War, Rivalry, and State Building in Latin America

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Scholars of Latin America have recently begun to apply the bellicist approach to state building to the region, the central claim of which is that wars are a great stimulus to centralizing state power and building institutional capacity. This article argues that current applications of these models of state building are too narrowly specified to be of much use in Latin America or elsewhere in the developing world. Replacing the focus on interstate war with the more general phenomenon of interstate rivalry, alongside the consideration of intrastate rivals, allows us to account for the impact of both external and internal forces on the development of the state. I demonstrate the utility of this approach through several cross-sectional time-series analyses that provide evidence that external and internal rivals affect the Latin American state in a manner consistent with the general nature of bellicist theory.

S cholars have recently begun to apply the bellicist approach to state building to Latin America. The central claim of this approach is that wars are a great stimulus to centralizing state power and building institutional capacity (Centeno 1997, 2002; López-Alves 2000, 2001). However, the manner in which the approach has been applied may be too literal. Since Latin American state building occurred in a different historical context than the early modern European experience upon which bellicist or predatory theory is based, the literal application has often been used as a foil to argue for competing explanations for the relatively weak states that populate the region today. I will argue that current applications of Tilly's (1975, 1985, 1992) model of state building are too narrowly specified to be of much use in Latin America or elsewhere in the developing world. When properly specified, these models are applicable to Latin America.

I begin by reviewing the qualitative findings on the relationship between war and state building in Latin America. The scant scholarship on this area generally finds that the bellicist approach developed by scholars like Tilly is a useful grand theory "mirror" to hold up to the reality of Latin America (Centeno and López-Alves 2001). The literature finds that war was not a stimulus to state building in the region, but rather than completely rejecting the bellicist approach, scholars have explained why war did not operate in Latin America as it did in early modern

Europe. The comparative case study method or narrative analysis is employed to show how war failed due to a number of factors peculiar to Latin America as a region and particular to states within that region. The common argument is that internal violence overwhelmed the Latin American state in the absence of countervailing pressure that would typically be supplied by the fear of external violence. Further, the preoccupation with the "enemy within" also prevented states from engaging in external violence. As a result, Latin American states are relatively weak entities that exist in a precarious position relative to both domestic society and other states in a region characterized by a violent peace.

However, when the almost exclusive focus on external war is replaced with the more general phenomenon of interstate rivalry, and intrastate rivals are included simultaneously in the model, we can account for both the impact of external and internal forces on the development of the state. Interstate rivals, whether operationalized as "enduring" or "strategic" rivals, have a positive effect on the state's extractive capacity. Intrastate rivals, on the other hand, have the expected negative effect on state building. It is also clear that a variety of other important factors, such as the frequent recourse to external debt have had significant effects on the state's ability to extract from society. The conclusion is that a more generalized version of the bellicist approach to state building is applicable to Latin America. The same types of basic

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forces operate in the region today as were in action during the period of early modern European state formation. However, the results of the state building process are not exactly the same, as Latin American states have clearly not attained the capacity and durability of their European counterparts.

Bellicist Approaches to State Building in Latin America

Latin Americanists are not the first to look at the impact of interstate war and a threatening security environment on the modern developing state. Cohen, Brown, and Organski (1981), Kirby and Ward (1991), Jaggers (1992), Stubbs (1999), and Bates (2001) all highlight the striking similarities that contemporary developing states share with their early modern European counterparts, including the impact of war and external threats on state building efforts. Others argue that the lack of external threats and war have led to relatively weak states (Desch 1996; Herbst 1990, 1996/97, 2000; Lustick 1997), but the logic is the same—strong external threats, including but not limited to war, produce states with stronger institutional capacities to extract from society.

The logic of the bellicist approach is most clearly articulated by Tilly (1985, 182) who maintains that rulers engage in four activities in the process of building the state. The first activity is war making through which rivals located outside of the territory they are attempting to control are neutralized or eliminated. The second activity is state making, which involves the elimination or pacification of potential rivals to their rule from within their territorial base. The third activity is the protection of those actors that support their rule. Finally, in order to accomplish the other activities, the state must engage in the extraction of resources from the population they are attempting to control. Tilly (1985, 180) argued that of these activities, war making was the main stimulus to increases in the level of taxation and debt, hence it has become the main focus for scholars attempting to apply this model outside of Europe.

As Centeno notes, "on the most basic level, the functions of a state include the provision and administration of public goods and the control of both internal and external violence" (2002, 2), which seems to place his work on the Latin American state squarely within the bellicist tradition. However, as he later makes clear, he does not view the state as an independent actor, which severs the theoretical tie to Tilly's work and others in the predatory theory tradition (e.g., Levy 1981; North 1981). According to Centeno,

states are not actors in and of themselves. They are shells—potentially powerful shells—but nevertheless hollow at the core. The machine of the state needs a "driver" able to use the stimulus provided by war to expand its reach and power. Without such a driver, whether it be state personnel, a dominant class, or even a charismatic individual, the political and military shell of the state has no direction. Without this direction, wars do not present opportunities for growth, but are mere challenges to survival. (2002, 166)

Centeno believes that wars only make states when a politically or militarily dominant institution and a social class are united in the view that war is the best way to maintain their position and privilege. Centeno (2002, 142) argues that geographical, social, and racial divisions in Latin America prevented the emergence of a unified, centralized state able to take advantage of the stimulus provided by war. While Latin American elites shared a common fear of the "enemy below"—nonwhite subalterns, they were divided among themselves as liberals versus conservatives, and *criollos* versus *peninsulares*, among other cleavages. Ultimately, these divisions meant that the state "was never able to impose the internal unity required for the extraction process, even in the face of military threats" (Centeno 2002, 138–39). The existence of "rival claimants" to authority among elites also diminished the state's ability to maintain a monopoly over the use of violence, resulting in an "almost predatory quality" of life in many countries because the state was unable to provide protection to its citizens (Centeno 2002, 7–8).

