STATES IN CRISIS:
HOW GOVERNMENTS RESPOND TO DOMESTIC UNREST

DISSERTATION

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The traditional approach to studying diversionary war tends to search for a direct relationship between domestic unrest and the use of force. It is more productive, however, to think of diversionary conflict as being one of several potential policies states can employ in response to domestic unrest, others being reform, repression, and foreign intervention. Thinking in terms of policy alternatives leads us to consider variables that alter the attractiveness for a decision-maker of these four policy options: diversionary conflicts might result as much from the lack of available alternatives as they do from their inherent utility in rallying the public around the regime. This research, therefore, examines the role of state extractive capacity as a variable, which can facilitate or, in some cases, constrain a government’s ability to adopt an alternative policy response. By combining statistical and qualitative research methods, it not only provides a new explanation for classic cases of state responses to domestic unrest, such as the Argentina’s invasion of the Falkland Islands, but it also produces a theoretical framework for understanding government decision-making during domestic crises.
For Stan and Ginger Oakes

and for my grandparents

Marco Joseph Gotta
Pauline Ruby Gotta
Jack Stanley Oakes, Sr.
Harriett Margaret Oakes
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CHAPTER 1

INTRODUCTION

On April 2, 1982, thousands of Argentine marines landed on the British Falkland Islands in an early morning raid to reclaim the contested archipelago for Buenos Aires. The Argentine forces met little resistance from the small number of British troops stationed on the sparsely inhabited islands. Shortly after the invasion, Argentina’s president, Leopoldo Galtieri, walked onto the balcony at Casa Rosado to announce the dramatic victory. He was visibly moved by the cheering masses that spontaneously gathered to celebrate the news. Many of those in the crowds had only days before been calling for a swift end to military rule in Argentina and retribution for the countless victims of government brutality during the so-called “dirty war.”

1.1 The Policy Alternatives Approach

The conflict over the Falklands Islands is the archetypal case of diversionary war. Most accounts of Argentina’s invasion of the Falklands attribute the junta’s decision to retake the islands in large part to a desire to restore public support for the government. However, the consensus regarding the motivation for this particular conflict belies the
sharp disagreements about whether leaders routinely seek to distract public attention from domestic problems through military adventure, and in what circumstances such diversionary conflicts occur. Indeed, there remains a significant lack of agreement regarding the strength or even the existence of a relationship between internal unrest and external aggression.

The traditional approach to studying diversionary conflict has been to search for a correlation between episodes of domestic unrest and the use of force. Leaders, however, do not always (or even usually) respond to internal instability by launching a diversionary war. Instead, they will often select an alternative policy to address their domestic problems, such as enacting reforms, repressing the opposition, or occasionally requesting foreign intervention. Given that diversionary conflict is only one of several potential policies that states may adopt in response to social strife, rather than simply asking “do states initiate diversionary conflicts?” it may be more fruitful to inquire: “when does foreign adventure become a more attractive strategy for managing unrest than its alternatives—and why?” By seeking to understand why states choose one policy rather than another from the “menu” of options, one may gain a better understanding of the factors that precipitate diversionary conflict.

The aims of this project, therefore, are twofold: (1) to identify more precisely the conditions under which domestic unrest leads to external aggression and (2) to suggest when states are likely to adopt an alternative strategy, say, providing butter instead of using guns. These issues are important because government responses to unrest have produced some of the most notorious and historically significant episodes of repression,
dramatic efforts at reform, disruptive and bloody international crises, and foreign interventions that have dramatically altered regional balances of power.

To answer these questions, in Chapter 2 I outline the “Policy Alternatives Approach.” Leaders often select policies from a menu of alternatives. The explanation for which one is chosen may be found in identifying those variables that alter the attractiveness (or practicability) of these options. The variables that this process discovers might not be immediately obvious if one only searched for direct causes, such as how unrest motivates leaders to use an international crisis to increase the regime’s popularity. Instead, critically important causes may only become apparent when we consider why the alternatives on a leader’s policy menu were not chosen. This is because some factors only indirectly shape a government’s final decision, for example, by ruling out a preferred policy. While often neglected, these indirect causes can be equally as important as the more obvious direct ones, because in their absence, the leaders’ response would have been different. Diversionary conflicts might result as much from the lack of available alternatives as they do from domestic unrest per se, or from their inherent utility in rallying the public around the government.

Thinking in terms of policy alternatives leads us to search for variables that may facilitate or, in some cases, significantly constrain a government’s ability to select from the menu of alternative responses to domestic unrest. One likely candidate is state extractive capacity, which is the ease with which a government can mobilize societal resources. I argue that state extractive capacity profoundly shapes government decision-making in response to internal instability and that it does so in predictable ways, ruling out resource-intensive policies (e.g., repressive internal policing and economic reform) and
pushing leaders towards less costly policies (e.g., political reform and foreign intervention).

The importance of this variable has been overlooked in studies of diversionary conflict, because, without employing the logic of policy alternatives, there is no obvious reason why low state extractive capacity would make a government facing domestic unrest more likely to initiate a diversionary conflict. Extractive capacity does not feature in the direct causal chain between unrest and the use of force. However, if a leader attempts to divert public attention away from the government’s failures because a lack of resources prevents him from increasing social spending (a response he prefers), then an important cause of the decision to initiate a diversionary conflict lies in the state’s limited ability to extract resources.

1.2 The Research Design

In this research project I combine quantitative and qualitative methods. Using both methodological approaches increases one’s confidence in the validity of any findings. Statistical analyses allow one to “establish the generality of the hypothesized relations among variables,” while case studies enhance one’s ability to “evaluate whether specific decision makers really analyzed problems in the ways our theories suggest.”¹ In the large-N quantitative analysis discussed in Chapter 3, I use a statistical technique—multivariate probit—that enables one to simultaneously estimate the likelihood that a government will choose any of the four policies given the other options available to them.

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Modeling diversionary conflict as only one of several alternative responses to domestic unrest may reveal a relationship between domestic unrest and external aggression that would otherwise be masked. Furthermore, I investigate whether there is a general relationship between state extractive capacity, domestic unrest, and states’ policy choices. In particular, I seek to determine whether low state extractive capacity makes governments more likely to choose political reform, low-level diversionary conflict, and foreign intervention from the menu of alternatives and whether high extractive capacity states are more likely than impoverished governments to adopt costly policies, such as diversionary war and repression.

In Chapters 4 through 7, I reexamine four classic instances of state responses to domestic unrest, producing a richer and more accurate explanation of these cases and generating potentially useful insights into the conditions under which diversionary conflicts are likely to occur in general. The cases examined in these chapters are: Argentina’s invasion of the Falkland Islands in 1982; Russian intervention in Hungary in 1849; the Peruvian government’s repression of Sendero Luminoso in 1985-90; and the French monarchy’s reform measures in 1788-89.

