, because people can exercise reason, they can agree on the principle of self-preservation. Each individual would give up rights to all things as long as everyone else does the same. The making of such a contract poses the problem of mistrust. Hobbes notes that "He who performeth first, has no assurance that the other will perform later" (p.96). He cites people's ambition, avarice, and anger as potential causes for the breakdown of the contractual arrangement. Thus, anarchy and chaos threaten people at all times. To prevent chaos, Hobbes suggests that people assign the sovereign of the authority to balance their desire to accumulate power against their need for peace. The sovereign must have coercive power to compel persons equally to perform their covenants, using the terror of some punishment, which must be greater than the benefit they expect in breaching the contract. In other words, all rights are abdicated to the sovereign, and, by implication; all resources are put at its disposal to enforce the law.

Hobbes also stressed the fact that although the authority of the sovereign must be self-perpetuating, undivided and ultimately absolute, it is an authority conferred by the people (p. 227-28). Thus, the sovereign's right to command and the subjects' obligation for obedience are the result of consent. In other words, the people rule through the sovereign (Held 1996:77). In a more forceful endorsement of "Hobbesian liberalism," Hampton (1994) argues that, "implicit in Hobbes's own contract is the idea not only that law can be the ultimate governor in a political society, but also that the ruling of law can and should have...a certain 'democratic' content" (p. 14).

In contrast with Hampton's interpretation, my view is that Hobbesian liberalism is a political fiction. Citizens are heterogeneous and are likely to have conflicting interests. As a result, they cannot unanimously agree to create an undivided and absolute authority. In addition, even if the Hobbesian sovereign were created and could commit not to abuse his or her authority, unless such authority is divided and reflects the diversity of citizens' political or economic interests, he or she cannot commit to being impartial. As the model above suggests, some individuals could even have a lower payoff under the sovereign than under anarchy.[28] Therefore, the consent of all citizens to

surrender their rights to an all-powerful sovereign is simply impossible. The only way the Leviathan can come to life is by being imposed.

Thus, the most natural interpretation of Hobbesian political theory is that it justifies authoritarian rule as a mean to create social order. As Skinner (1972) notes, Hobbes himself presented Leviathan as a justification for Cromwell, who was an active player in the English civil war, not a solution to it. More recently, Leo Strauss and Carl Schmitt (1996) turned to Hobbes to find a stable solution to the chaos and disorder in Weimar Germany. But as McCormick (1997) argues, this attempt led to the strengthening of the military, the repression of the Left, and ultimately to the collapse of the republic and the emergence of authoritarianism.

Political Order in a Post-Civil War Society

The state of belligerence in war-torn countries is characterized by lawlessness. Political order in such an environment requires a contract of governance between political actors and citizens. Following the Hobbesian logic, such a contract of governance requires an enforcer or a sovereign. The role of the sovereign is to *create and maintain political order* and to protect the rights that political order makes possible, and also most importantly the right to hold political office or the rights to secure private property. However, in contrast to the Hobbesian logic, the role of the sovereign is also to *choose a government,* and therefore allocate political offices. In addition, instead of reducing the alternatives available to the political actors to only Leviathan, i.e., a single powerful player such as a military leader or a foreign government, I assume that the enforcer can also be a small group of players such as the clergy, the armed forces, or a very large group of players, such as the citizenry. As in Hobbes, I will also assume that the sovereign's rule depends on the consent of all (if not most) political actors. However, I will assume as in Locke ([1689] 1967) that the actors' consent is conditional and depends on whether they perceive the sovereign to be as effective as the leviathan but also fair and neutral. For example, if a political actor believes that the enforcer is likely to be biased against him or her, this actor has little incentive to participate to the process of creating the new government.

Based on the above premises, I argue that if the sovereign were Leviathan, i.e., a single powerful actor, at least one political actor will choose either not to participate in the process of the creation of the new government or to walk away from the political contract in the future. Leviathan

could be effective in creating and enforcing political order, but he cannot commit to allocate political power fairly and neutrally between groups. He has incentives to collude with one of the warring factions for short-term gains.[29] However, if the warring factions choose to join their forces for the creation of the new institutions of the state (army, police, and court), and then grant the citizenry (a very large set of small-scale "sovereigns") the authority to fill the offices of the new government, then the warring factions will abide by the contract, and political order will be created. This is because a large set of small sovereigns is less likely to coordinate and collude with one group at the expense of the other. They are more likely to commit to being neutral. One particular citizen might have clear political preferences. But the preferences of the citizenry as a whole will tend to be fuzzier and more unpredictable.

Furthermore, governments under the sovereignty of citizens (i.e., under democracy), generate a lower level of expropriation and higher investment than government under Leviathan. Since by assumption investments generate wealth for investors but also have a positive effect on the well being of the society as a whole, all factions are better off under democracy than Leviathan. To summarize: political actors might settle on democracy because (1) the process of power allocation under democracy is less likely to be biased, and (2) economic gains under democracy are higher than under Leviathan.

Post civil war democratization partly originates from the state of belligerence, a form of the Hobbesian state of nature, but how does it connect with more liberal traditions, in particular with Lockean liberalism?

The Lesson of Lockean Liberalism

Locke derives his conception of political order from an analysis of the natural condition of humankind. In contrast to Hobbes, Locke asserts that "one cannot assume that a priori that men are in state of war with each other…Rather, an incident of war is a declaration of design to commit injury, because men are presumed not to harbor attitudes of 'enmity and destruction' towards each other" (Ashcraft, 1968; p. 901).[30] Locke's (1689) state of nature is not the state of anarchy characterized by famine and war. Instead, it is a state in which individuals endowed with reason believe in the law of nature, which "teaches all mankind... that being all equal and independent, no one ought to harm another in his life, health, liberty and possession" (p. 12). The central problem

17

with the law of nature is that individuals must enforce it. Individuals are partial to or biased towards themselves. As a result, justice rendered by an individual will tend to be disproportionate. The aggravated party might then retaliate, and society could quickly sink into the Hobbesian state of nature. However, continuous interactions between individuals in the process of decentralized law enforcement could lead an equilibrium in which markets, money, and even a civil society emerge, things that Hobbes explicitly ruled out.[31]

In summary, Locke has less pessimistic assumptions about human nature, and develops a notion of natural rights that sets moral limits on government. In addition, Lockean government presupposes the existence of social order and a civil society. As opposed to the Hobbesian government, which creates the society, Lockean government is created by the society. Its role is to protect individuals' natural or God-given rights.