Centeno (2002, 46) argues that internal conflict continues to reflect both the absence of international competitors and the lack of centralization of power domestically. He suggests that it is possible that higher levels of external conflict might have served to mitigate internal divisions, yet there were just too few wars in Latin America that occurred at the wrong time to have this type of impact. Centeno (2002, 9) supports this position by demonstrating that Latin America has participated in relatively few interstate wars since the early nineteenth century compared to the rest of the world. Further, the borders of Latin American countries have remained relatively stable, and no state has disappeared due to conquest. Finally, while civil wars were sometimes defined territorially, they typically revolved around competing claims to the state (Centeno 2002, 128). The combination of high levels of internal violence and low levels of external violence produced a "violent form of peace" (Centeno 2002, 35). This finding is consistent with previous work on regional order in Latin America that characterizes it as a

"violent peace" (Mares 2001) or "zone of negative peace" (Kacowicz 1998).

The problem with the bellicist model, according to Centeno, is that Latin American states have fought "limited" as opposed to "total" wars (2002, 20–23). Limited wars are short in duration, encompass a small geographic area, occur between states over frontier or economic issues, are fought by professional as opposed to conscripted soldiers, and tend to have little impact on the average citizen. The net result is that these wars do not require the large-scale mobilization of society, nor do they have the usual effect on government's ability to extract from it. Total war, on the other hand, enhances the state's ability to extract resources, enables the state to centralize power, shifts loyalties and emotional attachments to the state that represents the nation, and transforms the "subject" into a "citizen." Latin America's experience with limited wars has produced states built on "blood and debt" as opposed to "blood and iron."

Andreski (1980) offers a complementary analysis of the relationship between the external and internal uses of military force. In fact, he argues there is a fundamental incompatibility between internal and external uses of force, such that increased frequency of the internal use of force diminishes the capability of the military to wage war externally. The frequent deployment of the military to dispense with rival claimants to centralized rule in Latin America may have limited the military's ability to properly prosecute interstate wars. This is because time, equipment, and organization directed toward the pursuit of internal rivals detract from the pursuit of external rivals. More importantly, the coercive use of the military within the state detracts from national solidarity and public readiness to support the military and the state more generally through either symbolic or material means. Andreski's analysis also points toward the deleterious effect that simultaneous deployment of forces both internally and externally must have on the state. The logical result is equivalent to Centeno's argument that internal rivals overwhelmed the state and prevented it from augmenting its extractive capacity to more properly prosecute external wars.

López-Alves (2000, 2001) similarly argues that holding Latin America up to the "mirror" of Tilly's (1992) work provides a useful lens through which to view the region's experience, though it does not capture a complete understanding. In his judgment, Latin America (like Europe) falls under Tilly's capitalized coercion model, in which the state used both coercion and capital to centralize their control.

> On both shores, states spent money in reconstructing the economy, buying the loyalty of local lords and army officers, establishing bureaucracies (including a system of taxation), and trying to secure the support of the economic elite. Part of the state budget also went to placate local revolts, and, on occasion, smaller sums were distributed among the populace. (López-Alves 2001, 160)

The difference is that Latin American states did not rely on a central army to subdue the upper classes or enforce taxation, instead relying on foreign loans and customs duties for revenue and suffering the ill effects of internal political rivals. Rouquié (1987) offers a similar argument yet he rejects the application of the capitalized coercion model to Latin America because the region's economies were so externally oriented and penetrated. López-Alves (2001, 164–70) also stresses the effect of guerrilla warfare in delaying the consolidation of the state, and generally diminishing the state's extractive capacity as the government often used tax exemptions to placate local and regional rebellions. Overall, Centeno's conclusion "that while war may have played a significant role in the development of some European states, its explanatory power wanes on crossing the Atlantic" (2002, 20) seems to represent the dominant view of the region.

Current scholarship thus starts with the bellicist approach inspired by Tilly's work on Europe, draws some lessons from it, then moves on to explanations grounded in regional experience. However, the approach adopted in this article is to begin with Tilly's work, but enhance its generalizability outside of the European experience. After all, states are states, no matter what time period or geographical region they inhabit. States clearly vary in their institutional capacity, but that does not mean that they are incomparable, simply that some underlying factors are likely responsible for that variation. In our search for a general approach to state building, we can begin with Tilly's contention that the state must engage in war making to deal with external rivals and state making to deal with internal rivals.

As Centeno notes, "it is not necessarily war itself, but the threat of war that often produces the positive state-building consequences" (2002, 266). This language suggests that external threats in the form of interstate rivals may produce a similar effect on the state as actual war. Interstate rivalries contain varying levels of threat, and the threat is of extended duration, which may act to similarly empower the state to extract from society. But how do the political processes of war and rivalry affect the general state-building process?

Historical institutionalism has previously afforded analytical leverage in understanding the effects of these types of political processes on state building (e.g., Ertman

1997; Waldner 1999) and has frequently been employed in the Latin American context to analyze the path-dependent nature of state institutions (e.g., Collier and Collier 1991; Mahoney 2001). Historical institutionalists argue that institutional arrangements tend toward stability until they are disrupted by some political or economic shock (Thies 2001a). Stability is the result of institutional arrangements that privilege certain agents, such as political, societal, or military elites, who work to perpetuate their role, status, and benefits. Change is "sticky" and episodic due to the vested interests of such agents and the costs of uncertainty stemming from adopting alternate institutional arrangements. In fact, change is only likely to occur during infrequent shocks to the institution known as critical junctures. In the study of state-building efforts, wars are generally thought to disrupt the existing institutional equilibrium surrounding the state's ability to extract tax revenues from society. Wars produce a "displacement effect" or "ratchet effect" that moves the accepted amount of extraction to a new and higher equilibrium point resulting in an expansion of the state's fiscal and administrative apparatus (Campbell 1993; Peacock and Wiseman 1961; Rasler and Thompson 1985; Russett 1970).[1]

However, if Centeno's argument is correct, then the limited wars fought in the Latin American context did not produce the familiar ratchet effect on tax revenues by disrupting the institutional equilibrium. Instead, the ratchet effect was evident only in the effect war had on rising levels of public debt. The literature on the ratchet effect suggests that when domestic political and economic conditions make it difficult or impossible to enhance tax revenues, states will turn to debt for the resources they need to prosecute and pay for war. Tilly's well-known conclusion that "war, state apparatus, taxation, and borrowing advanced in tight cadence" (1985, 180) in early modern Europe is incomplete in the Latin American experience according to Centeno's argument. While war might have produced increased borrowing, it did not have a similar effect on taxation and the development of an effective state fiscal apparatus.

