“Rivalry and State Building in Latin America: Tracing and Adjudicating Competing Causal Mechanisms”

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In a series of recent papers, Cameron Thies (2001, 2004, 2005, 2006, 2007) has sought to better specify the effects of the security environment on state formation by incorporating rivalry, or the threat of conflict, into models of state development. In his studies of South America, Central America, and sub-Saharan Africa, Thies reaches several novel conclusions about the relationship between threats of conflict and state capacity. These findings, based largely on statistical analysis, have the potential to reshape scholarship on post-colonial state development, while building on the long tradition of connecting domestic and international conflict to the development of state capacity.

First, Thies confirms the finding of other scholars (such as Centeno 2002 and Herbst 2000) that international war failed to create state capacity in the developing world. But Thies provocatively finds that international rivalry—the threat of war rather than its occurrence—promotes the growth of state capacity. In this way, Thies expands our understanding of geopolitical competition beyond active warfare and to bellicist pressures in general. If Thies is right, he has articulated a unified theory of state building that can explain the development of both European and post-colonial states.

Second, Thies incorporates internal conflict into his analysis. Against scholars like Tilly (1985) who see internal conflict as central to state building in the European tradition, scholars of the post-colonial world have often argued that internal conflict is related to state weakness, (e.g., Huntington 1968). Thies echoes these findings. He argues that weak states face internal rivals, and that the efforts to subdue those internal rivals (whether by force or by negotiation, as elaborated in more detail below) undercut the state’s development of extractive capacity. His statistical analysis of South American cases shows that internal rivalry is negatively correlated with state capacity and that the interaction of internal and external threats has particularly negative effects on state development. Simply put, external rivalries bode well for the growth of state capacity, while internal rivalries have deleterious effects on state building.

Our investigation of Thies’ claims in a series of case studies drawn from South America, however, cast doubt on his findings. We find that the posited mechanisms linking both external and internal rivalry to state capacity are not supported by a careful examination of the cases in his study. We suggest some alternative ways to account for the statistical findings. The exposition of these other mechanisms raises suspicions about whether rivalry of either type shaped state building in South America. Part One briefly summarizes the bellicist school of post-colonial state development, and highlights in detail the challenge Thies poses to the conventional wisdom in this literature. We also articulate a number of outstanding methodological issues that warrant closer inspection of Thies’ substantive conclusions, which we ultimately find unpersuasive.

A series of case studies in Parts Two and Three demonstrate the limitations to Thies’ arguments about external and internal rivalry, respectively. Part Two counters Thies’ (2001) contention that an external rivalry between Argentina and Chile during 1873-1909 was a leading state builder in those countries through in-depth process tracing. Part Three then considers the complex relationship between internal rivalry and state building by examining case studies of Peru (1982-92), Argentina (1820-52), and Colombia (1984-present). We find that Thies’ statistical model overlooks the crucial causal connections needed for a full explanatory accounting of how internal rivalries impact state building processes. In the conclusion, we evaluate the effects of rivalry on
South American state development based on our findings, and suggest some ways to apply our findings from this subset of cases to Thies’ broader research agenda. Overall, we find Thies’ claim that external rivalries were leading state builders in South America dubious. We also show that his conclusions regarding internal rivalries and state building are theoretically underspecified and therefore require refinement in order to fully capture the relevant causal dynamics and achieve appropriate explanatory depth.

Part One: Adding Rivalries to the Bellic Tradition

In seeking to explain the origins of state capacity, a robust tradition of scholarship has built on Tilly’s (1975, 42) insight that, in Europe, “war made the state and the state made war.” Because the prosecution of war required resources, state leaders had to develop the capacity to extract from their societies to survive in the international arena. Thus, international conflict stimulated the development of bureaucracy, penetration of society, and the ability to extract resources from society. To effectively extract resources, state leaders had to offer the basic public good of protection from domestic and external violence; in this way war led to the emergence of the Weberian state – one which exercises a monopoly of force over a given territory. This cycle of war-making and state-making, often characterized (most notably by Tilly 1985) as predatory, helps explain the emergence of effective states in early modern Europe.

Many scholars have sought to extend Tilly’s model to other world regions, though they generally conclude that warfare has had fewer positive state building effects elsewhere. Miguel Ángel Centeno (2002) has found the bellicist approach to state development useful in the South American context. He attributes the relative weakness of South American states to the region’s ‘limited wars,’ which he argues were insufficiently large to spur the cycle of war-making and state-making Tilly described in the European context. Thus, in South America, the distinct nature of the international environment explains the distinct nature of the states which populate it. Jeffrey Herbst (2000) makes a similar argument for sub-Saharan Africa, where states are weak and international war is scarce. But in his view, the international environment both shapes and is shaped by the states which populate it. He argues that African states, loath to invest in the costly acquisition of state capacity, have constructed a regional environment which privileges the maintenance of existing territorial boundaries, thereby foreclosing the bellic path to robust state power. Both of these scholars, then, find that post-colonial states are weak because they face little threat of war. Insofar as intra-regional variations in state capacity exist, they are presumed to stem primarily from domestic-level factors.

Unlike these scholars, Thies argues that international threats can explain variation in state capacity within the post-colonial world. In his view, a focus on international war is an overly narrow conceptualization of the international context. The point of departure is Centeno’s insight that “it is not necessarily war itself, but the threat of war that often produces the positive state-building consequences” (2002, 266). Thies argues that states develop extractive capacity as they respond to external threats, even if those threats do not result in international warfare. External threats “empower the state to extract from society” (2005, 453). Unlike wars, which produce a ratchet effect (Campbell 1993) in the extractive capacity of the state, international rivalries unfold more gradually, motivating

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1 Centeno’s analysis also includes Mexico. We refer to South America here to distinguish the study of this region from that of Central America undertaken in Thies (2006).
state leaders to incrementally increase revenue extraction to meet the long-term exigencies of war preparation. Wars must be funded quickly, forcing states to resort to international loans, while external rivalries permit more gradual solutions to the financing of military mobilization. This allows states to gradually bolster their extractive capacity. Using various alternative operationalizations of international rivalries drawn from global datasets, Thies tests the effects of external rivalry on the extractive capacity of the state, and finds that “long-term, threatening interstate relationships … prompt increased extraction on the part of the state” (2005, 460). This finding, supported by strong statistical evidence, is echoed in his research on a variety of post-colonial regions in which state-building has unfolded recently. Thus, the Thies research agenda suggests that the international context plays a leading role in state building.

Thies also develops a theory of the effect of internal threats on the state’s ability to extract resources from society. State leaders, according to a view that dates back to Tilly (1985), face internal and external threats, both of which affect their ability to exercise effective authority. According to Thies (2005, 453-5, 462-3), where states face internal rivals, we should expect that their ability to rule and extract societal resources will be hampered. Based on a dataset on internal rivalries in South America, Thies finds that the presence of internal rivals (which he operationalizes as “rival claimants seeking power through civil wars”) reduces the state’s extractive capacity, as measured by the tax ratio. Consequently, he concludes that internal rivals inhibit the development of state capacity.

Our paper departs from several concerns with the Thies research agenda. We focus on South America in this paper because it represents the area we know best, but we expect that our critiques of his study of that region will apply to his work on other regions as well. The issues we take up in the analysis are motivated by central debates in the philosophy of social science and methodology. Our analysis illustrates how methodology serves both as a means to craft robust research designs and as a prompt to demand theoretical refinement.

First, we believe, building on much recent scholarship in qualitative methodology, that convincing explanation depends on the identification and confirmation of a causal mechanism linking cause and effect. Causal mechanisms are the qualitative researcher’s epistemological tool to separate causation from spurious correlation (e.g., Elster 1989, 1-

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2 The list of internal rivalries is drawn from Centeno (2002, 61-66), and includes “regional rebellions, ideologica... 3 In his (2007) work on sub-Saharan Africa (as well as in his 2004 broadest analysis of the post-colonial world), Thies takes a different position on internal rivalry. Drawing on Kauffman (1996), who distinguishes between ethnic and political conflict, Thies hypothesizes that these two types of internal threats will have distinct effects on the state’s ability to extract from society. Eth...
Accordingly, although Thies has shown that a strong correlation exists between external rivalry and the tax ratio (his measure of state capacity), we find little evidence that external rivalries caused the increase in extraction. This is true even in the centerpiece case study from which Thies illustrates his claim: the external rivalry between Argentina and Chile (1873-1909). In Part Two, we re-examine this rivalry and demonstrate it was not responsible for the rising tax ratios and did not spur new, more robust extractive techniques in either country. The rivalry did not contribute significantly to state-building in Argentina or Chile. Put methodologically, Thies’ accounting of Argentine and Chilean state building may possess inferential goodness but lacks explanatory goodness (see Waldner 2007). We conclude that Thies’ hypothesis regarding external rivalry and state building lacks a potent microfoundational basis and is, therefore, imperiled.