One goal of these case studies is to explore in greater depth the posited causal relationship between extractive capacity and state responses to domestic unrest. While a large-N statistical analysis is useful for determining the generality of a proposed relationship between variables, it cannot show us precisely how a lack of resources may affect a leader’s decision-making calculus.

The second goal of the case studies is to uncover variables—in addition to state extractive capacity—that shape how governments respond to domestic unrest. Using a
process-tracing approach not only reveals the mechanism by which extractive capacity shapes individual leaders’ policy choices but it also brings to light other factors that may influence their behavior.

In sum, by taking advantage of the strengths of both quantitative and case study methods, one gains a better understanding of how extractive capacity and other variables serve to limit the menu options available to leaders by eliminating preferred alternative policies, thereby improving our ability to predict when states will initiate diversionary conflicts and when they will adopt an alternative policy response.

1.3 The Results

The Policy Alternatives Approach significantly advances our knowledge of when states launch diversionary conflicts or adopt other policy responses, producing a number of important insights into when and why governments may choose to deal with unrest by distracting attention with a foreign adventure. The evidence suggests that states do indeed weigh multiple policy alternatives when deciding how to respond to unrest, and that the probability of choosing any one policy was influenced by the availability of alternatives. In each of the four cases, for example, the governments’ ability to make policy was significant constrained, compelling them to choose strategies for dealing with domestic unrest other than the ones they actually preferred.

This research also reveals that low extractive capacity plays a key role in leaders’ decision-making, shaping the menu of options from which leaders choose in predictable ways. An inability to efficiently mobilize revenues often rules out costly policies and propels states towards less expensive options. Applying the logic of policy alternatives to
the study of diversionary conflict reveals several additional and previously overlooked factors that may play a decisive role in how governments evaluate the relative attractiveness of alternatives on the policy menu: (1) the nature of the opposition’s demands for reform; (2) the presence of a suitable opportunity for diversionary action in the international environment; and (3) the existence of an ally willing and able to intervene on behalf of the government. These variables—along with domestic unrest and extractive capacity—may explain why a leader might feel compelled to initiate a diversionary conflict or, alternatively, adopt one of the alternatives. I conclude that decisions to initiate a diversionary conflict are influenced by three sets of factors: (1) motivation, (2) domestic constraints, and (3) opportunity. Diversionary conflict may be chosen over repression or reform when: the state faces escalating social unrest (motivation); state resources are limited due to the government’s low extractive capacity; the opposition demands radical reforms (domestic constraints); and there is a low cost, domestically popular target (opportunity).

In summary, this research demonstrates the utility of thinking in terms of policy alternatives. When a government considers multiple strategies to achieve a domestic or foreign policy goal, the Policy Alternatives Approach directs us to consider whether environmental constraints are likely to prevent the government from pursuing its most preferred policy, causing it instead to select an alternative. This thought experiment can produce explanations for policy decisions that might otherwise have been overlooked and has wide potential application in studies of foreign policy decision-making. For example, why did leader X confiscate the holdings of multinational corporations? Was it because of his leftist beliefs? The Policy Alternatives Approach might reveal that the leader
sought to encourage development, and preferred the menu option of reducing barriers to trade. This, however, proved impractical because of the opposition of domestic business elites, and the leader was forced to examine alternatives. Without ever suggesting that the leader confiscate multinational holdings, the local business elites *caused* this outcome to occur.
CHAPTER 2

THE POLICY ALTERNATIVES APPROACH TO THE THEORY OF DIVERSIONARY CONFLICT

It is remarkable to note how many wars are preceded by domestic turmoil in one of the combatants. Indeed, the link between civil unrest and international conflict is thought to be so commonplace that wars often represent little more than a cynical crusade to unite a badly divided nation. Quincy Wright casually asserts, for example, that the use of “foreign war as a remedy for internal tension, revolution, or insurrections is an accepted principle of government.”2 Similarly, Ernst Haas and Alan Whiting point out that elites “may be driven to a policy of foreign conflict—if not open war—in order to defend themselves against the onslaught of domestic enemies.”3

However, there remains a significant lack of consensus regarding the strength or even existence of a relationship between domestic and international conflict. The diversionary war hypothesis is supported by a great deal of anecdotal evidence and historical case studies, but quantitative analyses suggest that there is, at best, only weak

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evidence of a diversionary motivation for war. This has prompted scholars to liken the study of the relationship between internal and external conflict to the quest for the Holy Grail: “many have searched for it; the search has taken place over long periods of time and in diverse research areas; its location has been the subject of many theories; and its existence has been the source of continual debate.”

This lack of consensus can be attributed, at least in part, to the fact that many studies of the link between domestic and international conflict have not specified the conditions under which diversionary wars are most likely, instead looking for a relationship between civil unrest and war that holds for all states and all time. A cursory survey of the historical record, however, suggests that civil strife does not always or even usually lead to war. As Richard Rosecrance contends, there “tends to be a correlation between international instability and the domestic insecurity of elites. This correlation does not hold in all instances. War may occur in the absence of internal instability; internal friction may occur in the absence of war.” In other words, the relationship between domestic unrest and foreign conflict is likely to be a contingent one and

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therefore the conditions under which political leaders are likely to respond to domestic upheaval by initiating a war must be more clearly specified.

I argue in this chapter that the key to understanding the relationship between internal and external conflict may be found through the Policy Alternatives Approach. This approach considers diversionary conflict as being merely one of several alternative options that leaders can take when facing civil unrest, with alternatives being (1) enacting political reforms, (2) repression, and (3) requesting foreign military intervention. The correlation between internal and external conflict does not hold in all instances—as noted above—because sometimes leaders choose diversionary conflict from the range of options, and sometimes they select another policy path. Thus, the contingent nature of diversionary conflict may be explained by variable(s) that consistently propel a government towards one menu option rather than another. The purpose of the Policy Alternatives Approach is to use the logic of policy selection to uncover what these variables might be. Finding the source of variation for state responses to domestic unrest would enable a more accurate theory of how leaders act when confronted by internal turmoil, predict when states are most likely to initiate diversionary conflicts, and also tell us when states will attempt a rival solution to their domestic problems and which alternative policy option they are most likely to adopt. First, however, the attempts scholars have made thus far to establish when diversionary conflict is most and least likely will be reviewed.
2.1 The Study of Diversionary Conflict

Domestic unrest represents a fundamental challenge to the continued legitimacy, capacity, or even the existence of the state, as European communist leaders discovered at the end of the 1980s. In the face of such a threat, leaders can instigate an international conflict out of a desire to (1) distract the attention of the public from social, political, or economic issues; (2) whip up nationalist sentiment and rally the populace behind the government; (3) shift blame for domestic political, economic, or social problems to an external scapegoat, and/or (4) demonstrate the government’s competence in foreign policy after a series of domestic public policy failures. Diversionary conflicts, therefore, are defined by the nature of the leaders’ motivation to use force, not by whether they do in fact successfully divert public attention from domestic problems or increase popular support for the government. In fact, like the debtor who heads to the casino, diversionary conflicts often serve only to make the government’s problems worse.