Interstate rivalries, on the other hand, may represent more of a "slow-moving causal process" (Pierson 2003). Historical institutionalism is also attuned to large-scale,

lengthy, social processes that are relatively slow moving in nature. While the impact of critical junctures on policy legacies may be dramatic in the short-term with long-term consequences, slow-moving processes may have more of an incremental impact on institutions. As Pierson and Skocpol (2002) note, it may simply take awhile for these types of processes to add up to anything or even be noticed by scholars who are used to studying events and processes that unfold rapidly. The causal factors that produce incremental change may often be present for some time before a particular threshold is reached that produces change (Baumgartner and Jones 1993; Goldstone 1991). This is one of the reasons that determining the starting point for interstate rivalries has proven somewhat controversial (Bennett 1998; Thompson 1995). The conditions that produce a rivalry are often present before decision makers are aware that they are engaged in one.

Thies (2001b) has explored the causal factors that produced, maintained, and terminated the Argentine-Chilean rivalry through an in-depth case study employing process tracing. He finds that academic and military elites in both states created a form of territorial nationalism that took hold to produce the rivalry only after the Argentine state consolidated territorially in the 1860s, despite the fact that the discourse predated the conclusion of this process. This type of nationalism was promulgated by the popular press into a mainstay of public opinion, taught in the educational system, reinforced by military planning, and barely constrained by periods of democracy (if at all). While Argentina and Chile did not go to war, the military establishments in both countries were instrumental in maintaining a high level of perceived threat among the population for nearly a century. This type of "protection racket" in Tilly's (1985) terms was used to justify increased extraction and military expenditures in the two countries. Similar domestic processes elsewhere in Latin American may have enabled rulers to incrementally adjust their revenue extraction upward over longer periods of time due to the threat posed by rivalries (Ames 1987). In addition to the frequent recourse to debt, the protection racket created by the ongoing threat of an interstate rivalry may have been a rational adaptation to the inability to dramatically increase the tax burden during wartime.

External rivals should not be considered without considering internal rivals as well, since both are important to Tilly's model and predatory theory in general (Thies 2004). While Centeno and López-Alves suggest that internal rivals overwhelmed the Latin American state, both suggest that these rivals were able to do so in the context of a lack of external rivals. Therefore, Centeno and López-Alves's work does fit within a generalized version of Tilly's

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[1] A variety of explanations for the ratchet effect have been proposed in this literature (see Campbell 1993 for a review). First, the state may be able to increase the tax burden in a war context because citizens prefer greater protection to foreign domination. Second, the threat of disinvestment by owners of capital in the face of higher tax rates may also diminish during wartime, as owners of capital benefit directly and indirectly from the infusion of increased government spending into the economy. Third, rulers may simply increase the tax burden during wartime to ensure their survival, regardless of the impact on citizens or investors.

model. We should therefore simultaneously assess the effects of both external and internal rivals on the extractive capacity of the state. External rivals should allow the state to augment its extractive capacity, while internal rivals should have the opposite effect in Latin America.

Data and Method

The current scholarship on the connection between war and state building in Latin America focuses primarily on South America. Centeno (2002) examines Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela, and Mexico, which this article also selects as cases for the sake of comparability.[2] However, I conduct a large-N, statistical analysis, as opposed to the qualitative (and sometimes small-N) analyses of Centeno and López-Alvez. Centeno states that "there is little question that we may speak of a probabilistic connection between war and state development" (2002, 19), seemingly suggesting that statistical analysis of this relationship is appropriate. Yet, Centeno (2002, 116; footnote 37) also states that he studiously avoided statistical analysis because the data would provide deceptive cross-national comparisons and coding particular years for war would be too subjective. In fact, Centeno cautions against grafting "the kind of modeling borrowed from mainstream social science onto comparative historical studies. Finding a single path through historical evidence is nearly impossible" (2002, 278). Historical institutionalists are rather eclectic in this regard, with some scholars creating general models (Collier and Collier 1991; Mahoney 2001) and others emphasizing the unintended or unanticipated aspects of history (Pierson 1996). However, all scholars would agree that macrosocial structures and processes are complicated phenomenon to understand and explain, hence we should exercise appropriate caution when interpreting any type of evidence for our theoretical propositions. This article

[2]Centeno (2002, 1; footnote 1) excludes Central America for several reasons: it is geographically separate from the other countries under study; only so many countries can be studied in a particular scholarly endeavor; and these countries may represent an exception to his arguments. However, these reasons may simply serve to highlight selection bias in the choice of cases. For example, Mexico is not geographically united with the rest of these South American countries, yet it is included. Certainly, as the number of cases increases, the tractability of a comparative case study approach declines, yet this suggests that a large-N, statistical analysis may be warranted. Finally, excluding cases because they may not conform to one's a priori theoretical expectations is problematic. López-Alvez (2000, 7–14) restricts his analysis to five Latin American states, but for stronger theoretical and methodological reasons. I restrict the current analysis to Centeno's 11 cases in order to conduct a fair assessment of his work; however, future research should examine the Central American cases.

suggests that qualitative and quantitative approaches can provide complementary evidence on the state building process in Latin America.

The economic data used here comes from the Oxford Latin American Economic History Database housed at the Latin American Centre at Oxford University, which is an updated version of Thorp (1998).[3] It is the most comprehensive source of economic data on Latin America available for the entire twentieth century (1900–2000). Unfortunately, comprehensive, reliable data for the nineteenth century, which would have allowed for a more comprehensive study of state building, is not available. We should bear in mind when interpreting the evidence that these states are further along in their consolidation in the period under study than Tilly's early modern European states. However, given that state building is an ongoing process, the period under study is still likely to shed light on the factors that affect state building efforts.