Similar concerns about causal mechanisms are the focus of our critique of Thies’ analysis of internal rivalries as well. We find that the correlations uncovered by Thies’ statistical methodology may mask a more complex theoretical relationship among multiple causal mechanisms. In Part Three, a series of case studies shows that three distinct mechanisms may underlie the statistical finding of a negative correlation between internal conflict and state capacity. The identification of these related mechanisms calls into question the theorized connections underpinning Thies’ correlational evidence. First, internal rivalry may weaken the state in a variety of ways, as Thies concludes from his analysis. We demonstrate this mechanism at work in a study of the contemporary conflict in Colombia. In some cases, then, the relationship between internal rivalry and extractive capacity may function as Thies expects.

Second, however, the negative correlation between internal rivalry and state capacity could be driven by the reverse of the first mechanism. Rather than internal rivalry weakening the state, state weakness could foster internal conflict. Such situations would conform statistically to Thies’ findings, even though the true causal relationship is precisely opposite of what he supposes. Ample theoretical and empirical evidence corroborates this hypothesized causal relationship, which we demonstrate in a review of the Shining Path insurgency in Peru. The case study reinforces the methodological imperative stressing the need to illuminate the operation of causal mechanisms in order to achieve robust explanation.

Third, domestic rivalry may lead to a bargain between the state and its challengers in which the extension of state authority is curtailed in order to head off conflict. In these cases, conflict may be averted, yet the rivalry may limit the expansion of state capacity without the eruption of conflict. Mollifying latent internal rivals and establishing a tenuous peace can, in the longer run, bolster investment climate stability, encourage economic activity, and thereby improve a country’s tax ratio. We demonstrate this mechanism at work in reviewing the case of Argentina in the period 1820-52, during which central state elites established political alliances with regional caudillos to avert violence and facilitate cattle exports. Yet such cases are overlooked by Thies because he narrowly conceives of internal rivals as those groups actively and violently seeking to usurp central state authority. Consequently, his analysis of internal rivalry and state building suffers from sample truncation. This selection bias means that Thies includes

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4 As Thies himself cites (2005, 453), this mechanism by which internal conflict and state capacity are related is described by López-Alves (2001, 160).
only those cases of internal rivalry which are most likely to be associated with greater
damage to the state’s capacity – a bias in favor of the relationship he predicts.

Showing that three equally plausible mechanisms underlie observed correlations
highlights broader epistemological and methodological concerns regarding equifinality
and statistical analysis. We learn from Thies’ papers that internal rivalry and state
weakness are correlated. But the absence of precise elaboration and careful testing of
causal mechanisms limits the conclusions that can be drawn. Our analysis shows that
equifinality, or the existence of multiple pathways to a similar outcome, characterizes the
relationship between internal rivalries and state building outcomes.\(^5\) Parsing out these
mechanistic relationships helps refine knowledge by establishing multiple, bounded
causal generalizations, while simultaneously casting doubt on the broad applicability of
the hypotheses underpinning Thies’ statistical data.

One final methodological caution stems from Thies’ operationalization and
measurement of state capacity. Two issues arise here. First is the relationship between
extractive capacity and the underlying concept of state capacity. The quest for revenue in
early modern Europe may have produced the institutional features of the modern state,
but revenue extraction is hardly the state’s only function. As Tilly (1992, 96-9) notes,
modern states do many things in addition to extracting revenue, including external
warming, suppressing internal rivals, protecting citizens, adjudicating disputes,
distributing resources, and undertaking economic production. Yet Thies simply measures
state capacity through the “tax ratio,” an aggregate measure of absolute revenues
collected against GDP. This assesses only a small slice of the state’s myriad functions
and capabilities. This operationalization is problematic because it fails to
comprehensively probe the connotative elements of the conceptual phenomenon known
as state capacity. In other words, the measurement scheme from which Thies’ derives his
empirical conclusions lacks measurement validity (see Adcock and Collier 2001).

Our second concern about operationalization arises from the use of the tax ratio to
measure extractive capacity. This critique is particularly germane when studying post-
colonial states. They have access to revenue streams unavailable to early state builders,
which mitigates the necessity of domestic revenue extraction for state building (Centeno
1997). Even if Thies has identified true causal relationships between rivalries and
extractive capacity, he draws his empirical conclusions about state building by assessing
only a circumscribed part of a state’s capabilities. Taking advantage of our focus on a
small number of cases to conduct in-depth investigation of changes in state capacity
allows us to move beyond the simple metric proposed by Thies to a better grounded and
more precise operationalization of state capacity in the case studies below.

In the end, we find many reasons to be cautious about incorporating the insights
of the Thies research agenda into our understanding of the dynamics of state building.
Although the hypotheses from which his work departs are plausible, the nature of the
research to date leaves us skeptical about its findings. Further refinement of the analysis
will tell whether rivalries affect state building as Thies predicts, or whether scholars
would be best served by returning to the traditional focus on war as the international
factor driving state development. In the meantime, investigating the connections between
external and internal strife and state building enhance our appreciation of the multiple
ways in which such competition can affect state building dynamics. The following case

\(^5\) On equifinality, see especially George and Bennett (2005, 205-32).
studies demonstrate that, while these dynamics are complex, they are not immune to yielding generalizable insights and aiding accumulation of new causal knowledge.

Part Two: The Missing Link in the Southern Cone: The Argentine-Chilean Rivalry of 1873-1909

According to the strand of bellicist theorizing epitomized by Thies’ work, military rivalry between Argentina and Chile contributed significantly to state building in both countries. Indeed, Argentina and Chile have historically had long periods of contentious relations, including territorial boundary disputes that potentially lend themselves to militarization. They are among the region’s high performers in terms of state capacity, so we should expect to see their oft-prickly relations as major spurs to state building. Thies (2001; 2005, 454) stresses the Argentine-Chilean rivalry of 1873-1909 as a compelling example of the causal connections between external rivalry and state building and, in so doing, implies that this rivalry might constitute a ‘crucial case’ for theoretical assessment in the Latin American context.

In this section, we revisit the Argentine-Chilean rivalry of 1873-1909. Contrary to Thies’ interpretation, we find that this bellic period only marginally influenced the growth of Argentine and Chilean state capacity, highlighting the value of verifying causal mechanisms for theory confirmation. First, by 1873 both countries had established significant state capacity due to internal factors and independent of external rivalry. Second, the alleged mechanisms linking external rivalry and revenue extraction did not operate. Tax ratios may have increased in both countries, but this development was due to fortuitous circumstances unrelated to geopolitical posturing. Third, government expenditures during the period did not center on military preparation, but were rather designed to facilitate economic expansion. State managers may have had more money at their disposal, yet they hardly resembled early modern European state builders scrambling to ensure military preparedness. Collectively, these empirical facts undermine Thies’ theoretical interpretation of a crucial case study upon which much of his quantitative findings are predicated. Argentina and Chile may have grown stronger between 1873 and 1909, though process tracing demonstrates that these gains in state capacity were overwhelmingly unrelated to their dyadic rivalry. This suggests that, despite the statistical findings, external rivalry was not among the principal forces driving South American state building.

The Argentine-Chilean rivalry hinged on a boundary dispute at the far southern reaches of the continent and was triggered by the establishment of Chilean settlements in the region in the early 1840s. Thies (2005, 456-7) draws from the dataset developed by Thompson (2001) and identifies 1843 as the beginning of a “strategic rivalry” between the two countries. Accordingly, we should see rivalry-based considerations substantially affecting state building dynamics in Argentina and Chile. However, what state building occurred was unconnected to this or other strategic rivalries. The territorial spat was far from the forefront of policymakers’ minds. For example, Argentina waited a full four years—until 1847—to officially protest the settlements. Indeed, Thies (2001, 412) notes that, at this time, Argentine leader Juan Manuel de Rosas told the Chileans he was too preoccupied with domestic economic strife to devote attention to the boundary issue. Formal diplomatic discussions were postponed for 25 years, until 1872—hardly an illustration of a potent policy concern. In the meantime, Argentina made little effort to
colonize Patagonia or deploy state officials there (Talbott 1967). As we detail below, the
boundary issue only acquired a palpable military dimension in the 1890s, a half-century
after its initiation (Burr 1965).

Both countries’ strategic rivalries were inconsequential for their state building
trajectories. Chile’s military was small and weak; it preferred to deal with its strategic
rivals (Argentina, Bolivia, and Peru) through diplomacy (Burr 1965). Argentina had a
strategic rivalry with Brazil, which blossomed into war in the late 1820s. But the war
itself was hardly a state maker: it diminished the state’s military capacity, wrecked the
treasury, and “accelerated the disintegration of central authority” (Centeno 2002, 54).
During the Rosas era (1829-52), the Argentine dictator conscripted and deployed military
manpower as a show of strength against the Brazilians. When the vigor of these forces
was tested by an interior caudillo during 1851-52, the Argentine troops’ lack of coercive
power was apparent: they “were easily outmanoeuvred, surrounded, and dispersed; they
fled in disarray, defeated as much by their lack of discipline, experience, and leadership
as by the excellence of the (opposing) army” (Lynch 1981, 311-33, quote from 331).
Strategic rivalries thus had little positive impact on either Chilean or Argentine state
capacity.