The first studies of the diversionary war hypothesis looked for a bivariate correlation between social unrest and war and “made no attempt to incorporate the effects of other variables that might affect the relationship between domestic and foreign problems.”

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7 Giacomo Chiozza and Hein Goemans identify three causal logics in the diversionary war literature: gambling for resurrection, the scapegoat hypothesis, and the rally-around-the-flag or in-group/out-group hypotheses. See “Peace through Insecurity: Tenure and International Conflict,” Journal of Conflict Resolution 47 (August 2003): pp. 445-6. There are two additional reasons why diversionary conflicts may be initiated that Chiozza and Goemans overlook: the desire to simply distract the public from internal problems and the hope that a foreign policy success will demonstrate the government’s competence to the public. Furthermore, gambling for resurrection is likely to be the motivation behind each of these explanations for diversionary action. As a result, I do not include “gambling for resurrection” as a separate reason for the initiation of a diversionary conflict. For a discussion of gambling for resurrection, see Diana Richards, et al., “Good Times, Bad Times, and the Diversionary Use of Force,” Journal of Conflict Resolution 37 (September 1993): pp. 504-35; George W. Downs and David M. Rocke, Optimal Imperfection? Domestic Uncertainty and Institutions in International Relations (Princeton: Princeton University Press, 1995), pp. 68-71; and Alastair Smith, “Diversionary Foreign Policy in Democratic Systems,” International Studies Quarterly 40 (1996): pp. 133-53.
conflict.” For reasons identified above, they consistently found no support for the diversionary theory of war. The recent literature, however, has made some progress towards specifying the scope conditions for the diversionary war hypothesis, seeking to identify domestic-level variables that influence when states provoke international conflicts (e.g., regime type, the state of public opinion, the health of the domestic economy, and the degree of violent social unrest). To date, studies of whether democratic or autocratic states are more likely to provoke a war to allay internal tensions have yielded only mixed results, prompting Giacomo Chiozza and Hein Goemans to remark: “almost every possible regime type has been suggested as particularly prone to


engage in diversionary war.”\textsuperscript{11} Christopher Gelpi, for instance, sees diversionary war as a peculiarly "democratic" pathology, whereas Ross Miller finds that autocratic leaders are most likely to adopt aggressive foreign policies for diversionary reasons.\textsuperscript{12} Other studies have found no evidence that regime type affects whether leaders use force to solve their domestic problems.\textsuperscript{13}

A growing number of studies examine whether the degree of domestic support for the government (measured variously by public opinion, the state of the domestic economy, or the presence and level of social unrest) affects whether leaders initiate diversionary conflicts. Unfortunately, most of the literature on public opinion and the use of force has focused almost exclusively on the behavior of American presidents.\textsuperscript{14} While these studies find that public opinion influences the likelihood that the United States will engage in an international dispute, it is unclear to what extent these results can be generalized to other contexts, especially in light of American exceptionalism as a powerful, democratic, and insular country.\textsuperscript{15} Furthermore, testing the effect of public opinion on the use of force is almost impossible in non-democratic states because of the virtual absence of reliable data. To determine whether the relationship between public


\textsuperscript{12} See Gelpi, “Democratic Diversions”; and Miller, “Domestic Structures.”

\textsuperscript{13} See Leeds and Davis, “Domestic Political Vulnerability”; and Chiozza and Goemans, “Peace through Insecurity.”

\textsuperscript{14} See DeRouen, “Presidents and the Diversionary Use of Force”; and Morgan and Bickers, “Domestic Discontent.”

\textsuperscript{15} For an example of one of the few studies of public opinion and diversionary war that looks at a case other than the United States, see Morgan and Anderson, “Domestic Support.”
support and the use of force holds cross-nationally, therefore, requires that a reasonable proxy be found for public opinion that is available for most countries. The most likely candidate, level of domestic unrest, is discussed below.

Analyses of the relationship between the strength of the domestic economy and the use of force also focus on the United States and to a lesser extent on other advanced industrialized democracies. But there is considerable disagreement regarding whether U.S. presidents (and other democratic leaders) initiate conflicts when the economy is contracting. One problem with these studies is that they effectively stack the deck against finding a link between internal and external conflict by restricting their analyses simply to leaders’ responses to fluctuations in the economy. The public may withdraw its support for the government for many reasons (e.g., ethnic hatreds, unpopular social policies, and political corruption), which have little or nothing to do with the condition of the domestic economy. The government could initiate a diversionary conflict even when the economy is performing well in order to distract a public dissatisfied for other reasons. Indeed, the public may not even hold the government responsible for its worsening economic fate, so there is no need for the government to rally the populace through foreign adventure. Bruce Russett concludes that: “economic downturn per se may be less important in producing a tendency toward engaging in interstate disputes


than is domestic political conflict from whatever cause.”18 The bottom line is that leaders will initiate risky policies such as a diversionary conflict if the public’s dissatisfaction threatens their tenure in office or undermines their ability to govern, but they will be unlikely to act if there is little overt evidence of public discontent. Little wonder, then, that the literature on economic growth and the use of force finds little or no support for the diversionary war hypothesis.

If the state is indeed sensitive to internal strife from whatever cause, a better indicator of public support for the government— one more likely to accurately reflect how the government itself perceives public opinion—is the level of domestic unrest within the state (e.g., the number of protests within a country). Better still, data on the level of domestic unrest is available for most states, allowing tests, albeit indirect ones, on whether public opinion affects the behavior of states across regime types. Indeed, studies, even ones that are cross-national in scope, that have included domestic unrest as an explanatory variable invariably find some relationship between domestic and international conflict.19 Kurt Dassel and Eric Reinhardt, for example, find that civilian leaders are prone to initiate diversionary conflicts when domestic turmoil threatens the state’s fundamental political institutions, especially when there is a “conflict over the basic rules governing political competition.”20


This suggests that a promising avenue for future studies of diversionary conflict is to pay closer attention to how the level of domestic unrest within a country affects state behavior. The logic is straightforward: the more unstable the domestic situation becomes, the less leaders have to lose from choosing a risky military policy. In such a situation, doing nothing looks certain to produce losses for the regime, while gambling through military adventure at least offers the hope of turning things around. Leaders know that a defeat on the battlefield will probably signal the end of the regime, but the disgruntled crowds outside the presidential palace look likely to also signal the end of the regime. As Lewis Coser contends, international conflict “is sometimes the last chance for a state ridden with inner antagonisms to overcome these antagonisms or else break up definitely.” Arno Mayer similarly argues that beleaguered governments are particularly inclined to advocate external war for the purpose of domestic crisis management even if the chances for victory are doubtful and “in spite of the high risks involved.”