The dependent variable of interest is the *tax ratio*, which is the state's tax revenue as a percentage of gross domestic product (GDP). The tax ratio is the standard measure of the state's extractive capacity (e.g., Campbell 1993; Centeno 2002; Fauvelle-Aymar 1999). Taxes and the bureaucracies that support regularized extraction are the stuff out of which the modern state is built. Organski and Kugler argue "taxes are exact indicators of governmental presence" (1980, 74). The inability to extract tax revenue from society is a key indication of the state's incapacity to obtain and maintain national unity, legitimacy, and control.

I first test Centeno's arguments about the effects of *interstate war* and *civil war* on state building efforts. Although he makes it clear that he thinks the coding of wars is too subjective to provide meaningful cross-national comparisons, Centeno (2002, 44–46) actually generates his own lists of interstate wars and civil wars, which I use to test his argument. Centeno's classifications of interstate war and civil war are similar, though not identical, to the Correlates of War classifications (see Tables 1 and 2). Given the general expectation that a "ratchet effect" on tax revenues is the result of a political shock like war, I allow interstate and civil wars to have a 10-year impact on tax revenues following convention in the literature (e.g., Goertz and Diehl 1995). Coding interstate wars solely for the wartime years is likely to miss the impact this type of shock would have on state institutional arrangements surrounding extraction. Following Andreski's (1980) logic, I also include a variable to test for the interaction of interstate and civil wars. If Andreski is correct, internal rivals

[3]The data can be accessed at the following web site: http://oxlad.qeh.ox.ac.uk/index.php.

TABLE 1   Latin American Interstate Wars in the Twentieth Century

War	States	Dates	Centeno	COW
World War I	Brazil	1917–1918	Yes	No
Chaco War	Bolivia, Paraguay	1932–1935	Yes	Yes
Leticia	Colombia, Peru	1932–1933	Yes	No
World War II	Brazil	1944–1945	Yes	Yes
Border Dispute	Ecuador, Peru	1941	Yes	No
Korean War	Colombia	1951–1953	No	Yes
Border Dispute	Ecuador, Peru	1981	Yes	No
Falklands War	Argentina	1982	Yes	Yes
Border Dispute	Ecuador, Peru	1995	Yes	No

Source: Centeno (2002, 44) and Correlates of War Project.

might take advantage of the inability of the state to effectively deploy military force both internally and externally, leading to a decline in the tax ratio. Unlike Central America, there are no cases of third-party state intervention in South American civil wars in this time period.

TABLE 2   Latin American Civil Wars in the Twentieth Century

State	Dates	Centeno	COW
Mexico "Indian Campaigns"	1880–1900	Yes	No
Colombia "Thousand Days"	1899–1903	Yes	Yes
Venezuela	1898–1900	Yes	No
Venezuela	1901–1903	No	Yes
Secession of Panama (Colombia)	1903	Yes	No
Uruguay	1904	Yes	Yes
Mexican Revolution	1910–1920	Yes	Yes
Ecuador	1911–1912	Yes	No
Paraguay	1911–1912	Yes	Yes
Ecuador	1922–1925	Yes	No
Mexico	1923–1924	No	Yes
Mexico "Cristero Rebellion"	1926–1930	Yes	Yes
Brazil	1932	No	Yes
Paraguay	1947	Yes	Yes
Colombia "La Violencia"	1948–1962	Yes	Yes
Bolivia Revolution	1952	Yes	Yes
Argentina Anti-Peron	1955	Yes	Yes
Chile	1973	No	Yes
Peru "El Sendero"	1982–1992	Yes	Yes
Colombia	1984–Present	Yes	Yes

Source: Centeno (2002, 45–46) and Correlates of War Project.

I also examine the impact of interstate rivalries on state building, which may present more of a long-term, slow-moving effect on state institutions. Diehl and Goertz conceptualize *enduring rivalry* as "a relationship between two states in which both use, with some regularity, military threats and force as well as one in which both sides formulate foreign policy in military terms" (2000, 4). These types of rivalry involve a variety of militarized activities, including both the threat and actual use of force deployed to resolve foreign policy disputes over extended periods of time. Operationally, an enduring rivalry is a dyad that experiences at least six MIDs within a time period of at least 20 years. Diehl and Goertz (2000, 44–45) also classify two other types of rivalry, including *proto-rivalry* (at least three MIDs in less than 20 years), and *isolated rivalry* (two or fewer MIDs in less than 11 years).[4] The Latin American enduring and proto rivalries for the twentieth century are found in Table 3 alongside the other conceptualizations of interstate rivalry tested here.

Thompson's (2001) alternative measure of interstate rivalry, known as *strategic rivalry*, is included as a comparison to the Diehl and Goertz measure of enduring rivalry. Strategic rivalries are conceived as situations in which states view each other as "(a) competitors, (b) the source of actual or latent threats that pose some possibility of becoming militarized, and (c) enemies" (Thompson 2001, 560). Thompson's operationalization of the concept also differs greatly from the Diehl and Goertz measure, since there is no reliance on the MID data to mark the beginning and ending of a rivalry, nor on absolute numbers of MIDs required to establish a rivalry's existence. Instead,

[4]I have updated the Diehl and Goertz (2000) classifications of these types of rivalry through 2000 based on the newly released MID 3.0 data (Ghosn and Palmer 2003).