Furthermore, by the time the Argentine-Chilean boundary dispute transitioned
into an ‘external rivalry’—meaning it acquired a military dimension—in 1873 (see Thies
2005, 456), it still did not exert a significant influence on state building. Crucially, by this
point both Chile and Argentina had generated significant state capacity, though not in
response to geopolitical threats. The contours of the modern Chilean state had largely
been established. The state provided a variety of public goods, including private property
rights, state-backed railroads, and an expanding educational infrastructure. It had also
nearly pacified southern Indian territories long autonomous from the government’s
purview. Finally, since the 1850s Chile’s state structures had undergone a radical
restructuring, with unmediated institutions increasingly common at the local level (see
building had occurred prior to the onset of any external rivalries.

Argentina had also achieved significant state building by 1873 unrelated to its
strategic rivalries. In the first half of the century, central state elites progressively
incorporated portions of Buenos Aires province into the national purview, established and
defended private property rights, and elaborated burgeoning forms of rural social control
used to facilitate expansion of the pampen export economy. This included development
of rural surveillance in conjunction with estancieros and forcible conscription into the
national army for transgressors of the rural code (López-Alves 2000, 140-92; Slatta
1983). By the early 1860s, the prevailing system of regional decentralization was
supplanted by a central state increasingly exercising its power throughout the national
territory, not just in Buenos Aires province (Oszlak 1982; Gibson and Falletti 2004). As in
Chile, these developments were overwhelmingly unconnected to regional geopolitical
concerns and were instead driven by expanding export opportunities. These
developments undercut Thies’ contention regarding the impact of geopolitical
competition on post-colonial state building.

The purported links between external rivalry and state building are further
imperiled by tracing the responses of Chilean and Argentine state elites as tensions rose.
Recall that Thies contends that international rivalry promotes state building because it
compels state managers to augment revenue collection, as measured by the ‘tax ratio.’ Yet it matters not just if changes in absolute levels of taxation coincided with periods of rivalry, but crucially what triggered new tax policy and how revenue extraction changed, if at all. In both Chile and Argentina, state revenues expanded during 1873-1909. However taxation changes were triggered by domestic considerations—not external rivalry. Furthermore, taxation continued to hinge upon facile extractive techniques. The institutional extractive prowess of the Chilean and Argentine states remained relatively static, even if revenue levels were rising. This underscores the dubious nature of the tax ratio as a proxy for extractive capacity and state capacity. It also casts doubt on the hypothesized relationship between rivalry and state building. In Europe, geopolitical competition demanded that rulers find new ways to extract revenue, promoting bureaucratization and the growth of state capacity. If this causal mechanism did not operate in the Latin American context, our confidence in bellic interpretations of Latin American state building is imperiled, regardless of the vicissitudes of Chilean and Argentine revenue levels.

Still, during the 1870s Chile undertook more aggressive direct taxation, apparently lending credence to the bellicist hypothesis. But new direct taxes were not implemented to confront Argentina. Rather, they were imposed because the Chilean treasury was ravaged by the global economic depression of the 1870s. And Sater (1976; 1979) demonstrates that these new fiscal burdens were modest. Political opposition by the wealthy and powerful meant the state had to resort to European loans to fund its expenses. This shows that state managers were highly constrained in formulating tax policy. They could not readily decree new tax burdens, even in the face of what Thies (2001, 408) suggests was a palpable external threat. Social forces significantly constrained state policymakers. In dire economic times, mercantile and landed interests were willing to acquiesce to new direct taxes. But when economic hardships moderated in the early 1880s, Chile’s direct taxes were largely repealed—precisely the opposite of what Thies tells us we should expect when state managers are enmeshed in a long-term rivalry. Ruling Chilean interests were hardly threatened by the rights over obscure southern islands or the particular boundary demarcation of the cordillera. Consequently, they were unwilling to sacrifice their economic surplus over relatively minor territorial issues. This problematizes Thies’ understanding of state tax policy and the response state managers presumably take in the face of external rivals.

After the War of the Pacific (1879-83), Chilean state revenues exploded from its newly-captured, lucrative northern nitrate fields. During subsequent decades, nitrate rents grew continually. By 1909 they were roughly four times as large as in 1883 and accounted for around one-half of the state’s ordinary revenue. The entirety of such easily-collectible customs duties comprised around three-quarters of the Chilean state’s revenue between 1905 and 1910, up from roughly 50 percent at the beginning of the rivalry with Argentina (Humud Tleel 1969, 47, 110). Again, the point is worth reiterating since the hypothesis regarding extractive capacity forms the core of Thies’ provocative thesis. Chile’s tax ratio may have risen during 1873-1909, but not because state managers were doggedly penetrating the countryside to scrape together new resources to confront Argentina. They were simply living high off the nitrate hog. Such indirect taxes are hardly compelling instantiations of robust extractive capacity. Two crucial conclusions can be drawn from Chilean tax policy. First, domestic economic concerns motivated
policy changes. Second, rising state revenues were not produced by strengthening state institutions but rather a fortuitous international commodity boom. Thus, the crucial microfoundational link between rivalry and state building was absent in Chile.

A very similar conclusion is reached when assessing Argentine tax policy. As was typical throughout Latin America during the 19th century, Argentina was heavily dependent on customs revenues collected in its principal port city, Buenos Aires. The first decade after the start of the external rivalry with Chile yielded no discernable change in the structure of tax revenue: customs continued to predominate. In fact, throughout the 19th century Argentina’s dependence on customs duties was “striking,” even as the economy radically expanded up to 1900 (Centeno 2002, 124-5, 135-6). Once again, close attention to the historical record reveals that the hypothesized mechanism linking external rivalry and state building did not operate. In the early phases the external rivalry, the government did not ratchet up fiscal burdens to fund military preparedness. Rather, state policy was exempting interior farmers from taxes, as in the budding wine region of Mendoza—actions precisely at odds with creating robust extractive capacity (Rock 1987, 152). By the 1890s, when military expenditures increased to confront Chile, the Argentine government funded them through spending cuts, domestic bonds, and foreign loans—not by augmenting the state’s domestic extractive prowess (Rauch 1999, 70, 120). It is not clear if the state could have garnered societal acquiescence to new taxes, as many regarded the boundary rivalry with Chile as a distraction government leaders were manipulating for domestic political gain (Rock 2002, 180). What is clear, however, is that the state did not grow more penetrant to face its external rival.

Similarly, Argentine and Chilean state managers did not make potential war preparations a top priority, which indicates the influence of rivalry on state behavior was quite muted. Again, the historical connections between rivalry and military preparedness are less clear than Thies supposes. Chilean military expenditures generally exhibited a downward trajectory, in relative terms, after the onset of the external rivalry (Humud Tleel 1969, 183). They did rise briefly during the 1890s—two decades after the “strategic” rivalry had become an “external” and supposedly more militarized confrontation. In the 1890s, Chilean policymakers were undoubtedly preparing for conflict with Argentina, though purchasing levels for both sides were inflated somewhat by German arms dealers, whom manipulatively encouraged an arms race by selectively dispensing inflammatory information to their governmental clients (see Sater and Herwig 1999, 140-3). By 1898, both sides were taking steps to purchase naval cruisers, dramatically heightening tensions. Government ministers, fearful of armed conflict, appealed to Britain and the United States for mediation. The resulting rapprochement agreement stipulated that neither side would incorporate pending naval purchases into their fleets, thereby ending the short-lived arms race (Burr 1965, 224-7, 247-56).

Thus, the bellicist hypothesis appears valid. But when probed deeply, the gains in state capacity from these military expenditures are less than clear. The “Prussianization” of the Chilean military after 1886 ostensibly produced a more “modern”—that is, rationalized, efficient, and effective—coercive arm of the state. However, the period after 1891 is characterized by burgeoning patrimonialism in the country’s political system, bureaucracy, and military. The officer corps was implicated in budding patrimonialism, thereby offsetting many of the gains to be had from apparent professionalization. Obtaining procurement contracts increasingly required bribery on the part of unsavory
German arms dealers. Much of the weaponry they sold the Chilean government was “sometimes obsolescent…sometimes defective” and frequently “of dubious worth” (Sater and Herwig 1999, esp. 140-3, 176-87, 201-8; quote from 206). When tensions rose in the late 1890s, Chilean state managers put the country on war footing through European loans, instead of turning inward to fulfill their revenue needs (Burr 1965, 222-3, 245). Finally, public expenditures throughout the period were not tilted towards military readiness but rather on the ingredients for economic development, like railroads and public works (Humud Tleel 1969, 189-92). At best Chile’s external rivalry with Argentina triggered a moderate improvement in the country’s coercive capabilities. Crucially, it had no impact on the institutional resources used for revenue extraction, which is the aspect of state capacity explored by Thies. Overall, we cannot conclude that Chile’s rivalry with Argentina was a primary—or even substantial—state builder.