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21 Of course, adopting a let-them-eat-cake attitude towards social upheaval also has an uncertain outcome.

22 This is essentially the logic of prospect theory, which states that leaders are risk acceptant with respect to losses and risk averse with respect to gains. That is, when a decision-maker is faced with two undesirable options, and one option is certain to bring losses, then the second option will be chosen if it promises some hope of avoiding future losses—even at the risk of incurring even greater losses. See Daniel Kahneman and Amos Tversky, “Prospect Theory: An Analysis of Decision Under Risk,” *Econometrica* 47 (March 1979): pp. 263-91; and Jack Levy, “An Introduction to Prospect Theory,” *Political Psychology* 13 (June 1992): pp. 171-86.


Although high levels of domestic unrest seem to heighten embattled rulers’ compulsion to act and their propensity to accept policy risks, one cannot rely solely on the magnitude of domestic unrest to make accurate predictions regarding whether states will initiate a diversionary conflict. Domestic unrest may be a necessary condition for diversionary war, but it is unlikely to be sufficient because internal instability does not invariably result in war.\(^\text{25}\) In response to domestic turmoil, leaders typically want to do something, but they can choose from a number of alternatives. Why, then, do leaders select one option from their menu of policies rather than another?

### 2.2 The Policy Alternatives Approach

The existing literature follows an apparently logical approach in considering the question of diversionary conflict, by examining the correlation between domestic factors, such as unrest, and the use of force. If we take a step back, we discover that this traditional approach might be posing the wrong question. Consider the problem from the decision-maker’s perspective. Governments can respond to domestic unrest in a variety of ways, which is to say they have a menu of options, including: (1) co-opting the opposition through reform, (2) repressing the opposition by adopting restrictive legislation or through internal policing, (3) requesting foreign intervention by a sympathetic ally, or (4) initiating a diversionary conflict.\(^\text{26}\) Thus, the question “does

\(^{25}\) It may be possible, for example, that a government will provoke an international conflict in the absence of unrest, anticipating that the foreign adventure will increase public support for the regime (i.e., the goal is to make gains rather than to avoid losses resulting from unrest).

\(^{26}\) Of course, when confronted with domestic unrest and a loss of legitimacy, political leaders also may “simply refuse to acknowledge their increasing weakness with the hope or the conviction that they would somehow survive in power.” Samuel Huntington, *The Third Wave: Democratization in the Twentieth*
domestic unrest tend to precipitate international conflict?” could be reconsidered as, “under what conditions do leaders choose diversionary conflict from the menu of at least theoretically available policy options?” As Gordon Craig succinctly states: “The duty of the historian is to restore to the past the options it once had.” Ignoring the reality that governments choose from a range of policies may mask significant relationships between internal and external conflict.

This view of government decision-making, which I have termed the Policy Alternatives Approach, suggests that governments initiate diversionary conflicts when the threat or use of force becomes more attractive than alternative responses, not necessarily because leaders believe that diversionary conflicts are usually effective, or even that such a strategy is likely to work in that particular case. Reform and repression may in principle be more appealing responses for a leader than initiating a risky diversionary conflict, but for a variety of reasons these options may not be practicable. At a restaurant, the real reason that a patron may choose the red hot curry is not because he is trying to impress his date, or because he likes the taste, but because he cannot afford any of the

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other menu options. Thus, the causes of diversionary conflict may lie as much in a state’s inability to reform or repress, as they do in the perceived value of military adventure as a solution for domestic strife. Policies are often chosen because they have relative utility compared to other options or because alternative and preferred avenues have been closed off.

A handful of recent studies of the theory of diversionary war have noted, in passing, that the logic of policy alternatives may be an important next step in uncovering a relationship between internal and external conflict. But importantly, none actually incorporates policy alternatives into their analysis. Gelpi, for instance, hypothesizes that autocracies repress domestic strife, whereas democracies, under the same conditions, tend to initiate diversionary conflicts. He does not actually test whether regime type affects state responses to domestic unrest, however. Instead, he merely asserts that, because the evidence suggests that autocratic states are less likely than are democracies to use force when faced with increasing domestic turmoil, there is “strong support” for the argument that autocracies are choosing to repress their opposition. Although he overstates the conclusions that can be drawn from his empirical analysis, Gelpi’s study of diversionary conflict and repression makes an important theoretical contribution by bringing the concept of policy alternatives into a theory of when states wage diversionary wars.

Treating diversionary conflict as one of several alternative policy paths that leaders can take when facing civil unrest has the potential to generate new insights into what factors influence when leaders choose diversion over reform, repression, or foreign intervention. The traditional approach to the study of diversionary conflict seeks to identify the readily apparent direct causes of a government’s decision to initiate a diversionary conflict. Decisions are treated as the product of a chain of causal variables (see Figure 2.1). The evidence drawn from government documents, archives, media coverage and so on, shows that one or more factors directly produced a political outcome. For example, rising food prices causes unrest (suggested by the banners carried by the demonstrators); domestic unrest is the predominant cause of repression (according to internal government minutes); and repression leads to widening social unrest and revolution (according to the views of dissenters).

![Figure 2.1: The Traditional Approach to Studying Diversionary Conflict](image-url)
While these direct causes are undoubtedly important, the Policy Alternatives Approach prompts one to look for the often equally important indirect causes of a government’s decision, that is, those factors that prevented a preferred policy from being pursued (see Figure 2.2). If we find that a government that ultimately launched a diversionary war actually preferred, instead, to repress domestic opposition to the regime or enact reforms, then whatever explains why repression or reform were not chosen is an explanation for why diversionary war was chosen. The central contribution of the Policy

![Figure 2.2: The Policy Alternatives Approach to Studying Government Decision-making](image-url)
Alternatives Approach is, therefore, to broaden the scope of how we study decision-making. If leaders chose their policy response from a menu of alternatives, the question often becomes: why were more desirable policies eliminated? This approach points to factors that we might have overlooked, but which may have been necessary conditions for the chosen policy to occur. Indeed, it may be impossible to fully explain government decisions unless one identifies the factors that eliminated policies that would have been preferred by the leader in question.