The historical context of Lockean political philosophy (Locke's association with radical opponents to the policies of Charles II, the Glorious Revolution, but also the English Civil War) indicates that he may well be proposing a solution to both government uncertainty and to civil war. In other words, Locke's political theory (1689) could well be a response to Filmer's (1651) ideological defense of royalist absolutism, but also to Hobbes's (1951) solution to the English Civil War. However, he explicitly conceded that original commonwealths or 'young societies' have generally been "under the government and the administration of one man", 'nursing fathers' who led them all the way through 'the weaknesses and infirmities of their infancy' (pp. 101, 110, 162).[32] Thus, the immediate conclusion that one could draw from Lockean political theory is that democracy is not possible in the absence of natural rights or in a state of anarchy.

Post-civil war democracy is to some extent Lockean because it allows for popular control of government officials. Indeed, because the citizens have been granted not only the rights to private property but also the rights to allocate political offices between the factions, the citizens have the power to alter the government if they are wronged. The government is set up to protect the political rights of all factions as well as the private property of the citizens and will be illegitimate and voted out of office if it fails in this regard.

A threat of a revolution might not be credible enough to deter serious infringement of political rights, given the fact that civil society is not usually strong in post-civil war countries. However, such a risk will be minimized when state institutions are properly designed. The design

of the institutions takes into account Hamilton, Madison and Jay (1788) concerns about a tyranny of the majority, i.e., the winning faction.

Post-Civil War State-building

Machiavelli (1513) contended that the power of all governments (whether they are new, long established, or between the two) is based on good laws and good armies. He stressed there could not be good laws where there were not good armies, and where there were good armies there must be good laws (p. 39). Machiavelli's remarks are particularly valid today in the context of post-civil war democracies. Commitment to democratization is achieved through demilitarization, the creation of an effective police force as well as an independent judiciary under the supervision and the technical assistance of the United Nations.

The first crucial step in post civil war state building is the formation of the new armed forces. These include their size, composition, and locations for training and command structure. The new army should be strong enough to wield enough enforcement power but not too strong so that it could remain under civilian control. Furthermore, the army's composition and command structure should reflect the political and perhaps ethnic make up of the country. Finally, in order to secure the abidance of the democratic principles by the new army, it has to be purged of the most notorious human rights violators and the rank-and-file elements has to be properly trained.

In Mozambique, the Rome Accords, signed on October 4, 1992, set the size of the new joint armed forces at 24,000 with each side contributing 12,000 personnel, consisting of the air forces at 4,000 with 2,000 from each side, and the navy at 2,000 with 1,000 from each side. The parties also agreed to the formation the Joint Commission for the Formation of the Mozambican Defense Force (CCFADM. The United Nations' involvement provided a strong guarantee to the either side that the other would not renege on its part of the agreement.[33]

Judicial reforms represent the other crucial step in the process of state building in post civil war democracies. Since Montesquieu's groundbreaking work on the separation of powers (1748, 1952), the judiciary has been perceived as the main cornerstone of democracy. Montesquieu's chief concern was the development of a positive legal system to regulate public and private life and to prevent abuse of power. The reason was that "every man invested with power will attempt to abuse it, and to carry its authority as far it will go" (p. 69). Thus, one should check power with power.

One should design governments in such a way that "no man shall be compelled to do things to which the law does not oblige him or not force him to abstain from things which the law permits" (p. 69). In addition, political power should be distributed and organized so that those who attempt to abuse it finds legal restraints in their way (Plamenatz 1963; p. 292-3). The evidence suggests that the three main aspects to the design of a new judiciary in post-civil war democracies are human rights provisions, Supreme Court appointments, and changes to the penal code (Wantchekon and Jensen, 2002).

For instance, a national council on the Judiciary was to be set up in the aftermath of the El Salvadorian Peace Accords to serve independently as the Supreme Court. The council would take over the appointment of the lower court judges from the Supreme Court, as well as nominate half the Supreme Court candidates, with the other half to be nominated by Salvadoran bar associations. The Assembly would elect Supreme Court justices by two-thirds majority for "staggered terms of 9 years, instead of by a simple majority to serve only a single five-year term.

<div align="center">Machiavellian Republicanism</div>

Democracy as an exit option from civil war is essentially a modern phenomenon. In medieval Europe, warlords or warring factions were never associated with the creation of democracies or republics. They were instead associated with their decline and destruction. When invited as mercenaries by city-republics across Italy to provide order and security, they turned themselves against democracy and republicanism. Machiavelli ([1531] 1997) described warlords as the one of the chief reasons behind Italy's ruin (p. 38). He presented them as ambitious, ill disciplined and treacherous. He contended that when a republican government was lucky enough to hire competent mercenary commanders (warlords), they would increase their power at the government's expense. They would simply ruin the government if it were incompetent (p. 39).

However, when defined as an arbitration mechanism, post-civil war democracy connects quite well with Machiavellian republicanism.[34] As in the current analysis, the historical background of Machiavellian political theory was intense competition and even war within and between Italian city-states. Machiavelli endorsed a pluralistic approach to politics in which competing social groups could promote their own interests with the outcome being decided according to the balance of power among the different branches of government. Using Rome as an example, Machiavelli

argued that only popular participation in political life and mixed government comprised of an executive, the aristocracy, and the "people" could help overcome factional strife and generate individual freedom as well as peace and prosperity.