Much the same can be concluded about Chile’s rival across the cordillera. During the early decades of the external rivalry, the Argentine military was politicized, personalistic, and “disorganized” (Nunn 1983, 48; Rauch 1999, quote from 106). The army’s share of the national budget declined progressively throughout the period of the external rivalry, indicating military preparedness was not a leading concern of policymakers (Nunn 1983, 47). Yet, as in Chile, the boundary dispute did produce a brief arms race in the second half of the 1890s. The Argentine navy significantly expanded. The government also passed a conscription law in 1901 and sought additional professionalization of the military, which was still plagued by politicization (Nunn 1983, 48, 123-6; Rauch 1999, 117-22). The boundary dispute undoubtedly improved the coercive capabilities of the Argentine state. Still, the overall impact on Argentine state capacity was marginal, given that the defining features of Argentine state formation during this era were the government’s expanding logistical capabilities and suppression of caudillaje in the interior (Oszlak 1982; Rock 2002). Indeed, Thies (2001, 418) concedes that “the militaries of both countries were relatively underfunded and poorly trained” during this period.

We are therefore faced with two perplexities. First, Chilean and Argentine state managers did not elaborate more comprehensive and penetrating modes of taxation, actions Thies argues are induced by the nature of the external rivalries. The critical causal mechanism did not operate in this crucial case. Second, while state elites did undertake some additional military preparation at the height of tensions in the late 1890s, they largely did not transform their militaries to meet the exigencies of an external rivalry. In sum, the microfoundational linkages we ought to observe according to Thies’ logic were absent. The failure of these mechanisms to operate is particularly vexing given Thies’ (2001) emphasis on this rivalry as an illustrative case study. At the very least, the microfoundational connections between external rivalry and extractive capacity must be reassessed. At the other extreme, this in-depth process tracing may highlight a widespread disjuncture between theory and evidence. In the following section, we similarly contend that the mechanistic links between internal rivalry and state building are subject to question and would benefit from enhanced specification. The result of such refinement, we argue, would be greater appreciation of the causal connections (or lack thereof) between rivalry and state building dynamics.

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6 Though military expenditures did spike circa 1880 to fund the domestic “Conquest of the Desert.”
Part Three: Equifinality in Thies’ Account of Internal Rivalry

The statistical evidence Thies presents shows a negative correlation between internal rivalry and state capacity in Latin America. We suggest that three possible causal mechanisms may underlie this relationship, and illustrate the plausibility of each with a case study chosen from the set of Latin America’s internal rivalries. First, as we demonstrate in the case of the contemporary conflict in Colombia, internal rivalry can erode the state’s capacity. This is the causal mechanism Thies claims underlies his statistical finding, and we find some support for that view. Nevertheless, we also identify two alternative mechanisms underlying the statistical finding Thies presents. These call into question his conclusion that internal rivalry weakens the state.

Our second case study of internal rivalry shows that the causal mechanism proposed by Thies is in fact reversed in some cases. In Peru, ample evidence suggests that the internal rivalry – the Shining Path insurgency (1982-92) – was in fact an outcome of state weakness rather than its cause. If internal conflict is the result of state weakness rather than its cause, Thies’ claims about the effect of internal conflict are called into question.

Our third case study also identifies a limitation in the statistical analysis Thies presents. In an exploration of Argentina (1820-1852), we show that state capacity was shaped by internal tensions that failed to rise to the high threshold Thies sets for rivalry. This discussion highlights the sample truncation in his statistical analysis, and suggests that it suffers from selection bias in only examining the relationship between state capacity and the most conflictual of internal rivalries.

Case One: Colombia 1984-present

Thies (2005, 455) claims that internal rivalry has a negative effect on state capacity. An examination of the contemporary internal conflict in Colombia confirms the validity of this mechanistic link and allows us to identify three pathways by which it operates. Thus, this case study supports Thies’ claim that internal rivalry can reduce state capacity – though below we will show that other causal patterns may underlie the negative correlation between them.

We identify three pathways by which internal rivalry undercuts the capacity of the state. First, the state cannot effectively implement policy in territory under the control of its rivals. Second, internal rivals directly attack the state, targeting its administration and reducing its capacity. Third, as conflict intensifies, societal actors opt for private security provision, which directly undermines the ‘protection racket’ of the state and delegitimizes its efforts to impose control on these societal actors. Evidence for these three factors from Colombia (1984-present), presented below, shows that internal rivalry reduces state capacity.

This fits well with the consensus among scholars and policy analysts around the role of the Colombian internal conflict in dramatically weakening that country’s state. For example, Mauceri (2004, 150) writes that the Colombian state’s capacity “has been limited by illegal groups that command significant resources and … violate and impede the implementation of … laws and policies.” Kline (1999, 201) writes that the state’s power has been reduced “first, with the emergence of the guerrilla groups, second with the appearance of the paramilitary squads, and finally with the beginning of the drug trade and terrorism.” And Vargas (2004) concurs that “The internal war affecting
Colombia has … dramatically reduced the institutional capacity of the state to carry out even its minimal functions.” An important caveat here is that the Colombian state has long had very limited capacity. However, ample evidence demonstrates that the state has further weakened as a result of the internal conflict which erupted in the 1980s. This conflict has created three rivals to the Colombian state: two leftist guerrilla groups (Revolutionary Armed Forces of Colombia or FARC and National Liberation Army or ELN), and rightist paramilitaries, which unified in 1997 to form the AUC or United Self-Defense Forces of Colombia.

The first way in which internal conflict has reduced the state’s capacity relates directly to control over territory. The fact that rivals to the Colombian state are able to exclude it from portions of the national territory prevents the state from implementing policy in those areas. As Kalyvas (2006) shows, territorial control is a necessary (if insufficient) condition for the exercise of control over population and the effective implementation of policy. This is reflected in a variety of aspects of Colombian policymaking.

The broad trend of the state’s loss of control over territory is reflected in the number of municipalities in which its internal rivals exercise control. While estimates vary (and few studies specify how they measure this control), it is clear that rivals have increased their territorial control over the course of the conflict. Richani (2002, 69) states that 173 of Colombia’s 1100 provinces saw FARC presence in 1985; a figure which increased to 437 in 1991 and 622 in 1995. Holmes et. al. (2007, 158) summarize the consensus that in 2000, the FARC continued to enjoy a substantial presence in over half of Colombia’s municipalities. The ELN saw a similar, though less dramatic increase: from a presence in 180 municipalities in 1986 to 250 in 1990 and 350 by 1996. (Richani 2002, 87) In many of these municipalities, “the only authority, beyond the symbolic police station in the capital centers of the municipalities is that of the FARC.” (Richani 2002, 78)

A particularly dramatic instance of the state’s loss of control over territory occurred in 1999, when the Pastrana government sought to restart talks with the FARC, and ceded five municipalities – a region the size of Switzerland – to the group as a precursor to a negotiated solution to the conflict. The FARC had demanded this concession as a precondition for negotiations, claiming that the state could not guarantee its members protection from paramilitaries. The fact that progress in the peace process did not result during the three years of FARC control of this territory is not germane to the discussion in this paper. The crucial issue at hand, instead, is that the state completely lost control of policy in these five municipalities. As Thoumi (2003, 258) shows, the FARC established control of the drug trade in this region, allowing it to flourish even as the government made progress against the cocaine industry elsewhere in the country.

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7 For striking evidence of the minimal extractive capacity of the Colombian state in the 19th century, see Deas (1982).
8 As many analysts indicate, the relationship between the paramilitaries and the state is complicated. Nevertheless, because they seek control over territory and use arms to carry out policies which have at times diverged from those of the elected government, it is appropriate to consider them internal rivals to the state.
9 The historical antecedent of attacks against the FARC-organized political party Unión Patriótica during the 1991 election campaign is central to understanding the insistence by the FARC on this pre-condition for talks with the government.
This outcome, Thoumi suggests, is a microcosm of a broader pattern: the drug trade in Colombia flourishes where the state fails to exercise authority – in regions where its rivals rule.

In the territories where the state lacks control, its capacity is greatly hampered. Most directly, in terms of the operationalization of state capacity used by Thies, the state cannot collect taxes in territories it does not control. As a result, in many communities in Colombia, taxes are paid to guerrilla groups rather than flowing into state coffers. (Richani 2002) In addition, as discussed further below, automatic mechanisms to transfer centrally collected revenues to the municipalities controlled by the state’s rivals have resulted in an ironic situation in which the state’s resources flow directly into its rivals’ coffers, sparing them the need to impose extraction on the population. (Eaton 2006)\(^{10}\) Arguably, this shows that the Colombian state’s low state capacity borders on violating the Weberian definition of the ‘modern state.’