For this logic to hold, two conditions must be met: (1) the leader prefers a different policy to the one that is chosen, and (2) this preferred policy would have replaced (not coexisted with) the policy that is ultimately chosen. If these two conditions are met, then the variable that eliminates the preferred policy represents an important cause of—perhaps a necessary condition for—the decision to be explained. In a counterfactual, if that variable had been absent, the leader would have had a broader menu of available options and would have chosen differently. Imagine a leader has two choices, policies A and B, and he chooses B. The Policy Alternatives Approach would be useful here if the leader preferred policy A to B, because, in that case, the reasons why A was not chosen are also the reasons by B was chosen. The Policy Alternatives Approach would also have utility if the leader had no preference between A and B, since the factors that eliminated A simply narrowed his choice. The approach would not be useful, however, if the leader preferred B to A, since the elimination of option A was irrelevant to the decision.

A necessary condition for the Policy Alternatives Approach, therefore, is to know what a state’s preferences are in response to domestic unrest. This prompts one to ask
whether it would be possible to create a theory of state preferences in response to domestic unrest. If a convincing theory could be established, then one could make even more specific predictions about how states will respond to unrest given, for example, their extractive capacity. The problem, however, is that creating such a theory of preferences is almost impossible. It would be very difficult to arrive at a ranking of repression, reform, foreign intervention, and diversionary conflict deductively. There is significant variation in state preferences in responding to domestic unrest both geographically and historically. Norway is likely to have very different ideas about the proper response to unrest than Algeria, and, furthermore, France two centuries ago might have had a very different attitude about how to deal with unrest than France today. State preferences are influenced by a number of factors, including the leaders’ personalities and beliefs, political culture, international opinion, and so on. Thus, this theory makes no claims about how leaders will rank these policies a priori. But in the conclusion, I will look at what insights emerge from the cases and the statistical analysis about state preferences.

In sum, there are separate research programs on state repression, reform, foreign intervention, and the diversionary theory of conflict; the Policy Alternatives Approach integrates all of these into a single model of state responses to unrest. Scholars have tended to consider each in isolation, however, thinking of these as part of a coherent whole—options on a menu—suggests that they may be related in significant ways. Specifically, a single variable may influence the likelihood of all of these variables, by propelling states away from, say, foreign intervention and diversionary conflict and towards, say, repression and reform. One such variable is state extractive capacity. A
government’s ability to extract resources from society influences all four policy responses, because some policies are likely to require greater resources to implement with any hope of success than others (e.g., repression of widespread unrest is generally more costly in terms of revenue than enacting political reforms).

Which policies a government chooses from the menu of alternatives will be shaped by what it can afford.

2.3 The Central Role of State Extractive Capacity

An obvious factor that has not been included in studies of diversionary conflict but is likely to influence how governments react to domestic unrest is a state’s extractive capacity, or its access to resources. In the real world, rulers are not equally free to act as they wish; some are more constrained in their policy menus than are others. To impose its preferences, the government must possess or have the potential to extract the required resources from society; that is, it must exert “actual control over the resources necessary to carry out action.”

State extractive capacity, therefore, measures the ability of a government to mobilize its nation’s material resources to achieve its policy objectives.

30 It is interesting to note that the literatures on repression and reform have identified (if only in passing) the influence of state extractive capacity on government decision-making. This variable has been linked to the choice of each of these policies because they are both options on the same menu from which leaders must choose when countering domestic unrest.


33 Thomas Christensen and Fareed Zakaria use similar definitions. See Thomas Christensen, Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947-1958 (Princeton: Princeton University Press, 1996), p. 11; and Fareed Zakaria, From Wealth to Power: The Unusual Origin of America’s World Role (Princeton: Princeton University Press, 1998), p. 9. Note, however, that there are many ways that scholars have conceived of state strength or capacity. The conceptualization that most closely resembles state extractive capacity as it is discussed here is “state institutional capacity,” which
In the case of responses to domestic unrest, extractive capacity largely determines whether the government will be able to pay for war or state repression. As Theda Skocpol contends, a “state’s means of raising and deploying financial resources tells us more than could any other single factor about its existing (and immediately potential) capacities to create or strengthen state organizations, to employ personnel, to co-opt political support, to subsidize economic enterprises, and to fund social programs.”

The minimal attention paid to state extractive capacity and diversionary war is surprising, because this variable has long been identified as a key factor in explaining all sorts of phenomena in international relations, for example, in studies of foreign policy, the causes of war, grand strategy, and foreign expansion.

Rulers of states with high extractive capacity have wide latitude in terms of viable policy options, including aggressive internal and external strategies that require considerable resources to implement with any hope of success. A state with low extractive capacity, in contrast, is less capable of extracting revenues from the public and, therefore, deals with a more limited policy menu; substantive reform, repression, and

measures the ability of the government to penetrate society or implement policy. In studies that employ this measure, the ability of the state extract revenues is treated as only one of several indicators of the authority or the capacity of the state. For studies that adopt this conception of state capacity, see Robert Keohane, Peter Haas, and Marc A. Levy, “The Effectiveness of International Institutions,” in Peter Haas, ed., Institutions for the Earth (Cambridge, MA: MIT Press, 1993), p. 20; Downs and Rocke, Optimal Imperfection; and Joel S. Migdal, Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World (Princeton: Princeton University Press, 1988).


especially full-scale war, may not be viable strategies. In some cases, the state is so weak relative to society that it is forced to embrace policies that it otherwise would not have even considered, such as those associated with greater potential risks and/or undesirable consequences. Because the ability to extract resources is a luxury that leaders enjoy in varying amounts, different degrees of state extractive capacity should explain a good deal of variation in responses to domestic unrest.

Indirect causes of a decision, such as low extractive capacity, may leave little or no direct evidence linking this factor with the policy choice to be explained. There is, for example, no smoking gun connecting the government’s lack of revenues with the Argentine junta’s decision to initiate a diversionary conflict in 1982. One will search in vain to find General Leopoldo Galtieri declare: “my inability to extract resources from society has forced me into this war.” Galtieri might even have been unaware of the importance of this variable and how it constrained his options. But even if the evidence is necessarily limited, such factors can still be critical.

The question then becomes how precisely does a state’s ability to extract revenues influence the relative attractiveness of reform, foreign intervention, repression, and diversionary conflict. In the remainder of the chapter, I offer a series of hypotheses for how state extractive capacity is likely to shape government reactions to social instability. Clearly, a large number of variables are likely to influence state responses to unrest. Therefore, the hypotheses presented here predict ceteris paribus how the single variable

36 One could argue that the concept of extractive capacity is difficult to apply across regime types. However, Thomas Christensen finds that, while the exact process by which these states extract resources may be different, “the state-society constraints can be compared across very different types of regimes.” Useful Adversaries, p. 22. For a further discussion of this issue, see Jacek Kugler and Marina Arbetman, “Relative Political Capacity: Political Extraction and Political Reach,” Political Capacity and Economic Behavior, ed. Jacek Kugler and Marina Arbetman (Boulder: Westview Press, 1997), pp. 11-45.
of state extractive capacity influences the likelihood of diversionary conflict, repression, reform, and a request for foreign intervention. More specifically, these hypotheses indicate the expected direction of the relationship between a government’s extractive capacity and its selection of each of these four policy options during periods of internal strife.