In his analysis of Roman republic, Machiavelli claimed that the Roman people (the plebes) were guardians of liberty, and were more trustworthy and less power-hungry than the nobles and the great (McCormick 2001). As arbitrators of the competition for power between the nobles, the people were more likely to be fair and exhibit good judgment. They were more able to select the best policy proposals put forth by the elites and were better than elites at distributing political offices. Machiavelli claimed that:

> A prudent man ought to never depart from the popular judgments especially concerning distribution of ranks and dignities, for in this only does the people does not deceive itself. If it does deceive itself at some time, it so rare that the few [i.e., the nobles] who have to make such distribution will deceive themselves more often (I. 47).

The logic of Machiavelli's thesis is in many ways similar to the one developed in this article. As in my setup, the alternative to using the people as arbitrators is to use a unitary actor, a prince, or a foreign power. Machiavelli argued that whereas the people base their decisions on the candidates' good reputations, the unitary actor is more likely to fear those candidates with good reputations. In other words, the unitary arbitrator tends to view the good candidate as a threat to his or her power and tries to eliminate him or her. Foreign arbitrators also tend to exacerbate domestic conflicts to take advantage of the chaos that would result from it.

Like post-civil war democracies, Roman republicanism was generated by indirect domestic pressure for political change. Whereas the former was created by the warring factions in response to a drastic decrease in citizens' productive investment, the latter was created following a massive emigration of the plebes in the aftermath of the power struggle between the king, the nobles, and themselves (the plebes). As Machiavelli contends, Rome developed into a republic when the plebes and the senate joined forces to expel the kings. However, after the expulsion of the kings, the plebes left Rome in large numbers in 494 BC, in response to different forms of abuse at the hands of the nobles. The nobles feared the city's economic and military decline and accepted the establishment of the tribunes. According to Machiavelli, the plebes created the tribunes "to hold back the insolence of the nobles and thus preserve the free life of the republic" (I.3, III.11).

A key difference between Machiavelli's account of Roman republicanism and post-civil war democracies is that whereas the former was created by a combination of indirect economic pressure and a direct political pressure from the people, the latter have been created almost entirely through indirect economic pressure. Although in Rome the plebes took over the role of arbitrator and played a more active role in the creation of the republic, in Liberia or Mozambique the people were essentially invited by warlords to be arbitrators and played a less active role in the democratization process. As a result, the mode of popular participation in the democratic process and the mechanisms for elite accountability described in McCormick (2001) seemed to be stronger in Rome than in modern post-civil war democracies. This difference is not surprising since warlords clearly had much more power in Mozambique or Liberia than did the nobles in the city of Rome, who relied on the population for soldiers.

The choice between the people and the prince or a foreign power as highlighted by Machiavelli is a choice between one powerful arbitrator and a large number of small arbitrators. Machiavelli preferred the people but added that the people could not play their role as arbitrators unless unified by political institutions such as tribunes and popular assemblies.[35] Without the support of these institutions, the people would be isolated and, as a result, weak and cowardly, thinking only about their fears. In modern-day, post-civil war democracies, state institutions such as the judiciary and political institutions, such as the parliament, support the people's actions.

Two characteristics of popular arbitration that Machiavelli did not mention are its fairness to all parties and its neutrality. Not only will the people tend to show good judgment in the process of selection of the good candidates and good policies, they are less likely to collude with one candidate at the expense of the other. The choice between the people and a foreign power involves a trade-off between enforceability and neutrality: popular arbitration of an elite's political contract is superior to external arbitration because the people's action (the electoral outcome) is more likely to be perceived as fair and neutral by the political parties and less likely to be subject to ex-post renegotiation. However, popular arbitration is inferior to external arbitration in that, in contrast to an external arbitrator, the people may lack the power to enforce their own decisions. In other words, when civil society is weak, voters cannot stop either party from altering electoral outcomes. Thus, only when parties are disarmed and a party cannot alter electoral outcomes can popular arbitration or democracy generate elite cooperation.

The search for an impartial and neutral tool to mitigate the disruptive effect of factionalism was an important feature of political life in Italian city republics. As Waley (1991) maintains, the political scene in medieval Italy was characterized by factionalism fueled by intense competition for political office. The citizens were driven by an ardent desire to obtain the "honors and benefits" of office (Manin 1995). To overcome factional strife, most Italian communes adopted the institution of *podesta*, a foreigner endowed with judicial and administrative powers. The *podesta* was usually hired for a year and played the role of military leader, judge, and administrator. An important attribute of the *podesta* was that he had to be a foreigner so that he could be neutral to the internal "discords and conspiracies (Waley, p.37)."

Besides the *podesta*, which was essentially an administrative tool for mediating factional strife, the lottery system was used to allocate political offices. The attractive feature of lots was to shift the allocation of offices to a procedure that was not subject to human influence. According to Waley (1991) this procedure was chosen to prevent "the domination of city republics by cliques who might prolong their control by securing the choice of members of their own factions (p. 37)." But the practice of the lottery became unpopular, and many intellectuals asked for its replacement by elections. Among them was political theorist, Leonardo Bruni, who argued that when citizens must compete in an election and openly put their reputation on the line, they have an incentive to behave well.[36] In addition, Guicciardini ([1521] 1994) proposed to extend the electorate to include a greater number of citizens, to combine the lottery's neutrality and impartiality effects with the incentive for good behavior provided by elections.[37] Manin (1995**)** states that, "Guicciardini's proposal is remarkable for its rather unexpected justification of the extension of voting rights, but more importantly in its search for neutral institutions that could mitigate the divisive effects of competition for office (p.54)." Thus, democracy in the city-republic of Florence can be defined essentially as a competitive oligarchy.[38]

Even though Machiavelli, with Guicciardini, favors the people as arbitrators of political disputes, he clearly discounted their ability to *found* a republic. In that regard, he is well is in line with Hobbes. Machiavelli argues that only one man can create a republic (e.g., Romulus in Rome). In The *Prince* (Machiavelli 1994), he also described how Cesare Borgia established courts and representative institutions in the anarchic Romagna region controlled by warring nobles only after he brought order to the region. Order was brought to Romagna by a repressive authoritarian rule.