TABLE 3 Latin American External Rivalries in the Twentieth Century

Dyad	Enduring	Proto	Strategic	Interstate I	Interstate II
Argentina-Brazil			1817–1985		
Argentina-Chile	1873–1909		1843–1991	1873–1984	1897–1984
Argentina-Chile	1952–1984				
Argentina-Germany		1939–1945			
Argentina-UK		1976–1983	1965–present		
Bolivia-Chile			1836–present	1857–1904	1927–1938
Bolivia-Paraguay	1918–1938		1887–1938	1886–1938	
Bolivia-Peru			1825–1932		
Brazil-Germany		1942–1945			
Brazil-UK					1849–1965
Chile-Peru		1911–1921	1832–1929	1871–1929	
Chile-Peru		1976–1977			
Colombia-Ecuador			1831–1919		
Colombia-Germany		1943–1944			
Colombia-Nicaragua			1979–1992		
Colombia-Peru		1899–1913	1824–1935	1899–1934	
Colombia-Venezuela		1982–2000	1831–present		
Ecuador-Peru	1891–1955		1830–1998	1891–present	1911–present
Ecuador-Peru	1977–1998				
Ecuador-USA	1952–1981				1972–present
Mexico-Germany		1939–1942			
Mexico-USA		1911–1920		1836–1923	1859–1927
Peru-USA	1955–1992				1992–present
Uruguay-Germany		1939–1945			
Venezuela-Guyana		1966–1982	1966–present		
Venezuela-Trinidad		1996–1999			

Source: Diehl and Goertz (2000) and Thompson (2001, 570–73).

Thompson relies on the perceptions of foreign policy makers in the affected states as reported by historians.

Given the controversy in the literature about when to date the start of a rivalry, I also employ two other operationalizations of the rivalry concept that affect the start of the rivalry as a check on the robustness of my results. MID-based approached to rivalry, such as Diehl and Goertz's enduring rivalries, are frequently criticized because the beginning and ending dates of the rivalry are only known by the researcher retroactively. However, as Thompson (1995, 2001) has argued, if decision makers are making policy choices based on a rivalry, then it is important that they realize they are participating in a rivalry. Thompson (2001) developed his aforementioned measure of strategic rivalry precisely to address this problem. Bennett pursued another approach to improve the dating of MID-based approaches to rivalry based on the issues under contention. Bennett's (1996, 1997a) first operationalization of rivalry, which Thompson (2001) refers to as "*Interstate I rivalry*," requires a pair of states to engage in at least five MIDs during a period of at least 25 years concerning the same issue under contention. Bennett's (1997b, 1998) second operationalization of rivalry, "*Interstate II rivalry*," requires six MIDs within a 20-year period with no more than a 15 year gap between disputes. In both operationalizations, the starting and ending dates for the rivalry are not necessarily the same as in the Diehl and Goertz "enduring" rivalry measure despite the same reliance on MIDs.

This article will test the effects of these kinds of interstate rivalries as measures of significant external threat. Given that interstate rivalries, regardless of their operational definition, are by their nature militarized competitions that extend over long periods of time, we should expect to see increased extractive activity on the part of the state to deal with them. However, proto-rivalries and isolated rivalries from the Diehl and Goertz approach may lack the level of sustained severity that would cause

the state to augment its extractive capacity. In fact, given Centeno's arguments about limited war, we might even expect that sporadic conflict events might not have any significant effects on state fiscal policy, or even a negative effect.

The control variables are standard fare for predictions of the tax ratio (e.g., Cheibub 1998; Fauvelle-Aymar 1999; Webber and Wildavsky 1986). They include a measure of *democracy*, which is based on the polity2 score from Polity IV, which varies from +10 (most democratic) to −10 (most autocratic). The polity2 score is increased by 10 points and then divided in half so that the composite score varies between 0 and 10 as in the original variables on which it is based. Predatory theory based on the European experience generally predicts a negative relationship between democracy and the tax ratio, although some studies have found a positive relationship in the developing world, and perhaps not surprisingly, previous empirical studies find mixed evidence for the effect of democracy on extraction (e.g., Cheibub 1998).

I include a measure of *external debt* as a percentage of GDP. This measure includes the total of public, publicly guaranteed, and private nonguaranteed long-term external debt, including the use of IMF credit, and short-term debt, that is owed to nonresidents. Centeno is quite clear that he believes Latin American states avoided increased extraction in part because of the readily available foreign sources of funding, hence his book title *Blood and Debt*. The resort to external debt by developing states is often viewed as one of the reasons that Tilly's model may not generalize outside of early modern Europe. I include the measure of external debt to control for this alternative to increased domestic extraction.

The logarithm of *GDP per capita* in dollars is used as a measure of national wealth and economic development. States with higher levels of wealth and development should have the ability to extract a larger portion of the national income, as well as a larger initial pool of resources to consider for extractive purposes. The logarithm of *inflation* measured as the annual percentage change in the Consumer Price Index (CPI) is typically expected to be negatively associated with tax revenues. However, Latin America has had an unfortunately long experience with high and even hyperinflation. These levels of inflation were often the result of the state's desire to placate labor, allowing wages to rise to meet previous price increases, thus creating a vicious circle whereby inflation begat inflation. At the same time, states continued to provide subsidies in transportation and food, in addition to more expensive ventures launched under the import-substitution industrialization programs popular between the 1920s and the 1980s. Thus, the state continued to need enhanced

revenues during periods of rising inflation. Inflation and extraction (along with other means of securing revenues, such as debt) are expected to be positively related in this situation. *Trade openness* (the total of exports plus imports divided by GDP) is expected to be positively related to tax revenues as international trade is often thought to be relatively easy to tax as it enters or leaves through a limited number of ports.

I also include a measure of the sectoral composition of domestic product: *agriculture* as a percentage of GDP. This sector of the economy is often included as an indicator of the transaction costs associated with taxation, along with per capita GDP, trade openness, and mining as a percentage of GDP (e.g., Cheibub 1998). This article includes all of these factors except mining, since the Oxford data does not include a separate variable for this sector of the economy. The transaction cost argument is that it is relatively easier to tax the modern sectors of the economy, as opposed to the traditional sectors like agriculture. Therefore, agriculture is expected to be negatively related to the tax ratio.

A *time-trend* variable is included to capture the variation in the tax ratio across time throughout the region. This variable is also a surrogate for age, since all of these states emerged from the colonial period at approximately the same time. Presumably, as states age, they should become better at extracting from society, although at some point the relationship reverses in mature democracies as groups bargain through institutionalized political channels to reduce their share of the tax burden (Jackman 1993). In the Latin American states, I expect a positive relationship between time (age) and the tax ratio. I estimate the following pooled cross-sectional time-series with panel-corrected standard errors (PCSEs; Beck and Katz 1995).