The general argument is that a limited ability to mobilize resources repels states from adopting costly policies, such as repression, and propels them towards less costly (but often riskier and perhaps less attractive) policies, such as enacting political reforms, initiating low-level diversionary conflicts, and requesting foreign intervention (see Table 2.1).

<table>
<thead>
<tr>
<th>State Extractive Capacity</th>
<th>More likely to adopt the following policies in response to domestic unrest:</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td>• Repression</td>
</tr>
<tr>
<td>LOW</td>
<td>• Diversionary conflict (especially threats to use force or low-level uses of force)</td>
</tr>
<tr>
<td></td>
<td>• Reform (especially political reform)</td>
</tr>
<tr>
<td></td>
<td>• Request for foreign intervention</td>
</tr>
</tbody>
</table>

Table 2.1: Hypotheses on Extractive Capacity and Responses to Domestic Unrest
2.3.1 The Use of Force and State Extractive Capacity

Some scholars have hypothesized that high extractive capacity states are more likely to use force during periods of social turmoil. Geoffrey Blainey claims that it “would be surprising if most wars broke out when or where economic pressures and needs were most compelling, for these are times and places which are less capable of financing a war.” This assertion is echoed by scholars in the neoclassical realist tradition, who argue that states only expand when domestic political conditions permit. Fareed Zakaria nicely summarizes this view: “The stronger the state, the greater its ability to extract national power for its ends...[and] nations try to expand their political interests abroad when central decision-makers perceive a relative increase in state power.” Thus, governments with high extractive capacity should be more likely to respond to domestic unrest by adopting a bellicose foreign policy than states with limited access to revenues.

But this view is probably wrong. There are convincing reasons to expect low extractive capacity states to initiate diversionary conflicts. Waging a war or provoking an international crisis under any conditions is a risky strategy. This type of policy risk is more likely to be taken by impoverished governments that are running out of solutions to

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38 For an excellent review of neo-classical realism, see Gideon Rose, “Neo-Classical Realism and Theories of Foreign Policy,” *World Politics* 51 (October 1998): pp. 144-72.

39 Zakaria, *From Wealth to Power*, p. 38. Emphasis in the original. See also Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), p. 106. Note that while this logic may be consistent with realism, realist scholars often confront difficulties when attempting to explain the outbreak of these types of wars. Because they are largely initiated for domestic political reasons, diversionary conflicts may occur when there is no security threat.

40 Hazlewood also argues that a high “capacity to coerce” and high turmoil are related to diplomatic conflict and war. “Externalizing Systemic Stress,” p. 173.
their mounting domestic problems. Rulers who initiate an international conflict in the hope of generating social cohesion often seem to foolishly ignore the lessons of history. Even when these military ventures succeed, the hoped for “rally-around-the-flag” effect, when it arises, is generally short-lived. ⁴¹ Furthermore, as Coser notes, if the legitimacy of the government was extremely low before the use of force, external conflict is unlikely to increase support for the regime, because in deeply divided societies “group members have ceased to regard the preservation of the group as worthwhile.” ⁴² If the war drags on and requires greater than anticipated sacrifices, the mobilization process will aggravate the social fragmentation it was waged to ease. The Italian government, for example, entered World War I in part to reduce internal divisions, but the longer-than-anticipated war inflamed opposition to the state: “For the majority of Italians the war…was a repressive experience and certainly not one which reconciled them with nationalist ambitions or which served to consolidate patriotic sentiment.” ⁴³ And this is a war that Italy won. If the diversionary war ends in defeat, this often signals the end for the regime. The use of diversionary force is also a relatively poor strategy for dealing with unrest because unlike repression or reform, it fails to tackle the root problem of a dissatisfied population. Any amelioration in unrest is dependent on the public continuing to be diverted, a state of affairs that could end at any time. The problem with offering circuses without bread is that the population is still hungry after the performance ends.


Consequently, Arthur Stein warns that “political leaders who count on foreign adventures to unify their countries and cement their positions should think again.”

It is right to be skeptical about the reasoning behind the launch of diversionary conflicts, but if most of the options on the policy menu are unavailable, then diversionary conflict might be perfectly rational. While leaders may prefer simply quashing their opposition to diverting their attention, states with access to few resources often do not possess the capability to engage in repressive internal policing. Similarly, while leaders may prefer trying to resolve internal troubles by enacting reforms to the smoke and mirrors of foreign adventure, low extractive capacity states may be unable to credibly commit to or implement sufficient political and especially economic changes to satisfy domestic opponents. Thus, it is likely that governments with low extractive capacity are more likely to be tempted to initiate a diversionary conflict designed to rescue their ailing regime. High extractive capacity states will typically use their resources to reform or repress.

_Hypothesis 1:_ As the level of unrest increases, states with low extractive capacity are more likely than are high extractive capacity states to provoke a conflict with an external adversary.

But this might seem to raise a red flag: why would a state with few resources engage in an expensive war? A state that cannot afford to fight its own people surely cannot afford to fight another country. However, the term “diversionary war” is misleading, since it covers a wide range of interstate disputes, including blustering,

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44 Stein, _The Nation at War_, p. 87.
shows of force, low intensity militarized conflicts, and war. Given their lack of resources, impoverished states are likely to be reluctant to provoke a protracted and costly international war. Indeed, low extractive capacity may mean that this type of diversionary conflict is off the menu. What is possible for impoverished countries, however, is noisy saber rattling or the use of force against a symbolic target, where significant resistance is deemed to be unlikely. Where low extractive capacity states do end up fighting large-scale wars, this may not have been the original intention. Instead, impoverished states may launch a low-cost but popular mission only to get unexpectedly dragged into a larger war they have little hope of paying for. By engaging in foreign adventure, low extractive capacity states are tempting fate: pick enough quarrels and eventually one will come to blows. Therefore, embattled rulers with low extractive capacity adopt this risky strategy with the distant hope of restoring popular support for their rule—so long, that is, as force can employed on the cheap.

In summary, state extractive capacity has two contradictory pressures on state responses to domestic unrest. It propels low extractive capacity states towards low-level conflicts (such as threats to use force or uses of force short of war) while discouraging them from fighting wars.

Hypothesis 1a: During periods of domestic unrest, states with low extractive capacity are likely to prefer to threaten to use force, or to employ force with the expectation of limited resistance, rather than intentionally initiate a large-scale interstate war.