A second mechanism by which internal conflict has reduced the Colombian state’s capacity are the direct effects of attacks by internal rivals on state installations. These attacks have killed hundreds of members of the military and police, as well as numerous other state agents, driving the state’s presence out of increasing portions of the country. Richani (2002, 48) provides data on the extent to which this mechanism operates, showing that from 1985 to 1996, guerrillas carried out an average of over 967 attacks per year against government installations and troops. In the course of these attacks, an annual average of 401 members of the armed forces were killed between 1986 and 1999.\(^{11}\) Among these attacks by the state’s internal rivals were a series of major assaults by the FARC against the army between 1996 and 1999. These assaults were notable because they represented a shift from low-intensity warfare to “large-scale operations involving between 300 and 600 combatants.” (77)

In addition to these direct attacks on the military, the state’s rivals have also targeted other branches of the state’s administration. Most notable among these has been the targeting of the police. As Eaton (2006, 547) writes, “one of the most successful tactics of the guerrillas in the 1990s was to force the withdrawal of police officers as the first step toward consolidating control over a given municipality.” For the first half of the 1990s, the police were indeed the major target of the FARC and the ELN. (Eaton 2006, 552-4) In addition to reducing the state’s coercive capacity, Eaton argues that the attacks on the police affected the state’s capacity in an indirect manner as well: as the police presence in many of Colombia’s municipalities was eliminated, the central state was less able to monitor the fiscal decentralization introduced in the 1990s. This distribution of resources to the local level was intended to be a means of pacification of the conflict, but because the state lacks the presence to monitor who receives the funds allocated to municipalities, it has instead provided a major source of funding for the state’s internal rivals to continue their challenges to its authority. The defeat of the police prevented the

\(^{10}\) Although the issue of guerrilla state-building has received a great deal of attention in the Colombian case, our focus here is on the effects of loss of control on the state’s capacity, rather than on the guerrilla’s accretion of control over population and territory.

\(^{11}\) This figure is calculated from the data presented in Richani (2002, 46).
policy of decentralization from achieving its intended effect.\textsuperscript{12} Thus, internal rivalry has reduced the ability of the state to extract resources from society and allocate them among its administrative units. This effect on extractive capacity is exactly that put forward by Thies.

Finally, the protracted internal conflict has also led to a third challenge to the state: many societal actors in Colombia have learned that the state cannot or will not exercise its Weberian function of enforcing a monopoly of violence. They have opted for private security provision to protect themselves from the escalating violence. In addition to increasing the level of violence, this decision has broken the ‘protection racket’ bargain in which the state trades security for the right to impose on and extract from society. (Tilly 1985) The breaking of this bargain delegitimizes the state’s efforts to implement policy, and thus reduces its capacity to exercise social control. As a result of this change, by 1995 private security forces were equal in size to the total police in the country, and they have continued to grow. (Giugale et. al. 2003, 49)

The rise of the paramilitaries was a result of this dynamic. As the violence intensified, wealthy sectors of Colombian society – including, but not limited to, those who had made their fortunes in the drug trade – suffered greatly from kidnapping, extortion, and other forms of violence. Their response to the state’s inability to control the violence was to fund private security forces. (Bergquist et. al. 2001, 16) These private security forces received the support of broad sectors of the population despite the fact that their human rights record was atrocious – as Taussig (2003, 30) writes “People who support the paras do so in good part because the Colombian state cannot protect them from anything.”

As the paramilitaries became more powerful, they became more effective protectors than the state, providing security to sectors of the population in many parts of the national territory. Mimicking the strategy of the guerrillas, paramilitaries have begun to take control of municipalities in order to gain access to the resources distributed from the national government. (Eaton 2006, 556-8) They have also developed a system of taxation similar to that of the guerrillas. The promise of the paramilitaries to “use violence to stop violence”, was compelling to a population which had suffered insecurity for so long. (Taussig 2003, 139) As a result, despite practices of social cleansing and the climate of fear this indiscriminate violence generates, the paramilitaries were able to institute a protection racket in the municipalities they controlled. In these regions, the paramilitaries are able to command compliance and enforce extraction from the population in return for providing security.

The effects of the privatization of violence on state capacity are both direct and indirect. In direct terms, the privatization of violence created a new rival to challenge the state in its continuing internal conflict. Indirectly, the emergence of an armed group that could guarantee security for those who complied in the territory it controlled challenges the very basis of the state. The state, until the middle of the present decade, tolerated the paramilitary groups, seeing them as an ally against the guerrilla. The state allowed the paras to occupy towns and to establish what Eaton (2006) describes as a ‘parallel state.’

\textsuperscript{12} Yashar (2005,7) argues that the strength of the state is correlated with the extent to which its policies produce the intended effects. Thus, the failure of decentralization to defuse the armed conflict (as Eaton argues) reflects the dramatic weakness of the Colombian state.
Thus, the internal conflict, which both revealed and exacerbated the weakness of the state, led to the creation of a new rival which challenged it for control of territory. As sectors of the population realized that the paramilitaries were more effective at providing security, their allegiance to the state decayed, and governance suffered. (Giugale et. al. 2003, 137) This can be seen empirically, for example, in the failure of Colombians to report crimes to the police, or to cooperate in police investigations – a direct challenge to this aspect of the state’s capacity. (Taussig 2003) Arguably, this mechanism may also underlie the strikingly low levels of tax compliance in Colombia, and thus undercut the state’s extractive capacity as well.

The weakening of the Colombian state is both a direct consequence of the violence sparked by the internal rivalry, and a result of the delegitimization of the state that has resulted from the privatization of the violence. (Bergquist et. al. 2001, 25) In these ways, the contemporary conflict in Colombia represents a case in which the causal pathway identified by Thies is confirmed. Internal rivalry, through a series of direct and indirect mechanisms, has a negative effect on state capacity. The case study evidence presented here allows us to trace out this causal relationship and to confirm it in a more convincing manner than in the statistical study conducted by Thies. As we show below, however, this is only the first of three relationships between internal rivalry and state capacity.

Case Two: Peru (1982-92)

Although the relationship between Sendero Luminoso (Shining Path) and the capacity of the Peruvian state is extremely complicated, in this section we endeavor to trace one of its aspects. In particular, the origins and rising prominence of Sendero Luminoso are used to demonstrate one of several possible mechanisms underlying the negative correlation between internal rivalry and state power: that internal rivals emerge and are fostered by the state’s weakness. This is the reverse of the causal argument advanced by Thies and traced in the Colombian case above. (see for example Thies 2005, 455)

The vast body of literature reversing the direction of causation in Thies’ argument (of which some prominent examples are discussed in the following paragraphs) is challenge enough to his claim – but an even more powerful piece of evidence can be found by examining the cases on which his argument rests. Eleven cases of civil wars appear in both datasets of internal conflict used by Thies in his study of South America (456). Of these, one of the most carefully and exhaustively studied has been the conflict between Sendero Luminoso and the Peruvian state in the 1980s. A careful reading of the scholarly analyses of the emergence of this insurgency and its challenge to the Peruvian state supports the view that Sendero Luminoso emerged and became a threat to the Peruvian state as a result of state weakness.13 Thus, process tracing evidence suggests that the true relationship between state capacity and internal rivalry is precisely the opposite of that proposed by Thies. Although here we demonstrate the reversed causal argument only in the case of Shining Path, it is plausible that to some extent, the

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13 Certainly Sendero Luminoso further reduced the capacity of the Peruvian state. Analyses of Sendero confirm that it pursued a strategy of further weakening the state. This highlights the tangled, mutually reinforcing relationship between state weakness and internal rivalry; a relationship whose mechanisms remain incompletely elucidated in Thies’ research.
relationship Thies identified between internal rivalry and state capacity is explained by this mechanism rather than the one he proposes.

This link between state capacity and internal rivalry has a rich history in sociology and political science. Comparative historical analysts of revolutions have argued that the success of revolutionaries in seizing power results from the weak capacity of the state to repress them. Theda Skocpol (1979) argues that the weakness of the state is the fundamental cause of social revolution. In her view, limitations to several aspects of the state’s capacity are necessary conditions for revolution: the inability to organize and transform the economy to compete internationally, the inability to extract sufficient resources to fund wars, and the breakdown of the repressive capacity. Thus, the state’s ability to administer, extract, and repress, according to this argument, prevents one form of internal rivalry from emerging. Jeff Goodwin (1999) concurs that the capacity of the state is central in the outcomes of internal rivalry. Although he argues that other factors explain why insurgencies emerge, he finds that they persist where the state is unable to effectively control swaths of its territory.

These arguments are echoed in statistical studies of internal conflict. Two recent exemplars are Fearon and Laitin (2003) and Lange and Balian (2008). Fearon and Laitin find that “financially, organizationally and politically weak central governments render insurgency more feasible and attractive.” (75) Lange and Balian’s argument is more complicated: they find that, within the set of former British colonies, the state’s capacity has no net effect on internal conflict. The absence of a net effect, however, does not imply no effect – instead, the authors argue that the state’s capacity has two logically distinct effects on internal conflict which point in opposite directions – what Jon Elster (1998) called ‘type b mechanisms.’ In case study analysis of Burma and Botswana, Lange and Balian show that state capacity can have both instigating and containing effects on internal violence. In support of the containment perspective, “the case study of Burma provides evidence that low levels of state infrastructural power in a regionally and ethnically divided country made possible the eruption of broad-based civil violence...” (16) Thus, a wide range of scholarship supports a causal mechanism linking internal conflict and state weakness that is precisely opposite to that claimed by Thies.