Referring to Romulus in the Roman case, Machiavelli contends that a radical reform of the republic or a kingdom requires that one person alone must make all the key decisions. He wrote: "A wise legislator, when establishing a republic... should make every effort to ensure that all the power lies in his own hands (p. 108)."

A Defense of the "Minimalist" Nature of Post-Civil War Democracy.

Post-civil democracy is Schumpeterian at its core because of its emphasis on leadership, and the fact that political office holders (the former warlords) are elected rather than appointed by Leviathan. Post- civil war democracy is also Popperian because it is aimed at avoiding the return to civil war and anarchy by preventing tyrannical rule by whoever wins the election.[39] Thus, post-civil war democracy is essentially procedural, minimalist. Is this form of democracy defensible?

Przeworski (1999) justifies Schumpeterian democracy using Popperian standards. He shows that even if democracy does not appropriately aggregate citizens' preferences or adequately control politicians or help reduce economic inequalities, the very fact that it helps change governments without bloodshed can help generate a peaceful resolution of conflicts. As in Result 4, this holds true if parties assess a high enough chance of winning the elections so that the short-term net gain of not accepting electoral outcomes is outweighed by the long-term gain of abiding by them. Thus, competition for offices generates compliance with democratic rule, and "bloodshed is avoided by the mere fact that, a la Aristotle, the political forces are expected to take turn (p. 47)." Democracy also works like a lottery, a coin-flipping operation. However, a coin flip differs from voting or democracy because election outcomes enable competing factions to assess each other's military strength. "Voting constitutes flexing muscles: a reading of chances in an eventual war" (p. 48). But what if the eventuality of war is unlikely because the state has already monopolized the means of coercion so that voting cannot provide a reading of chances in a violent conflict?

Przeworski (1999) argues that, at the very least, elections reveal some information about the cost of an eventual rebellion. In a post-civil war democracy, a party that contemplates subverting democracy will face the resistance of both the warring factions and the indirect resistance of ordinary citizens through underinvestment.

The Democratic Transition Literature

More generally, the theory developed here complements the "top-down" theories of democratization, which explain the process of democratization in the absence of a strong civil society. The fact that democracy emerges in nations with weak civil societies has led many scholars to downplay the importance of civic culture in transitions to democracy and emphasize elite bargaining (Przeworski 1991, O'Donnell and Schmitter 1986, Diamond, Linz, and Lipset 1989).[40] Weingast (1997) argues that citizens' democratic values and elite interests are complementary aspects of democratization and that the study of democratic civic culture is necessary to understand political elites' strategies during the process of democratization. However, Diamond, Linz, and Lipset assert: "In Latin America, the choice of democracy by political elites clearly preceded the presence of democratic values among the general public" (p.12). O'Donnell and Schmitter (1986) claim that transition to democracy is often the outcome of a division within the authoritarian regime between hardliners or softliners, and between radicals and moderates within the opposition. (pp. 15-16). And Rustow (1970) hypothesizes along the lines argued here that democratization is set off by a prolonged and inconclusive political struggle followed by a "deliberate decision on the part of political leaders to accept the existence of diversity in unity and, to that end, to institutionalize crucial aspects of democratic procedures (p. 355)." [41]

Neither Rustow (1970) nor O'Donnell and Schmitter (1986), however, present a theory of why political forces involved in an "inconclusive" conflict would settle precisely on democracy and not on other forms of power sharing. So why do political groups in conflict ever settle on democracy? Przeworski (1999) addresses this question, first by defining democracy as an incomplete power-sharing contract with the ultimate or residual power changing hands with positive probability. This arrangement is contrasted with dictatorship where the residual power never changes hands. Przeworski (1999) then argues that a dictatorial contract is not an attractive option for political groups in conflict because it would give one group a decisive advantage in the event of an open conflict.

Przeworski's (1999) argument is a helpful point of departure but it does not mention the interests and the role of ordinary citizens in democratization, which is crucial in helping to understand why democracy involves voting not simply coin-flipping. In the context of post-civil war society, citizens benefit from democratization because it generates social order and protection against illegal theft and political banditry. I argue that democracy enables citizens to control

expropriation and warring factions to commit to respecting property rights. I present an alternative approach to the choice of democracy by defining democracy as an arbitration mechanism. I show that in a situation of stalemate, the warring factions looking for an exit option from the civil war will tend to design a power-sharing contract and delegate some power to a third party that acts as the ultimate arbitrator and enforcer of such a contract (e.g. Leviathan). I argue that this delegation of authority may jeopardize the contract, and cooperation may fail to materialize. This may happen if, for example, the arbitrator is suspected by one of the parties to be biased towards the other party. I derive the rationale for democracy by explicitly analyzing the third-party arbitrator's incentives.

There have been several historical examples of a contract of governance arbitrated by the clergy or a foreign power. After World War II, political systems in many developing countries were based on explicit or implicit elite political arrangements implemented by a foreign power. During the cold war, the Soviet Union was the enforcer and the ultimate arbitrator of political arrangements in Eastern Europe, whereas the French government played similar roles in Francophone Africa.[42] In Lebanon following the 1990 "Taif agreement," the Syrian government became the official arbitrator and enforcer of political order in the country.

The theoretical argument developed here suggests that even when the external arbitrator is clearly known to be neutral, as long it has some military power, it cannot commit against using this power to initiate and enforce side agreements that would establish one-party rule and expropriate citizens. Because such agreements clearly make one party worse off, this party will never agree to invite an outside arbitrator. Thus, unless an external arbitrator is imposed upon the parties, these considerations may lead them to prefer another type of arbitrator. I argue that this arbitration role can be played by the citizenry, which explains why political elites could initiate democratic transitions.