2.3.2 Repression and State Extractive Capacity

Repression may often be a leader’s preferred response to domestic unrest. All things being equal, leaders desire as much autonomy as possible both within their borders
and in the international system. It follows, therefore, that states will tend to prefer policies that surrender less sovereignty to those that sacrifice more of it. Hence, strong states with high extractive capacity possess not just the incentive but the capability to choose repression, which seeks to preserve the leader’s power, over reform, which typically attempts to satisfy the opposition's demands by conceding some portion of the regime’s power to groups within society. Numerous scholars have found that, when repression is a viable option (i.e., the state controls enough resources to repress), the state is likely to adopt this policy. High extractive capacity states, therefore, will attempt to quash unrest through repressive internal policing by “replacing evaporating duty with coerced obedience.”

Leaders of states with low extractive capacity might also choose to devote their limited resources to repress domestic challenges to their rule. As with high extractive capacity states, repression may be perceived as more attractive than the alternative of making concessions in an effort to appease the opposition's demands for change. States with few resources, in particular, may fear that “subjects will use their gains in ways that endanger them. Projects [i.e. reforms] that would increase the ruler’s wealth, but also would increase significantly the wealth of threatening subjects, are less likely to be


47 Huntington, The Third Wave, p. 55.
adopted by insecure rulers.” In other words, weak leaders worry that reform will not quell unrest but simply lead to more demands by the opposition, which will grow more politically powerful as a result of the government's concessions. If this dynamic indeed operates, then reform is little more than death on an installment plan for shaky regimes. Therefore, when the choice is framed as one between strengthening the opposition by enacting reforms and adopting a policy whose potential for success is small, even states with low extractive capacity will choose to repress. That said, as the level of unrest increases, low extractive capacity states face greater constraints on their ability to put down these threats and will be pushed towards adopting an alternative policy. Thus, just as impoverished governments will wish to avoid a war against another state, they will want to avoid a war against their own citizens.

_Hypothesis 2:_ As the level of domestic unrest increases, states with high extractive capacity are more likely than are low extractive capacity states to engage in repressive internal policing.

2.3.3 Political Reform and State Extractive Capacity

Given that the state will surrender its autonomy only when it has no other viable options, resource-poor governments will be more likely to enact reform measures than will states able to easily mobilize resources from society. If the state does not have the extractive capacity to resist demands for reform (e.g., by adopting a policy of repression), then it may admit defeat and attempt to appease its opposition. Thus, reform is the predicted policy response when there is a “rough equality of power between rulers and

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subjects” and when rulers “cannot coerce compliance” from society.\textsuperscript{49} Policymakers may reassure themselves that, by giving into the public’s demands now, they may increase their own popularity later and gradually siphon domestic support away from opposition leaders. Once its rule is on firmer ground, the regime can then repeal the reforms and recover its lost sovereignty. Above we saw that low extractive capacity states may attempt repression if the unrest is fairly limited in scope, but when the state’s extractive capacity is very low and its domestic opponents are strong, reform may become a more attractive policy response.

Furthermore, leaders may prefer policies that address the underlying causes of social unrest and, therefore, offer long-term solutions to their domestic problems. If states choose to repress their opposition, their intent is not to resolve their internal troubles but to simply keep the lid on them. Reform, on the other hand, gives states the opportunity to remove the sources of the unrest altogether. Of course, the logic of this argument depends to some degree on the nature of the public’s demands; even the most reform-minded leaders are likely to resist the public’s demand for a fundamental restructuring of the state’s political and economic institutions, even if acquiescing would end the unrest immediately.

Some have argued that high extractive capacity states are more likely to enact reforms to address their domestic problems, because reform may be a solution to unrest only when the opposition believes that the state controls enough resources (and its rule is relatively secure in the near future) to credibly commit to, and then implement,

\textsuperscript{49} Ibid, p. 250.
meaningful and lasting political changes. By this logic, the promises to reform made by governments with low extractive capacity will not be taken seriously by a dissatisfied public, which knows that the state does not have the ability to implement these policies. Under these conditions, the policy will not have its intended effect of reducing domestic tension. While states with high extractive capacity possess the capabilities and long-term horizons to convince the public that they are both willing and able to enact reforms to solve their domestic troubles, they are less likely to adopt this policy. This is because they also have the capabilities to adopt generally more attractive policies, such as repression, which require fewer sacrifices and also promise to bring an end to the unrest.

Hypothesis 3: As the level of domestic unrest increases, states with low extractive capacity are more likely than are high extractive capacity states to adopt reform measures.

2.3.4 Foreign Intervention and State Extractive Capacity

If a state with low extractive capacity is faced with a high level of domestic unrest, which, if unchecked, may topple the existing political system, its only recourse may be to appeal to a third party for military aid. That is, the state will try to extract resources (e.g., arms or military personnel) from an external source to enable a more effective repression of its opposition. Stephen David, for instance, finds that leaders, who “simply lack the weapons and logistical capability for direct, protracted conflict beyond their borders” and for whom the stakes are very high, align with other states in


order to increase their ability to combat internal threats and ensure their political and physical survival. If the domestic threat is severe, the state may even trade much of its sovereignty for survival, inviting an ally or an international organization to intervene militarily on its behalf.

Because political leaders want to remain autonomous, sovereign actors both within their country and in the international system and prefer policies that require surrendering as little of their power as possible either to other countries or groups within society, states with even a moderate extractive capacity will typically choose an alternative policy response. Therefore, because a state with high extractive capacity has the latitude to select policies that require little, if any, sacrifice of its political autonomy, it is extremely unlikely that these states will appeal to an external actor for aid, much less military intervention.

_Hypothesis 4:_ As the level of domestic unrest increases, states with low extractive capacity are more likely than are high extractive capacity states to request external military aid from another state or an international organization.

2.4 Conclusion

In this chapter I discussed the utility of incorporating the concept of policy alternatives into the theory of diversionary conflict. Using the Policy Alternatives Approach in regard to state responses to domestic unrest points to the central importance of state extractive capacity. A government’s ability to efficiently mobilize resources may help to explain why diverting attention sometimes becomes more attractive than enacting reform measures, seeking military support from a sympathetic state or an international

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organization, or repressing the opposition through internal policing. By generally ruling out resource-intense policies, such as diversionary war and repression, low state extractive capacity pushes governments towards adopting less costly policies, such as diversionary uses of force or threats to use force, political reform, and/or a request for foreign intervention.

In order to demonstrate the existence of a relationship between high and low extractive capacity and states’ policy choices in response to unrest, I conducted a large-N statistical analysis. The results of this analysis are discussed in the following chapter.
CHAPTER 3

A MODEL OF DOMESTIC INSTABILITY, STATE CAPACITY, AND VIOLENCE

This chapter describes the method and results of a quantitative, empirical test of the hypotheses presented in Chapter 2. The analysis has two goals. The first is to assess whether incorporating the logic of policy alternatives into the theory of diversionary war reveals evidence of a relationship between internal and external conflict. More specifically, I examine whether governments are likely to adopt a bellicose foreign policy during periods of social upheaval—given the alternative policies on their menu of options, such as enacting reforms, repressing their opposition, and seeking military aid from an ally. By more closely mirroring the way leaders make decisions, a model that incorporates these policy alternatives may reveal a relationship between internal and external conflict that otherwise would be masked.