**State weakness and the emergence of Sendero Luminoso:**
The emergence of internal rivals to the state is, according to theorists of revolution and civil war cited above, motivated by the existing weaknesses of the state. In the case of Shining Path the weak Peruvian state had a particularly limited presence in the province of Ayacucho, the birthplace of the insurgency. (Mauceri 1996, 135) This limited presence of the Peruvian state in Ayacucho can be seen in examining a variety of indicators in that

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14 Revolutions are one of the types of domestic conflict coded as internal rivalry in Thies’ study.  
15 Discussion of the instigation perspective – the claim that state capacity instigates rather than suppressing internal rivalry – is beyond the scope of this paper, since our emphasis here is on illustrating the range of mechanisms that could underlie the negative relationship between capacity and rivalry found by Thies. Nevertheless, it is important to point out that much scholarship of internal violence claims that state capacity instigates internal rivalry. Two prominent examples of this claim can be found in Tilly (1964) and Hechter (2000).  
16 Lange and Balian, like us, are not content with the correlational findings of their statistical analysis. Case study research allows them to identify multiple mechanisms linking state capacity and internal conflict, just as we do in this paper.
department compared to the national level. The weakness of the state created a widespread belief that it had failed to fulfill its expected role of public provision, and induced peasants in Ayacucho to support an armed group that offered a solution to their poverty.

The Peruvian state has historically been particularly ineffective in policy implementation in Ayacucho. The agrarian reforms of the 1960s were “least effective precisely in the departments where guerrilla movements … were to become strong.” (McClintock 1998, 177) And Sendero was “effective in channelling peasants’ anger that they had not gained land from the military government’s agrarian reform.” (292) The failure to effectively implement policies in these regions was something that insurgents could exploit by convincing peasants that the roots of their poverty lay in the state’s ineffectiveness, which they attributed to its endemic corruption. In addition to grand projects like land reform, the state failed to provide basic public goods like the provision of justice in these regions. Shining Path could exploit this as well, gaining support from the population by serving as judge, jury, and executioner. By executing criminals and providing some degree of law and order, the movement created a sense that (to quote the New York Times) “Perhaps Shining Path is a necessary evil here. The government has never been able to impose order.” (cited in McClintock 1998, 69).

In one other way, the weakness of the state created the conditions for insurgency to germinate: Shining Path generated immense revenues (estimated to be between $20 million and $550 million annually) from gaining control over coca growing and cocaine producing regions in the departments of Huánuco and Sán Martín. (McClintock 1998, 72) The drug trade takes root in areas where the state has ineffective control. (Thoumi 2003) Thus the weakness of the Peruvian state, which allowed the drug trade to flourish, allowed the insurgents to enrich themselves and fund their further attacks on the state.

In all, the evidence strongly supports the view that the Peruvian state’s weakness not only predated the emergence of internal rivalry, but in fact fostered the emergence of Shining Path. As Philip Mauceri writes, “Sendero’s advance during the 1980s was largely possible through its ability to organize and address the needs of important sectors of highland society that had been neglected by the state. Without effective state influence, Sendero’s strategy had concentrated on filling what it described as ‘political vacuums’ in the region.” (1996, 143) The weakness of the state created potential supporters among Peru’s frustrated rural population, opportunities for obtaining financing, and sufficient local autonomy for the crucial organization of an armed insurgency.18

From emergence to rivalry:
In addition to creating propitious conditions for Sendero’s emergence, the weakness of the state also allowed it to flourish and transition from a regional nuisance into a direct threat to the state’s survival. Sendero emerged on the national scene with the return of Peru to democracy in 1980, seizing and burning the ballot boxes in the remote town of Chuschi in Ayacucho department. For the first several years of his term, new civilian

17 Mauceri (2004, 148) refers to the inability of the Peruvian state to “plan and implement public policy” as a factor underlying the insurgency.
18 Skocpol (1979) emphasizes autonomy from states and landlords as a necessary condition for insurgency. The collapse of Peru’s highland rural elites, which took place during the 1960s, is an important factor in the rise of Sendero but is beyond the scope of the current analysis. See Stern, ed. (1998)
president Belaúnde was reluctant to call on the military to intervene because he feared that the armed forces retained an interest in returning to power. (Obando, in Stern, ed. 1998, 386) Instead the state relied on the rural police to fight against Sendero, and this force was routed, forced out of most of the department of Ayacucho. (Mauceri 1996, 136)

After 1982, Belaúnde called on the army, turning over authority in the emergency zones to the armed forces. The result was a massive wave of human rights abuses and indiscriminate violence.¹⁹ The ineffectiveness of the armed forces was related to the penury of the Peruvian state, which had to slash military budgets, including salaries, during this conflict. (McClintock 1998, 134) This counterinsurgency strategy continued with some adjustments under the succeeding García government (1985-90), during which attempts were made to provide development aid to regions with Sendero support. The state lacked the capacity to protect the aid workers, many of whom fled their postings. (McClintock 1998, 142) While the military did have limited success against Sendero in certain areas, it was unable to cope with the insurgent strategy of ‘forward retreat.’ As soldiers occupied wider swaths of Ayacucho, using curfews and indiscriminate violence to restrict the movement of the guerrillas, the Senderistas retreated not to the highland villages from which the movement had emerged but to other highland regions, and eventually to the capital city of Lima. Thus, the ineffective repressive capacity of the state allowed Sendero to grow as a threat.

In these regions, Sendero followed the same strategy of taking control as it had in Ayacucho. The groundwork was laid through infiltration of communities – in particular through the school system, where, for example, it was able to place 100 of its cadres as teachers in the shantytowns that surround Lima. (Palmer 1992, 159) The limited state oversight of schools allowed Sendero activists to gain prominent positions in many communities. The weakness of the police allowed these activists to gain control of these communities, and the wide swaths of territory where the state’s control was limited meant that Sendero could always find new targets for its ‘forward retreat.’ At its height, in the late 1980s, Sendero is estimated to have controlled 28% of Peru’s municipalities. In these regions, government officials were forced to flee, and scheduled elections were not held, reflecting the lack of the state’s presence in a fundamental way. (McClintock 1998, 79-80) Sendero’s strategy of challenging the institutions of the weak Peruvian state paid great dividends through the 1980s, as the inability of the weak state to respond effectively allowed the movement to gain control of more and more territory.

Thus, despite the fact that Sendero enjoyed little stable support from the population²⁰, it continued to pose a severe challenge to the Peruvian state. This became clear when it launched an assault on the national capital beginning in about 1990. Using assassinations, power blackouts, and other terrorist acts on a daily basis, Sendero seemed

¹⁹ Kalyvas (2006) argues that when a combatant in a civil war indiscriminately targets civilians, that reflects the lack of control the combatant can exercise over the territory in which the abuses occur. The failure of the Peruvian state to distinguish between insurgent and civilian in Ayacucho and other zones of emergency thus reflects its limited state capacity. Although a systematic study of the distribution of discriminate and indiscriminate attacks in this internal conflict has not yet been conducted, evidence suggests that indiscriminate violence by state forces was widespread, supporting the view that its capacity was limited. (Comisión de Verdad y Reconciliación 2003)

²⁰ Although the insurgency gained support with its initial interventions in communities due to the absence of the state, the high level of violence its control brought led to a decline in this support over time. See Wickham-Crowley (1992, 297-9) and McClintock (1998, 291).
about to bring the Peruvian state to its knees. Even as the conflict became direct confrontation, the state was unable to respond effectively. (McClintock 1998, 89)

Sendero was defeated in the early 1990s, but this defeat was not due to an increase in the state’s capacity. Instead, the fundamental factor in the extinguishing of this internal rivalry was the organization of local societal actors to combat the insurgency and protect their communities from it. Although the most prominent event in its downfall was the capture of its leadership by units of Peru’s intelligence apparatus, the most important factor in the fall of Sendero was the emergence of a new non-state actor; the rondas campesinas. These peasant self-defense patrols emerged in the late 1980s in thousands of remote highland communities, in response to the abject failure of the state to defeat Sendero.21 The rondas were formed out of a desperate attempt by communities who professed “little faith in the protection offered by the police and special anti-terrorist units that had entered the district.” (Seligmann 1995, 198) The incapacity of the state to provide even basic security to many of its citizens led those citizens to arm themselves for their own protection. Although the state provided some guns (on the order of four or five shotguns per village)22 to these patrols, the defeat of Sendero in the rural Andes was accomplished by the devolution of the guarantee of protection to local societal actors. Thus Peru in the late 1980s represented a complete collapse of Tilly’s protection racket. The insurgency was defeated, but this was neither driven by nor resulted in a stronger state.