I show that when the electorate is sufficiently diverse, the citizens can commit to being an unbiased arbitrator. Furthermore, in contrast with the external arbitrator, the citizens can also commit against initiating side agreements because they do not have the military power to enforce such agreements. Thus, the two key features of democracy as an arbitration mechanism that I want to stress are (1) the inability of a mass of voters to get together after the vote to undermine the result, and (2) that citizens tend to have more moderate or neutral party preferences than a single external arbitrator.

One aspect of the theory developed here that has relevance even in the context of post authoritarian transitions is that long-term foreign involvement in domestic politics cannot be conducive to democracy. A good illustration of this insight is Francophone Africa, a textbook example of the pitfalls of a political system built on elite contracts implemented or arbitrated by a foreign power. As mentioned earlier, despite conceding independence to its former colonies in 1960, France retained the right to enforce political order in these countries with troops stationed in Gabon, the Ivory Coast, and the Central African Republic. As Foccart (1994) has acknowledged, France used these rights to "protect" the power of the "friends of France" among African elites. In exchange for this protection, the friends of France helped maintain the relatively strong French economic and cultural influence in Africa. This collusion between some African elites and the French government, as well as the resulting political turmoil (numerous coups, civil wars, and government bankruptcies in Congo, Benin, Cameroon, Gabon, and Chad among others), is consistent with the theory developed here. In line with my theoretical prediction, the wave of democratization started in Francophone Africa only after the Baule Summit in 1989, when the Mitterrand government switched from a policy of intervention to one of disengagement from African internal politics. This change in French foreign policy made the electoral process the only mechanism for allocating power among the elites and led to more cooperative behavior by African elites. Likewise, democratic change swept through Eastern Europe only after the collapse of the Soviet Union, the external power in charge of enforcing communist rule. The Soviet Union's breakdown created a new balance of forces between political groups that facilitated the emergence of democracy.

WAR MAKING AND DEMOCRATIC STATE MAKING: TILLY, OLSON AND LEVI

The theoretical argument presented in this article is not only about the choice of democracy as an arbitration mechanism by warring factions, but also about the construction or reconstruction of state institutions from chaos. The link between war making and state formation on the one hand and democratization and state building on the other has been recently studied by Tilly (1990), Ertman, (1997) and Levi (1999), among others.[43]

Tilly (1990) shows that the creation of national states in Europe by power holders or warlords was the unintended consequence of the interaction between war making, extraction, and

capital accumulation. European statesmen and state builders waged wars to secure territories within which they could enjoy the economic benefits of power, that is, a permanent access to credit sources and collection of tax revenues. To facilitate tax collections and protect their sources of credit, they monopolize the means of violence, thereby generating a state apparatus.

Tilly (1990) claims there are essentially three types of states: (1) the coercion-intensive states (Brandenburg and Russia), (2) capital-intensive ones (generally city-states such as Genoa, or federations, such as the Dutch Republic), and (3) the capitalized coercion state (the only long-term survivor - the earliest examples are France and England) (p. 30). Significantly, the formation of national states was not complete until the 19th century, when "the last part of Europe to consolidate into substantial national states was the city-state band running from northern Italy, around the Alps, and down the Rhine to the Low Countries' (p. 47)." These areas were finally brought into national states with the 19th-century creation of Germany, Italy, and the federal government of Switzerland.[44]

Tilly (1990) divides the formation of European national states into four periods. First was the patrimonialist period, which ran through the 5th century, when monarchs extracted capital in the form of tribute, and "tribes, feudal levies, urban militias, and similar customary forces played the major part in warfare" (p. 20). Then there was the brokerage period (1400-1700), when rulers relied on mercenary soldiers for war and formally independent capitalists for loans. It was followed by the nationalization period (1700-1850), when states created mass armies drawn from their national population and took over the direct operation of the fiscal apparatus. Finally, we had the specialization period (1850 to the recent past), in which military and nonmilitary activities of the state were increasingly differentiated, legislatures came to dominate the military, and the welfare state developed (p. 29). Thus, according to Tilly (1990) each step resulted in an increase in the "organizational containment of military men (p. 124)." The story of European state formation is the gradual subordination of military force to outside political control. This process has entailed bargaining between states and their subjects. In return for the greater contributions (in men and wealth) that society has been asked to make to the state's war-making efforts, the state has had to provide protective institutions and social welfare programs.

Various scholars have studied the link between the economic dependence of the ruling class on tax revenues and taxpayer demand for political representation. It is argued that rulers maximize revenues by promoting joint ventures with taxpayers. In particular, they grant voting rights to

citizens as a way to commit to this joint venture, and citizens use these rights to protect their investments (Levi 1999, 114). In other words, citizens give up a share of wealth to the ruler in exchange for political rights that enable them to protect their property rights.

The bargaining power of taxpayers is even stronger when their assets are mobile (Bates and Lien 1985). It leads to concessions that take various institutional forms. North and Weingast (1989) study the evolution of constitutional arrangements in England following the Glorious Revolution of 1688. They argue that the resulting institutions enabled the Crown to credibly commit to upholding property rights and to tightening budget constraint. The new institutions removed the underlying source of the expediency, limited the Crown's legislative and judicial power, and reasserted the taxation power of the parliament, especially to allocate funds and monitor expenditures. Thus, the Crown's commitment to honoring the agreement was established because taxpayers had a voice through their representatives in Parliament.[45] Levi (1988), Taylor (1987), and Brewer (1989) provide a range of evidence that supports this conclusion. In particular, Levi (1988) shows that "early modern parliaments enabled the English monarch to negotiate taxes that were acceptable to key constituents who then helped enforce them (p. 116)."