Analysis

I test Centeno's basic propositions about the relative impact of interstate and civil war on state building in Latin America in the model found in Table 4. I first employ Centeno's measures of interstate and civil war in the model on the left-hand side of the table. As Centeno suggests, interstate war does not have a significant effect on extraction, even allowing for a 10-year impact on the tax ratio. The sign on this variable is negative, which does seem to correspond to Centeno's general understanding that if anything, the few wars that were fought at the wrong time (in his view) might have actually undermined the state building process. Civil wars, on the other hand, have a significant, negative effect on extraction, which is exactly

TABLE 4   The Effect of Interstate and Civil War on the Tax Ratio in Latin America

Independent Variable	Coefficient	PCSE	Coefficient	PCSE
Centeno Interstate War	−.0777	.6624		
Centeno Civil War	−2.6418***	.5637		
Centeno Interstate × Civil	−2.4289*	1.2602		
COW Interstate War			−4.4734***	1.3889
COW Civil War			−2.6360***	.4999
COW Interstate × Civil			6.5303***	1.5658
Democracy	.2124*	.0959	.2279**	.0911
External Debt	−11.2135***	2.1763	−8.2430***	2.1610
GDP per capita	1.8593***	.5432	1.6366***	.5284
Inflation	.2611***	.0540	.2563***	.0503
Trade Openness	14.4286	8.3202	8.6642	7.7740
Agriculture	−21.9131***	3.4295	−23.7643***	3.1945
Time-trend	.1011***	.0174	.0814***	.0184
Constant	−2.5987	3.5218	.4379	3.2446
N	653		653	
Adj. R^2	.5093		.5131	
Wald χ^2	556.06***		614.70***	

Note: All significance tests are two-tailed: *p < .05, **p < .01, ***p < .001.

what Centeno argues. Civil wars waged by a variety of internal rivals to the state have reduced the state's ability to unify, centralize, and extract from its society. Consistent with Andreski's argument, states involved in both internal and external wars as measured by the interaction term find their extraction rates hampered significantly as well.

Substituting the COW measures of interstate and civil war provides an interesting twist in the model on the right-hand side of Table 4. The COW interstate war variable is negative and significant, as is the civil war measure. The COW measure suggests that not only was war an important political shock, but its effects were in the opposite direction expected by a literal application of predatory theory derived from the European experience. However, the negative impact of interstate and civil wars is entirely consistent with Centeno's argument. The twist is the positive and significant interaction term. According to the COW measures, states experiencing both internal and external conflict were better able to extract from society. This finding actually fits with predatory or bellicist theory, which would expect a state under siege from within and without to find a way to enhance its extractive capacity from groups willing to support its continued rule.

However, upon closer inspection of the data, one finds only one case in either model of an interaction between interstate and civil war, hence our confidence in the generalizability of this finding is diminished. In the model using Centeno's measures, Peru experiences two

interstate wars with Ecuador while experiencing a long-running civil war with El Sendero Luminoso, which resulted in a decline in the tax ratio. In the model using the COW measures, Colombia experiences the Korean War at the same time as it experiences La Violencia, which resulted in a positive effect on the tax ratio. While Centeno and COW both agree on the coding of the civil wars in these cases, Centeno does not recognize Colombia's participation in the Korean War and the COW project does not recognize Peru's 1981 and 1995 conflicts with Ecuador as wars. Centeno's caution about the subjective nature of coding wars is dramatically illustrated by these two models, in which the interactive terms depended solely upon one case in each instance. Dropping the interactive term has no significant effect on either model. Overall, the results conform closely to Centeno's argument that interstate and civil war worked to depress the state's extractive capacity in Latin America in contradiction to the literal application of bellicist or predatory theory.

The control variables have their expected effects in both models. Democracy has a positive and significant impact on the tax ratio. States that have attained higher levels of democracy in the developing world may possess a greater degree of legitimacy, thus their tax ratios are somewhat higher than their autocratic neighbors. Higher external debt ratios reduce the reliance on extraction as expected by Centeno's argument that Latin America states were built on "blood and debt." External sources of

funding are a definite alternative to taxation in the Latin American context. Inflation exerts a small, significant, positive effect on the tax ratio as expected given Latin America's history of inflation proneness. The variables associated with the transaction cost argument about tax collection also exert their expected effects, though the trade openness variable just misses statistical significance at the .05 level. However, it likely passes the substantive significance test.

The time-trend variable also indicates that Latin American states have on average slowly augmented their ability to extract from society at a rate of approximately one percent of GDP every 10 years. This finding should make clear that state building is a long process, and one that is never truly complete. One of the misunderstandings of those who apply the bellicist approach to the developing world is the idea that state building is completed when the state is consolidated. However, the initial, tenuous consolidation of centralized rule over a territory and population marks the beginning, not the end of state building.

The more generalized version of the bellicist approach is found in the models presented in Table 5. Two separate models are presented, one representing Diehl and Goertz's (2000) approach to enduring rivalries on the left-hand side of the table and the other representing Thompson's (2001) approach to strategic rivalries on the right-hand side. In both cases, the exclusive focus on interstate war is replaced by the notion of an interstate rivalry that may provide a stimulus to extraction over the long-term. These types of external rivals are also assessed alongside the internal rivals represented by Centeno's civil war measure. Centeno's (2002, 61–66) classification of civil wars is comprised of regional rebellions, ideological battles, caudillo wars, race/ethnic wars, and revolutions. These are exactly the types of political and ethnic rivals that early modern European rulers had to pacify, neutralize, and bargain with in order to continue their rule.[5]

In the first model, enduring and proto-rivalries are significantly and positively related to the tax ratio, while isolated rivalries have a significant, negative impact. In the second model, strategic rivalries exert a significant, positive influence on extraction as well. In both models, the interaction terms representing situations in which states are involved in both internal and external rivalry are all significant and negative. The coefficients on the interaction

terms are also quite large compared to their component variables. Whether the state is engaged in an enduring, proto- or strategic rivalry, all of these long-term processes have negative consequences for extraction when the state is simultaneously involved in internal conflict, consistent with Andreski's (1980) argument. The Centeno measure of civil war is negative, but loses significance in this model, as the interaction terms capture most of its variation.[6] All of the control variables are similar in size, sign, and significance to the original war models found in Table 4. These findings are interesting for a number of reasons.