Ample evidence suggests, based on this brief examination of Sendero Luminoso, that low levels of state capacity fostered the emergence of an internal rival which threatened the very stability of the Peruvian state. In fact, this case supports the claim derived from a review of theoretical literature that low state capacity fosters the rise of rivals in two sequential ways. First, the weakness of the Peruvian state in the province of Ayacucho created a climate propitious for the emergence of a challenger to the state. Second, the inability of the Peruvian state to respond effectively to this challenger turned it into a true internal rival; a claimant to power at the national level. The case of Peru suggests, then, that the negative correlation between state capacity and internal rivalry found by Thies may in fact be driven by a causal process logically opposite to the one he proposes.

Case Three: Argentina (1820-1852)

According to Thies (2005, 453-5, 462-3), internal rivals hamper the ability of state managers to rule and extract societal resources. This hypothesis is predicated upon the view that internal rivals (a) actively and violently resist central state authority and (b) are effective at reducing the state’s ability to collect revenue. These presumptions are predicated upon a very narrow conceptualization of internal rivals, which creates

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21 The early 1980s saw a brief and troubled attempt by the government to organize similar peasant self-defense patrols. The wave of these groups which emerged in the late 1980s is seen by most scholars as independent of the government efforts. See Starn (1999) and various essays in Stern, ed. (1998). Mauceri (1996) and McClintock (1998) hold the opposite view, seeing these groups as closely tied to the Peruvian state, and arguing that through this relationship “the state acquired a capacity to mobilize and influence highland society that had eluded it during the previous decade of war.” (Mauceri 1996, 145) This debate highlights once again the importance of precise conceptual boundaries in analyses of state capacity.

22 This figure represents an estimate of the total armaments of the rondas campesinas. Most, but not all, guns were provided by the army. Stern, ed. (1998, 232)
selection bias by considering only a subset of the broader relevant population. We caution against this constricted purview by showing that state bargaining with rivals can often mollify them, temper their antagonistic behavior, and thereby potentially enable the expansion of state capacity. Thies’ expectation regarding internal rivals wrongly contends that they have a singular negative impact on state capacity, when in practice relations between the center, periphery, and state building are quite complex. Below we show how bargaining between state managers and regional caudillos in Argentina during 1820-52 averted violence, facilitated economic growth, and permitted the growth of state capacity. Sometimes states can immunize themselves against the subversive proclivities of internal rivals through co-optation, which challenges Thies’ assumptions and conclusions regarding internal rivalry and state building.

Before assessing the impact of internal rivalries on Argentine state formation, it is worth considering what constitutes an “internal rival.” Thies has a very high conceptual threshold, defining internal rivals as “rival claimants seeking power through civil wars” (2005, 463). We should approach this conceptualization with trepidation because it inappropriately truncates the broader relevant population. Rivals are not violent at all times. In most cases, the groups Thies recognizes as internal rivals maintained anti-government postures prior to the onset of hostilities. They may have been latent rivals to the center, but they were internal rivals nonetheless. Such a state of affairs plagued Latin America throughout the 19th century, as most countries’ hinterlands were ruled by leaders who did not recognize the institutional primacy of the central state (see Centeno 2002, 108-9). Interior caudillos and other non-state actors constituted viable threats to the state, regardless of whether they actively resisted central dictates. In times of tenuous peace, many hinterland leaders acquiesced to central authority despite their misgivings about it, which eased obstacles to state revenue collection. When armed conflict erupted, the ability of state managers to extract revenue could be threatened, decreasing the tax ratio. Yet, to Thies, only the latter situation amounts to an internal rivalry. Thus, the selection bias induced by his narrow conceptualization has almost certainly skewed statistical findings in a negative direction.

Furthermore, Thies’ conceptualization creates tension in his explanatory logic. Part of the provocativeness of Thies’ findings on international rivalries is that latent conflict arguably spurs state building, much like active warfare did in early modern Europe. Yet his conceptualization of internal rivals suggests the same logic does not apply domestically. To characterize internal rivals as only those groups actively and violently seeking to usurp central state authority is to imply that their latent opposition to the state is inconsequential. The following case study of Argentina during 1820-52 demonstrates that this position is problematic, as state managers and interior caudillos had ongoing political relationships in times of peace as well as conflict. These relationships impacted state building, and not only in terms of the tax ratio. Times of tenuous peace permitted the Argentine state to expand its capabilities in domains other than revenue extraction. The vicissitudes of center-interior relations and their impact on state building not only justify our broadened conceptualization of internal rivals, but they also challenge Thies’ conclusions on the state building impact of internal rivalry. Selection bias has created a one-sided view of internal rivalries and state building dynamics.
The early phase of Argentine state building reveals some of the complexities surrounding internal rivalry and state building. By the 1820s, Argentina and most of Latin America was in institutional disarray following the wars of independence. At this time a Unitarian government, led by Bernardino Rivadavia and backed by foreign merchants and cattle ranchers in Buenos Aires, gained control of the Argentine state (Rock 1987, 96-104). Much of the Unitarian government’s public policy was antagonistic towards the country’s interior provinces, as it privileged Buenos Aires province through a liberal trade regime and withheld central funds from hinterland areas (Burgin 1946, 79-84). Due to their political marginalization, interior provinces were in open revolt against the central government by the end of the 1820s, creating severe rural instability (López-Alves 2000, 160). By Thies’ and any other standard, the Argentine state faced prickly and mobilized internal rivals.

Instability in the countryside was bad for exports, and an ill-fated Unitarian war against Brazil in the Banda Oriental (present-day Uruguay) further exacerbated rural instability by draining labor supplies through conscription and leaving Buenos Aires vulnerable to Indian raids (Monsma 1992, 136-53). Cattle ranchers broke with the Rivadavia government in search of an alternative political settlement. Increasingly, they rallied in the Federalist camp around Juan Manuel de Rosas, who led the Federalist movement that displaced the Unitarians in 1829; Rosas would rule Argentina until 1852. The new rancher-backed government instituted more favorable land and fiscal policies for estancieros (Lynch 1981). It also strove to alleviate rural instability by forging alliances with interior caudillos to establish peace and thereby bolster investment climate stability. This strategy aimed to demobilize interior caudillos even while recognizing they would persist as latent threats to the center.

Specifically, Rosas soothed interior opposition to Buenos Aires’ hegemony through the “Federal Pact,” which established political alliances with interior leaders. These alliances began as military opposition to the Unitarian government between Rosas (representing Buenos Aires province) and the interior provinces of Entre Ríos and Santa Fe (Gibson and Falleti 2004, 251 n. 13). These two interior provinces, in particular, were ripe for a coalitional alignment with Rosas. They were particularly economically backward, and a Federalist government promised hope of greater economic protection, in contrast to the staunch free-trade policies of the Unitarians. Allying with Rosas also gave interior elites optimism they could stem the anarchic violence that plagued their respective provinces. The province of Corrientes was a more reluctant party to Rosas’ pact, given its relatively superior provincial economy and cohesive local elite; the correntina elite needed Rosas less, though they too eventually acquiesced to the Pacto Federal (see Chiaramonte 1986). Rosas also appealed to interior caudillos of middling status individually by giving them positions in Buenos Aires and thereby dampening potential intra-elite provincial conflict (Halperin Donghi 1975, 387). A tenuous interior peace had been established, though the power of caudillos like Estanislao López in Santa Fe persisted.

Rosas established relative interior peace not by extinguishing rivals to the center, but by assuaging their grievances with central authority. Thus, groups that had previously

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23 Ranchers had also been angered by the Unitarian tariff on salt, monetary policy through the Banco Nacional, and other concerns (see Burgin 1946, 100-7). On the war with Brazil, see Monsma (1992, ch. 7).
24 Aside from a self-imposed relinquishment of power from 1832-35.
actively undermined state authority now passively bolstered it. Whereas Thies would argue that 1830s Argentina did not face internal rivals due to a lack of overt violence, the historical record shows the central state was concerned with interior caudillos and actively sought to mollify them. Internal rivals continued to matter, violence or not. Crucially, their opposition to the primacy of Buenos Aires had not been fundamentally transformed. Rather, their feelings towards Rosas were contingent and highly conditional—closer to ambivalence than genuine approbation. Interior caudillos—whether violently resisting the central state or passively bolstering its authority—were clear internal rivals.

The Argentine state’s approach to dealing with internal rivals was conditioned by the policy preferences of cattle ranchers, the leading member of the ruling political coalition. They favored deploying state power in Buenos Aires province to facilitate ranching exports, rather than extinguishing caudillos and fully pacifying the countryside (see Slatta 1983). This finding questions the explanatory primacy Thies accords to rivalry, since the influence of interior rivals on Argentine state building projects depended on how their existence was nested among other considerations facing state managers. We see these countervailing pressures at work through Argentine tariff policy, for example. Rosas needed interior alliances to satisfy the broader goals of the state and ruling political coalition, so much so that, at times, he was willing to implement policies directly at odds with cattle ranchers. When the reliability of Rosas’ interior allies waned in the mid-1830s, he raised tariffs to strengthen his provincial alliances, to the detriment of estancieros’ export competitiveness (Burgin 1946, 226-42; Lynch 1981, 146-8). This move is vexing given that the 19th century Argentine state was dominated by ranching interests (López-Alves 2000, 41). But it becomes understandable when considering the value of relative interior harmony for expanding Argentina’s cattle economy. Rosas needed to stabilize his tenuous interior coalition, for fear the latent rivals would begin to actively resist the hegemony of Buenos Aires province and, by extension, the central government.