The argument presented in this article combines insights from Tilly's (1990) war making-leads-to state-making thesis and the Levi's (1999) no-taxation-without-representation thesis. In contrast to the European experience analyzed by Tilly, the state-making experience analyzed here is a product of civil wars, not interstate wars. The governors-to-be do not have stable and secure territory where they enjoy a monopoly of protection. Instead they have joint control of the territory and are involved in an oligopolistic game of protection. As a result, they have to agree on how to divide the gains for protection, divide the peace dividends, and jointly commit to protect citizens' property and not over-expropriate them. The aspiring governors achieve this goal by granting voting rights to citizens and creating a balanced and inclusive state to enforce election outcomes. Thus, contrary to Tilly's claim, the war-making-leads-to-state-making thesis is at least partially applicable to post World War II developing countries, particularly war-torn ones.[46]

Olson's (1993) analysis of the economic origins of dictatorships and democracies is in many ways similar to the argument developed in this article. As in the present analysis, Olson starts from a situation of a Hobbesian state of nature and argues that it is a sub-optimal political organization because it does not provide enough incentive for investments. Following the Hobbesian logic, he shows that autocracy would rise out of anarchy because the "bandits" that exist under anarchy

would have an incentive to become stationary bandits and make themselves autocrats. They provide political order, which, to their benefit, enhances the productivity of their subjects. However, autocrats tend to tax too much, and democratic leaders will replace them. Olson shows that a democratic leader will extract less in taxes than an autocrat, because he or she represents the majority of the population that earns a "significant share of the market income of the society and has a more encompassing interest in the productivity of the society (p. 570)." He also shows that democracy will arise when none of the leaders involved in the coup or the upheaval to overthrow the dictator are strong enough to rule on their own. The argument is supported with the historical example of the initial emergence of democracy in England following the Glorious Revolution of 1689.

As in this article, Olson's (1993) analysis points to the protection of property against illegal expropriation as one major motivation for democratization. However, whereas my goal is to investigate conditions for the emergence of democracy from anarchy, Olson follows the traditional route to explaining the emergence of democracy out of autocracy, analyzing the conditions under which democrats would overthrow stationary bandits. Thus, instead of assuming that democracy can arise only after a stationary bandit generates political order, I show that a situation of anarchy can generate political order and democracy simultaneously. The cost of the conflict leads the warring factions to consider three options, maintaining the status quo, inviting an external arbitrator, or choosing the people as arbitrator. There is an equilibrium in which warring factions can choose to agree on democracy so long as each faction assesses high enough chances of winning the elections. They make the choice of democracy credible by constructing (perhaps with the temporary help of an external force) an impartial enforcement mechanism of election outcomes.

The argument represents a significant departure from Huntington's (1968) views on state building in changing societies. Huntington (1968) quite bluntly rejects the possibility of liberal democracy for developing countries. He considers the formula of designing governments in most developing countries with written constitutions, separation of powers, bills of rights, checks and balances, regular elections, competitive parties to be irrelevant. He contends:

In many, if not most, modernizing countries elections serve only to enhance the power of the disruptive and reactionary forces and to tear down the structure of public authority... The primary problem is not liberty but the creation of a legitimate public order. Men may have order without

liberty, but they cannot have liberty without order. Authority has to exist before can be limited, and it is authority which is in scarce supply in those modernizing countries where government is at the mercy of alienated intellectuals, rambunctious colonels and rioting students. (pp. 7-8)

Needless to say, the theory developed in this article and the historical evidence of many Latin American and African countries indicate quite emphatically that the promise of political order is more credible when democratic institutions support it. Communist and right-wing authoritarian governments around the world did actually attempt to crush alienated intellectuals and rioting students in the 1970s and the 1980s. But the resistance of those intellectuals and students against government oppression made the third wave of democratization around the world possible.

CONCLUDING REMARKS

Post-civil war democracy is Hobbesian in its origin, Lockean and Schumpeterian in its functions. It simultaneously arbitrates conflicts between former warring factions and protects citizens against illegal expropriation. It shows that warring factions cannot only create a state, but indeed a democratic state. Above all, warlord democratization confirms Kant's (1795) prediction that a good political constitution (assuming that a democratic constitution is one of them) does not to have to result from a progress of morality but instead from an outcome of strategic interaction between "intelligent" warlords. Also, if we were to believe, as Kant does, that the irresistible "will of nature" will force warring factions to do what is in their best interests, then democracy will become the natural outcome of civil wars, provided that there is military stalemate and the factions are economically dependent on citizens' productive investments.

Post-civil war democracy provides a way of bypassing or (not returning to) the Prince or Leviathan. Indeed, Machiavelli, and many others after him (Hobbes, Olson, Huntington) have claimed that popular governments could be established only after an intermediate period of one-man rule, whether Moses, Cesare Borgia, Napoleon Bonaparte, Tchang-kai chek, or Mobutu. I argue that democratic states can be created directly from anarchy. A popular regime can, in fact, skip the "princely" stage and go directly from oligarchic conflict to a form of popular government.

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[2] See Rotberg (2003) for a definition and characterization of failed, collapsed or weak states.

[3] See also Wantchekon and Nickerson (1999). They measure the change in democracy from just before the conflict began to five years after the cessation of conflict. Following the standard procedure in International Relations, they subtract the Polity 98 autocracy score (-10 to 0) from the democracy score (0, +10) and creates a democracy rating ranging from 0 to 20. They find that the most spectacular changes took place in Mozambique and El Salvador (14 points each), followed by Nicaragua (11 points), then Malaysia (10 points).

[4] Glaucon's challenge to Socrates in the Republic (See 358B-360C) can be seen as variation of the Kantian paradox. He wrote: " But we could perceive that those who practice justice do so unwillingly and because they cannot do injustice, if we could put a case in imagination; let us grant license to each, both just and unjust, to do whatever he wishes, and let us follow this up by seeing where his desire will lead each." Variations of Kantian paradox can be found Hume's circumstances of justice and Machiavelli's Prince. But in my view, among political theorists, Kant is the first to state quite clearly the strategic problem facing warlords involved in a civil war.