Most importantly, the results demonstrate that the more generalized bellicist model is clearly applicable to Latin America. Long-term, threatening interstate relationships, in the form of enduring, proto-, or strategic rivalry prompt increased extraction on the part of the state. This finding replicates Thies' (2004) previous work on rivalry's impact on state building in the developing world as applied to sub-Saharan Africa, Asia, and the Middle East and North Africa. However, I expand the geographical scope of the argument by including Latin America, as well as the temporal scope by examining the entire twentieth century. Future research should incorporate Latin American states into the larger pool of developing states in order to compare the relative impact of war and rivalry on state building efforts across the globe.

As the interactive terms from the original war models presented in Table 4 illustrate, substantive decisions about coding can produce contradictory statistical effects. Given the disagreement over the most appropriate way to date rivalries in MID-based approaches, I have included Bennett's Interstate I and II rivalries as a check on the robustness of the findings stemming from the enduring and strategic rivalry measures. The results presented in Table 6 are very robust. Both additional measures of interstate rivalry have positive and significant effects on the tax ratio. The Centeno civil war measure is negative and significantly related to the tax ratio. The interaction of interstate rivalry and civil war is also negative and significant. The control variables are all similar in size, sign, and significance to the models presented in Table 5. As a result, we can be confident that external rivalries exert a significant effect on the state's extractive capacity, regardless of the coding decisions made by researchers.

As a final check on the robustness of these results, I recode the COW-based measures of enduring rivalry

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[5]Thies (2004) employed data on ethnic wars, revolutionary wars, disruptive regime transitions, and genocides/politicides from Gurr et al.'s (1997) State Failure Task Force as indicators of internal rivals to the state. However, the state failure data only covers the post-1950 era. Centeno's (2002) classification of civil wars is a reasonable proxy for the types of "rival claimants" to power required for this analysis.

[6]The correlations between the Centeno measure of civil war and the interaction term for enduring rivalry is .49 and proto-rivalry is .38. The correlation between the Centeno measure of civil war and the interaction term for strategic rivalry is .73. A visual inspection of Tables 1 and 2 confirms that most of the Latin American civil wars occur in the context of external rivalries.

TABLE 5   The Effect of Enduring and Strategic Rivalries on the Tax Ratio in Latin America

Independent Variable	Coefficient	PCSE	Coefficient	PCSE
Enduring Rivalry	2.1979***	.3730		
Enduring × Civil	−6.3762***	1.1833		
Proto Rivalry	4.5999***	.9234		
Proto × Civil	−6.3323***	1.3690		
Isolated Rivalry	−1.6540**	.6793		
Strategic Rivalry			1.9223***	.4023
Strategic × Civil			−4.1324***	1.3660
Centeno Civil War	−.3336	.4894	−.0014	1.0108
Democracy	.1647	.0884	.1789	.0954
External Debt	−15.5281***	2.6244	−13.0496***	2.3899
GDP per capita	1.5406***	.4651	2.5797***	.6049
Inflation	.3900***	.0577	.2649***	.0510
Trade Openness	17.3384*	7.9138	10.8389	8.2823
Agriculture	−25.2786***	3.5496	−19.7460***	3.4911
Time-trend	.0931***	.0157	.1092***	.0172
Constant	−.1369	3.3834	−9.1412*	4.1641
N	653		653	
Adj. R^2	.5729		.5187	
Wald χ^2	515.00***		531.72***	

Note: All significance tests are two-tailed: *p < .05, **p < .01, ***p < .001.

TABLE 6   The Effect of Interstate I and II Rivalries on the Tax Ratio in Latin America

Independent Variable	Coefficient	PCSE	Coefficient	PCSE
Interstate I Rivalry	1.0055**	.3628		
Interstate I × Civil	−4.0041***	1.1345		
Interstate II Rivalry			1.0225**	.3464
Interstate II × Civil			−4.0657***	1.1239
Centeno Civil War	−1.6109***	.4798	−1.5413***	.4742
Democracy	.1979*	.0938	.1872*	.0938
External Debt	−11.3175***	2.2054	−11.4733***	2.2194
GDP per capita	1.7504***	.5399	2.0239***	.5362
Inflation	.2744***	.0559	.2703***	.0554
Trade Openness	14.6059	8.3713	16.0999	8.5776
Agriculture	−23.8680***	3.6340	−22.8569***	3.6416
Time-trend	.1040***	.0167	.1094***	.0169
Constant	−2.0732	3.5142	−4.4144	3.5578
N	653		653	
Adj. R^2	.5160		.5159	
Wald χ^2	567.03***		587.46***	

Note: All significance tests are two-tailed: *p < .05, **p < .01, ***p < .001.

TABLE 7   **The Effect of the Severity and Hostility of Rivalries on the Tax Ratio in Latin America**

Independent Variable	Coefficient	PCSE	Coefficient	PCSE
Enduring Rivalry Severity	.1027	.4656		
Enduring Rivalry Hostility			.2953*	.1343
Civil War Severity	−.4440***	.0750	−.4358***	.0757
Democracy	.2075*	.0941	.2186*	.0950
External Debt	−9.7626***	1.9723	−9.6792***	1.9584
GDP per capita	1.8878***	.5542	1.8292***	.5507
Inflation	.2056***	.0941	.1995***	.0495
Trade Openness	15.5057	8.0726	16.3445*	8.1799
Agriculture	−22.5666***	3.5836	−23.0434***	3.6370
Time-trend	.1051***	.0167	.1046***	.0163
Constant	−3.0911	3.5860	−2.7772	3.5950
N	653		653	
Adj. R^2	.4946		.4972	
Wald χ^2	587.54***		596.23***	

Note: All significance tests are two-tailed: $^*p < .05$, $^{**}p < .01$, $^{***}p < .001$

and civil war for severity and hostility. All of the afore-mentioned measures of external and internal rivalry have assumed a constant threat level, while we know that the threat level present in these long-term processes varies. The severity of enduring rivalries and civil wars is based on the COW fatality measure, which scales the number of deaths between 0 and 6.[7] Enduring rivalries are also coded for their hostility level, which ranges from 1 to 5.[8] Rather than using the highest level of hostilities under-taken by either state, which is often used in the analysis of dyads, each rival state is coded for the highest action they take individually. This avoids the problem of overstating the overall hostility level of a dyadic dispute (e.g., Diehl and Hensel 1994), while also accounting for the hostility exhibited by each individual state and its potential impact on extraction.