Rosas used the fragile peace with interior rivals to enhance Argentine state capabilities, demonstrating that internal rivals do not always imperil state building and highlighting the theoretical costs of Thies’ sample truncation. Interior caudillos were not intrinsically problematic for cattle ranchers and state leaders—what mattered was how export interests intersected with hinterland politics. Dampening center-interior antagonism through political alliances enabled the state to serve the interests of cattle ranchers by generating new state capacity for use in Buenos Aires province. Rather than fight caudillos, the state assisted ranchers with land acquisition and labor control, including deploying military power to incorporate new lands for cattle grazing and establish private property rights. These efforts expanded the central government’s radius of territorial control (Burgin 1946, 250-5; Lynch 1981, 56-69). The state also helped alleviate rural labor shortages by enforcing internal passport requirements and anti-vagrancy statutes, which helped bind workers to particular estancias. These efforts necessitated the creation of new state power to surveil and coerce the rural population (López-Alves 2000, 179-84; Lynch 1981; Slatta 1983). Ranchers and the state benefited from these projects as exports and customs revenues boomed during the 1830s (Burgin 1946, 37, 49, 167, 195). In short, state capacity grew in the context of internal rivalry, as
state managers selectively allocated resources to assist cattle exports rather than confront provincial caudillos.

Towards the end of the 1830s, Rosas’ interior coalition began to fissure because his policies had not significantly altered the balance of power between Buenos Aires and the interior provinces, as provincial leaders had hoped. Rosas reduced tariff protection for a number of interior products in 1838 to end a French blockade of Argentine exports (Brown 1979, 74; Lynch 1981, 149). Corrientes, long second fiddle to Buenos Aires province, declared war in 1839 but was defeated easily (Chiaramonte 1986, 185). Far interior provinces, like Jujuy, La Rioja, and Tucumán—linked through the so-called Coalition of the North—became actively opposed to Rosas by the early 1840s, though they were defeated as well. Trade was liberalized further in 1841 (Lynch 1981, 149, 207-8, 233). Rosas’ desire to control internal trade antagonized provincial leaders, as he periodically closed the Paraná River to foreign trade and thereby severed the direct fluvial link to international markets for Corrientes, Entre Ríos, and Santa Fe. Throughout the 1840s relations were contentious between Rosas and interior leaders, his coalitional allies of the 1830s. Ultimately, interior opposition peaked when caudillo Justo José de Urquiza of Entre Ríos led a military campaign that overthrew Rosas in the early 1850s (Rock 1987, 112-3). Argentina had possessed internal rivals all along, not just in times of violent consternation.

Broadening our conceptualization of internal rivals would likely dampen Thies’ negative statistical correlation between internal rivalry and extractive capacity. Regardless, there exist basic questions about the veracity of the posited causal mechanism underpinning the statistical results. Recall that Thies tells us that internal rivals diminish the extractive capacities of state managers. However, the logic is untenable in Argentina and probably a host of other South American countries as well. In the period under consideration, Argentina was overwhelmingly reliant on customs and royalties, which formed between 69 and 93 percent of ordinary income annually (Centeno 2002, 123-4). The Buenos Aires port—not the interior reaches of the country—was the main collection point for these duties. As mentioned, Rosas occasionally forbade foreign ships on the Paraná River, which served interior provinces. This ensured that the Buenos Aires port dominated international trade and also obviated the need to deploy tax collectors into the interior (Brown 1979, 74). Argentine extractive capacity, in terms of the institutional mechanisms used to obtain revenue, remained low throughout 1820-52. While internal rivals could disrupt tax receipts as an indirect economic byproduct of political instability, they did not directly undermine the state’s primary extractive mechanism.

Additionally, the country’s interior had limited taxation potential, so provincial consternation hardly foreclosed desirable revenue streams from state managers. Between 1831 and 1838, for instance, Corrientes’ government revenue averaged 126,427 pesos (Chiaramonte 1986, 185). By contrast, Buenos Aires province averaged 9,759,742 pesos during 1830-34; customs and similar duties comprised 83 percent of these receipts (Burgin 1946, 167). Preventing access to such paltry interior revenue streams mattered little to the state’s overall fiscal buoyancy. In Argentina, as throughout Latin America, state revenue hinged on spatially-concentrated export production and import duties, which required little in the way of penetrative power (cf. Centeno 2002, 125-5). In short,
the theorized causal linkage between internal rivalry and extractive capacity is dubious because it is predicated on hypothesized extractive schema that did not exist in practice.

Argentine state building during 1820-52 reveals a number of challenges to Thies’ theory of internal rivalry and state building. First, internal rivals are consequential regardless of whether they are actively resisting central authority. Narrowly constraining our conceptualization of what constitutes an internal rival creates selection bias, with the attendant concerns about the validity of statistical findings. Achieving explanatory goodness demands that we go further for a fuller causal accounting of the impact internal rivalries have, or do not have, on state building. Second, in contrast to Thies’ explanatory proposition, internal rivals do not uniformly undermine state capacity. Rather, they are one of many factors affecting state building. Argentine state managers found a way to simultaneously mollify interior rivals while expanding state capacity. And even where interior rivals cannot be placated, they often likely do not threaten the state’s principal extractive mechanisms without occupying critical port cities. Finally, and most generally, insofar as internal rivals are relevant to state building, they may be relatively uninfluential. The majority of Argentine state building over 1820-52 was driven by the interests of Argentina’s export-oriented cattle ranchers, not the dyadic relationship between caudillos and the state. We therefore have multiple reasons not only to reconsider certain methodological choices in the study of internal rivals, but to reassess their relative contribution to state building trajectories overall.

Part Four: Conclusion

The case study of the Colombian internal rivalry shows that Thies has identified something quite real about the effects of internal rivals on state capacity, specifically that they can weaken states. In this way, we see a parallel to many of the proto-state structures in early modern Europe. These central authorities often faced stiff internal resistance. Sometimes, as Skocpol (1979) details, confrontations between the center and hinterland can implode state structures and wreak havoc on internal governance.

But the presence of internal rivals is not uniformly negative for state building, in contrast to Thies’ hypothesis. In post-independence Argentina, central state leaders were able to cultivate political alliances with internal rivals. Once a tenuous peace was established, state leaders were able to expand state capacity, demonstrating that internal rivalry does not always impale state capacity. The Argentine case further illustrates that Thies has drawn his conclusions on a sample of cases which suffers from selection bias, thereby skewing statistical findings in a negative direction. The statistical methodology used by Thies has likewise masked many of the complex dynamics in countries like Peru, where prevailing state weakness enabled the emergence of internal rivals, not the other way around. We show how this reverse causal logic can be missed through large-N analysis, since it statistically conforms to Thies’ findings but is driven by different microfoundational relationships. Overall, these case studies highlight the value of causal mechanisms and process tracing to uncovering the varied ways in which states and internal rivals interactively affect one another and state building dynamics. We expect further investigation to yield firmer theoretical conclusions, possibly including the causal factors determining why some of the mechanisms identified herein operate in some cases but not others.
At this juncture, our conclusions regarding external rivalries and state building are more determinate. We argue Thies’ explanatory proposition regarding extra rivalries is predicated upon theorized microfoundational linkages which did not exist in practice in 19th century Latin America. This raises the perennial concern accompanying statistical methodology, specifically that it cannot adequately differentiate spurious correlation from true causation. Furthermore, Thies’ statistical applications to Latin American state building are curious because they hinge on 20th century data. Certainly, we all face pragmatic limitations regarding data availability, and 19th century Latin American governments left poor paper trails. But Latin America’s formative state building era was the 19th, not 20th, century. (Soifer 2006, Centeno 2002, López-Alves 2000) We thus fear that Thies’ general conclusion regarding external rivalry and state building not only lacks a veracious microfoundational underpinning but is also plagued by sample truncation. We believe that both issues warrant skepticism regarding Thies’ substantive conclusions on extra rivalries in Latin America.

We thus see two separate horizons for future inquiry regarding external and internal rivalries, respectively. Additional qualitative case studies must scrutinize the purported mechanistic relationships between external rivalry and state formation, to see if our theoretical conclusion is corroborated by additional dyadic rivalries. Further inquiry of the mechanistic relationships governing internal rivalries and state building processes is likewise necessary. As we suggest, the causal dynamics between domestic rivals and central governments appear more complex than Thies supposes. Accordingly, further theoretical and empirical scrutiny of internal rivalries in Latin America and beyond is needed to specify determinate explanatory propositions, their intersections, and post-colonial state building dynamic in general. Thies has provocatively opened new lines of inquiry which should ultimately yield a fuller appreciation for the ways in which states are, and are not, built in the post-colonial world.
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