[5] Catholic Emancipation in United Kingdom (1829) and the dissolution of the Sonderbund in Switzerland represent interesting cases of major political change or democratization in Europe resulting from a threat of civil war or actual civil war.

[6] See O'Donnell and Schmitter (1986), Diamond, Linz, and Lipset (1986). See also Manning (1997) and Montgomery (1995) present excellent studies of democratization in Mozambique, and El Salvador, respectively.

[7] See Dahl (1956) for review of the Madisonian version of liberal democratic theory.

[8] In some concrete civil war situations, the game might include more protagonists. A game with more than two factions will not significantly affect the results.

[9] As shown by the recent civil war in Sierra Leone and the ongoing conflict in the Democratic Republic of Congo, precious raw materials extraction may also support the war effort. Also note that in the model presented here, civil wars are not categorized as "justice-seeking" or "loot-seeking" (Collier 2000). It is assumed that rebels could have political motives, but they use different forms of expropriation to finance the war. This assumption is consistent with evidence presented in Kalyvas (2001).

[10] See Ross (2003) for case studies on the effect of resource wealth on civil wars.

[11] Affiliated citizens could include members of the Diaspora who tend to play a significant role on sustaining the civil war (Collier, 2000). For instance, in El Salvador, affiliated citizens are supporters of the government and the ARENA and the FMLN. Non-affiliated citizens are ordinary citizens caught in the crossfire between the two warring factions.

[12] Doyle and Sambanis (2000) show that the probability of resolution of the civil war and the success of peace-building operations is higher in longer wars. The results are consistent with Fearon and Laitin (2002), Mason and Fett (1996), Licklider (1993) and Walter (1999). For the case of ethnic wars, (see Kaufman 1996 and Rothchild 1997).

[13] As in standard game theoretical models, I am assuming that warring factions are intelligent in the sense that they know everything that we know about the (civil war) game and that they can make any inference about the civil war situation that we can make (Myerson (1991)). Such an assumption may be unrealistic. However, if a theory were to predict that one of the factions or the citizens would be systematically fooled or be led to make costly mistakes, then that theory will lose its validity when the warring factions improve their understanding of the civil game either from their own past experience or with the assistance of the United Nations.

[14] In fact, the continuation of war might in fact be more profitable for the factions than its resolution. Obviously, everything else equal, a faction that during the transition to democracy has to give up on a lucrative drug business will be less willing to embrace democracy.

[15] Thus, in the model, players are assumed to be rational in the sense that they make "decisions consistently in pursue of their objectives, that is to maximize the expected value of their payoffs (Myerson, 1991, p. 2). However, the state of belligerence (my version of the Hobbesian state of

nature) is partly caused by passion for power or political supremacy, which may cloud reason. The question is: how would the civil war game hold up when one introduces emotions or passions? In light of recent literature in economics, it appears that expressions of emotions are compatible of rationality (See Brams, 1997 for a survey). Frank writes: "Passions often serve our interests very well indeed. The apparent contradiction arises because we face important problems that simply cannot be resolved by rational action. The common feature of these problems is that to solve them, we must commit ourselves to behave in ways that may later prove contrary to our interest (p. 4). As I show below, passion for power and the economic benefits associated with it enables warring to commit to democracy.

[16] Formal proofs of the results (1 to 4) are provided in Wantchekon and Neeman (2002).

[17] In the democratic subgame, the warring factions seek to maximize their respective payoffs under the constraint that these payoffs are higher than those under the status quo. We assume that players cannot commit themselves to future actions but are all rational agents. This implies that the two factions and ordinary or unaffiliated citizens behave in a sequentially rational manner. The equilibrium outcome is solved by backward induction. That is to say, the factions choose democracy looking ahead to the election outcomes and their enforcement and assessing the credibility of the negotiated settlements.

[18] This was the case in all successful cases of post-civil war state building such as Mozambique, Nicaragua and El Salvador. For a large N-study of the likelihood of success of peace these operations depend on a variety of factors analyzed by Doyle and Sambanis (2000).

[19] Also see Stedman (2001) for further analysis of conditions of successful implementation of post-civil war peace agreements. Yashar (1999) discusses the importance of joint control of the armed forces in the process of democratization.

[20] A major obstacle to enforcement of the democratic payoffs resides in the "spoiler problem". Spoilers are factions who believe that " the emerging peace threatens their power, world view, and interests, and who use violence to achieve it." (Stedman (2000), p. 178). This was the case in Angola when Jonas Savimbi refused to abide by the outcome of the 1994 UN-monitored post-civil war elections. The country was then plunged into a new civil war in which more than 300,000 people died. In the presence of a spoiler problem, peacekeeping operations must be robust.

[21] See Michael Renner (2002) for an extensive empirical study of this question.

[22] Wood (2000) also attributes the decline of the share of export agriculture to GDP to the nationalization of financial and export-marketing sectors and the government economic policies from 1980 to 1989 (pp. 57-58).

[23] The United Nations' role is best understood as that of a (third-party) "arbitrator" rather than an "enforcer" or Leviathan. Although the United Nations made several "binding" recommendations and supervised the carrots and sticks that kept the implementation of the peace agreement going, unlike the "enforcer," it was capable of establishing a reputation to act impartially.

[24] Joaquim Villalobos, one the leaders of the FMLN said: "Our political forces will be participating with the aim of preventing the taking of land from the peasants, the reversal of judicial reform and the politicization of the training of the new police force [...] The question of majority or minority electoral support does not matter. In El Salvador, it is important that we continue to reach an agreement whether we are in the majority or in the minority. The confrontation ended only months ago. Perhaps, once it is further behind us we can embark upon a path of more democratic norms. (Gibb-Smith, 1990, p. 1)".