Taking the severity of a rivalry into consideration, one finds a positive, though insignificant relationship to the tax ratio in the model on the left-hand side of Table 7. Considering a rivalry's hostility level, on the other hand, one finds a positive and significant relationship to

the tax ratio in the model on the right-hand side. This set of findings is particularly important to the more general version of bellicist theory presented here. What they suggest is that the Latin American state is indeed running a protection racket. Many displays and uses of force in Latin America involve no fatalities, yet the state is able extract more from its society by maintaining a long-term hostile relationship than it does when that relationship incurs actual fatalities. The actual severity of the rivalry is insignificant, while the hostility displayed by the state is important to extraction. This finding is consistent with Thies' (2001b) analysis of the Argentine-Chilean rivalry, in which the militaries exaggerated the threat posed by their rivals to justify their role, status, and benefits through enhanced extraction and expenditures. Finally, in both models, the increased severity of civil wars has the expected impact of a decreased effect on extraction. Battles between the central government and internal rivals over control of the state are not a stimulus to extractive efforts, particularly when large numbers of citizens perish in the process.

Conclusion

The evidence provided here both challenges and supports the bellicist approach to state building in Latin America. On the one hand, a literal application of Tilly's dictum that "states make wars and wars make states" is not supported by the data. Centeno and López-Alves provide qualitative

[7]The coding is 0 = no fatalities, 1 = 1–25 deaths, 2 = 26–100 deaths, 3 = 101–250 deaths, 4 = 251–500 deaths, 5 = 501–999 deaths, 6 = more than 999 deaths. The precise numbers of fatalities for all of the MIDs encapsulated within the enduring rivalries are not available, though the 0–6 coding is assigned. The COW measure of civil war fatalities is coded using the same scale, although actual fatality estimates are available.

[8]Hostility levels are coded as 1 = no militarized action, 2 = threat to use force, 3 = display of force, 4 = use of force, and 5 = war.

analyses that demonstrate interstate wars did not enhance the extractive capacity of the state, which is supported by the quantitative analysis presented in this article. However, I argue that Tilly's model should be generalized for an appropriate application to the developing world. Tilly's model places the state at the center of a balancing act between encroaching external and internal rivals. When the narrow focus on war is expanded to consider interstate rivalry, we begin to see the true impact of external threats on state-building efforts. External rivals, regardless of the operational measure employed, have significant, positive effects on the state's extractive capacity. The evidence provided here suggests that these long-term, slow-moving processes represent a protection racket organized by the rulers of the state to maintain themselves in power. Given the history of military dictatorship, it seems appropriate to conclude that the Latin American state was indeed a predator, albeit one that fed more slowly on society, over longer periods of time, than its early modern European counterparts.

Internal rivals, as measured by the variety of rival claimants seeking power through civil wars, operate exactly as the qualitative analyses suggest. Internal rivals reduce the state's extractive capacity, whether through the damage they cause to the economy's productive capacity, the bargaining they conduct with the state to reduce their share of the tax burden, or their temporary occupation of territory that places productive wealth beyond the state's grasp. Consistent with Andreski's (1980) argument, states that simultaneously experienced both internal and external rivalries suffered a reduction in their extractive capacity, perhaps as a result of the inefficient or incompatible use of force both at home and abroad. However, I demonstrate that internal rivals did not completely overwhelm the state as Centeno has suggested. External and internal rivals placed competing pressures on the state's ability to mobilize society for extractive purposes.

The argument that Latin American states often turned to external debt in lieu of increased extraction at home is also supported by the quantitative analysis. Generally, critics of the application of Tillyesque models to the developing world point to two differences between early modern Europe and the present: the lack of interstate war and the ability to borrow on the world market. I have already dealt with the former, but it is true that developing states often take on external debt instead of taxing their domestic populace. However, they do not borrow to the complete exclusion of taxing. The results of this article would amend Centeno's thesis to focus on blood, debt, and taxes.

Centeno also attempts to deal with the problem of regional order. His conclusion resonates across the litera-ture as other scholars, such as Mares (2001) and Kacowicz (1998) recognize the existence of a violent or negative peace in the region. Their diagnosis is much the same—high levels of internal violence combined with low levels of external violence produce a "violent form of peace." Kacowicz and Mares both recognize that there is a considerable amount of interstate conflict in the region, yet it is generally not allowed to spiral out of control into full-scale warfare. The conceptual focus on interstate and intrastate rivalries allows us to consider how these pressures affect both the strength of the state at home and the resulting effects for the region. While external rivalries may prompt increased extraction, they may not do so at a level commensurate with war. The dramatic impact of a political shock like war did not translate into increased extraction in Latin America, yet the longer-term incremental addition to extractive capacity may have been a rational adaptation by rulers to their circumstances. The notion of a protection racket seems to fit these states well. The states of the region perhaps failed to achieve the capacity and durability of their European counterparts because while the internal pressures they face are just as strong as their predecessors experienced, the external pressures are not.

Latin American states, much like their newer counterparts in Africa and Asia, are left negotiating an international system where the same basic forces are at work today that were operating in early modern Europe, however, the results of these competing pressures are not exactly the same. State building will be marked by continued attempts to control internal violence, defend against threats of external violence, and provide public goods for the citizenry through whatever means are available. Blood, debt, and taxes are dependably recurrent aspects of the long and painful process of building the modern state.

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