[25] This is not surprising. Machiavelli ([1531] 1997) always considered warlords to be the worst enemies of Italian city republics.

[26] He wrote: "In order to establish the constitution of a republic one needs to have the sole power" (p. 110).

[27] In *Anarchy, State, and Utopia* (1974), Nozick resuscitates the idea of a state of nature in an attempt to legitimate the minimal state as "the only morally tolerable one" (p. 333). By contrast, I do not intend to offer another theory of state. My interest in the state of nature is based solely on its fruitfulness as a demarcation point to highlight the differences between my approach to warlord democracy and the classical conceptions of political order.

[28] For instance, Hobbes was concerned about the potentially subversive nature of religion. He stressed the need of monitoring public opinion and of subjecting religious pastors to the sovereign (Ngomo 2003).

[29] As mentioned earlier, this was the case with Cromwell in the English civil war (Skinner 1972).

[30] Locke ([1689] 1967) makes a clear difference between the state of nature and the state of war in contrast to Hobbes who equates it to that of war. Locke mentions the "plain difference between the state of nature and the state of war some men have confounded"(p.30). According to him, they "are

as far distant as the state of peace, good-will, mutual assistance, and preservation, and a state of enmity, malice, violence, and mutual destruction are from another" (p.32). There is no doubt that this passage pinpoints Hobbes's approach to the state of nature.

[31] Ashcraft (1968) writes: "In a state of nature, it is possible for men to behave both well and badly. As a state extended over a period of time, a state of nature will be both tranquil and violent, and always because of specific social circumstances, it will be either one or the other" (p. 903).

[32] Locke did not obviously consider England as an original commonwealth or a young society.

[33] See Wantchekon and Jensen (2002).

[34] See McCormick (2001) for a thorough analysis of "Machiavellian democracy."

[35] Machiavelli (1994), p. 96

[36] Cited in Manin (1995**).**

[37] From "Del modo di ordinare il governo popular" (Guicciardini, ([1521] 1994) cited in Manin (1995). Note that in contrast to Guicciardini, for whom elections are the full extent of popular participation, for Machiavelli, elections are just one of several mechanisms of popular government and elite control (See McCormick 2001).

[38] Democracy as competitive oligarchy is known in the contemporary theory literature as Schumpeterian democracy. Schumpeter (1942) defines democracy as a mechanism to manage power relations between political parties, in this case the former warring factions. To put it differently, Schumpeterian democracy is an institutional arrangement for arriving at political decisions by vesting in certain political leaders the power to rule as a consequence of their successful quest for the people's votes (p. 269). I should acknowledge that elections in medieval Europe were local or regional and were not part of nationwide democratic practices, at least not until 1760 or early 19th century.

[39] Popper's (1962) conception of democracy emphasizes the major differences between democracy and tyranny. Whereas democracy derives its legitimacy from the people and is the only regime that makes it possible for the ruled to dismiss a given government without bloodshed (by means of elections), tyranny can only be dismissed through a revolution and political violence. A political system is not democratic because the majority rules; it is democratic because the institutions are designed to prevent the rise of a totalitarian government, which can be dismissed only by means of violent revolution.

[40] Note however that Collier (1999) argues that more recent transitions were less elite-driven and involve more social mobilization and popular protest.

[41] In the context of El Salvadorian civil war, Woods (2000) argue that the warring factions reached a bargain in which the "Left agreed to a democratic political regime and a capitalist economy with only limited socio-economic reform, and the Right agreed to the Left's participation in a democratic regime along with some socio-economic reform." (p. 85).

[42] For the case of French intervention, see Foccart 1994.

[43] There is a large literature in comparative politics and sociology that deals with the difficulties of state formation and state consolidation in various places, particularly Africa. For instance, Herbst (2000) presents an intriguing and comprehensive historical account of the way in which geography and social structure constrained state formation and state development in Africa.

[44] In line with Tilly's (1990) analysis, Lopez-Alves (2000) find that the type of war and type of mobilization have a great effect on state institutions and the nature of the regime. For instance, there was a high degree of rural mobilization, a high frequency of civil wars in postcolonial Uruguay and Colombia. This weakened the Central army but led to a more competitive and less repressive and open political regime. In a similar study, Centeno (2002) finds that strong and centralizing state authority were absent in most Latin American countries. As a result, those states were not effective in protecting their subjects nor collecting rents and did not have the capacity to fight one another.

[45] Note that I am adopting the North and Weingast view (1989) that England evolved in a form of democracy at the Glorious revolution.

[46] Tilly (1990) claims that in contrast to the experience of Europe, developing countries are not becoming less dominated by the military, but rather are actually more dominated by them (pp. 209, 212). Tilly explains this difference by reference to what he calls the greater "externalization" of state formation in the decolonized countries. First, developing country military rulers have been able to draw revenue from commodity exports or great power military aid, thus allowing them to "bypass bargaining with their subject populations" (p. 208). Second, Tilly hypothesizes that the competition between the United States and the Soviet Union created incentives for the superpowers to back military regimes to bring as many states as possible into their rival camps.

FIGURE 1:

THE DECISION TREE

STALEMATE
Factions contemplate an exit option
from the civil war.

STATUS QUO

Factions choose level of
expropriation and Citizens choose
investment level (e).

Payoffs are realized.
Game ends.

INVITE LEVIATHAN

Leviathan disarms factions and
chooses either faction to govern.
Leviathan and the government
choose level of expropriation,
citizens choose investment level.

Payoffs are realized.
Game ends.

DEMOCRATIZE (Step 1)

Factions disarm and joint their
forces to create a State.
Factions become political parties.

DEMOCRATIZE (Step 2)

Parties propose tax rate.
Citizens vote.
Tax rate is implemented.
Citizens choose investment level

Payoffs are realized.
Game ends.