The second aim, and this follows from the logic of policy alternatives, is to examine whether and how state extractive capacity influences states’ responses to domestic unrest. Does the state’s ability to mobilize resources shape government decision-making as described in the previous chapter? Is there evidence that low extractive capacity countries are more likely to appease their opposition through political
reforms, provoke a conflict with an external adversary, and invite foreign intervention, and that high extractive capacity countries are more likely to repress their domestic opponents?

3.1 The Model

In order to identify the conditions under which states repress, reform, initiate a conflict with an external adversary, and request foreign intervention, I use an estimator that enables one to incorporate all four policy options into a single statistical model: multivariate probit.\(^{53}\) The log-likelihood function for the multivariate probit model is as follows:\(^{54}\)

\[
L = \sum_i \log \Phi_4(\mu_i; \Omega)
\]

This model has a number of advantages over previous approaches.\(^{55}\) First, the multivariate probit model permits the simultaneous estimation of multiple equations with

---


\(^{54}\) \(\Phi_4(\mu_i; \Omega)\) is the standard quadrivariate normal cdf, where \(\mu_i = (K_{i1} \beta_1 \prime X_i, K_{i2} \beta_2 \prime X_i, K_{i3} \beta_3 \prime X_i, K_{i4} \beta_4 \prime X_i)\) with \(K_{ik} = 2y_{ik} - 1\), for each \(j, k = 1, \ldots, 4\). \(\Omega\) has elements \(\Omega_{jk}\), where \(\Omega_{jj} = 1\) for \(j = 1, \ldots, 4\); \(\Omega_{21} = \Omega_{12} = K_{11}K_{22}\rho_{21}; \Omega_{31} = \Omega_{13} = K_{13}K_{31}\rho_{31}; \Omega_{32} = \Omega_{23} = K_{13}K_{32}\rho_{32}; \Omega_{41} = \Omega_{14} = K_{14}K_{41}\rho_{41}; \Omega_{42} = \Omega_{24} = K_{14}K_{42}\rho_{42}; \Omega_{43} = \Omega_{34} = K_{14}K_{43}\rho_{43}.

\(^{55}\) Multivariate probit is a multiple equation model. The multiple dependent variables may represent different choices at a point in time or one item at multiple points in time. The model is as follows:

\[
y_{im}^* = \beta_m \prime X_{im} + \epsilon_{im}, m=1, \ldots, M
\]

\(y_{im} = 1\) if \(y_{im}^* > 0\) and 0 otherwise

\(\epsilon_{im}, m=1, \ldots, M\), are error terms distributed as multivariate normal, each with a mean of zero and a variance-covariance matrix \(V\), where \(V\) has values of 1 on the leading diagonal and correlations \(\rho_{jk} = \rho_{kj}\) as off-diagonal elements.
different binary dependent variables. In other words, one is not limited to analyzing only one policy option at a time. Instead, it is possible to simultaneously assess the relationship between state extractive capacity, the level of domestic unrest, and a government’s policy choice for all four of the policy alternatives. Hence, conclusions can be drawn about the probability that states will choose any one of the four policies conditional on the other options available to them. Second, the error correlations among the policy options can be estimated using multivariate probit. That is, the model permits violations of the independence of irrelevant alternatives assumption. In practice, this means that it allows for the possibility that the probability of choosing one policy affects the probability that states will choose any of the other options. Third, each of the equations in the multivariate probit model does not need to contain the same set of independent variables. This feature allows one to construct a statistical model that more accurately reflects reality; specifically, there is no assumption that the variables that influence whether states provoke an international conflict, for example, are the same as those that influence whether states enact reforms. Fourth, the model permits joint outcomes; that is, states can choose to adopt more than one of the four policies in a given year. This is important because governments often pursue multiple strategies for dealing with domestic strife simultaneously, such as enacting reform measures to appease moderates while repressing their more extremist opponents. Because of all of the possible combinations of policies states could adopt in a given year, there are actually sixteen—not four—possible policy outcomes. The multivariate probit model, at least in

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56 In the quadrivariate case of the multivariate probit model, there are sixteen joint probabilities corresponding to the sixteen combinations of successes \(y_{im} = 1\) and failures \(y_{im} = 0\). For example, the
theory, can tell us the probability of any one of these sixteen outcomes under a specified set of conditions.

3.2 The Variables

By combining data from a number of sources, I gathered observations on 107 countries between 1960 and 1982. Accurately testing whether domestic unrest and extractive capacity are related to states’ decisions to adopt these policies requires variation on both the dependent and independent variables. Consequently, the data set includes cases in which states use military force against an external adversary, adopt reforms, repress their domestic opponents, and receive foreign military aid—as well as cases in which states (1) chose not to adopt any of these strategies during the time period covered by the data set and/or (2) experienced no internal unrest during the respective time period. The remainder of this section explains the operationalizations and coding rules of the dependent and independent variables.

3.2.1 Dependent Variables: Interstate Conflict and War

The logic outlined in Chapter 2 suggests that that low extractive capacity states are more likely than are high extractive capacity states to provoke an international conflict during periods of social unrest—with one very important caveat. The logic also suggests that governments with low extractive capacity are less likely to engage in a full-scale war, because they lack the resources for a drawn out military campaign and would prefer to threaten to use force or to employ force with the expectation of limited

\[
\Pr(y_1=1, y_2=1, y_3=1, y_4=1) = \Pr \leq \beta_1 X_1, \varepsilon_2 \leq \beta_2 X_2, \varepsilon_3 \leq \beta_3 X_3, \varepsilon_4 \leq \beta_4 X_4).
\]

probability that every outcome is a success (i.e., a state adopts all four strategies in a given year) may be expressed as follows: \(\Pr(y_1=1, y_2=1, y_3=1, y_4=1) = \Pr \leq \beta_1 X_1, \varepsilon_2 \leq \beta_2 X_2, \varepsilon_3 \leq \beta_3 X_3, \varepsilon_4 \leq \beta_4 X_4).\)
resistance. Sometimes, however, low level uses of force will get out of hand and low extractive capacity states will end up fighting large-scale wars—but this will rarely be their intent and they will try to restrain the level of violence to affordable proportions. Thus, the probability that low extractive capacity countries will fight protracted wars will be lower than the likelihood that they will initiate interstate conflicts short of war.

In order to test this claim, I created two dependent variables: one indicating whether a state initiated a low-intensity international conflict—*Interstate conflict*—and another—*Interstate War*—indicating whether a state participated in a war during a given year. The measures for *Interstate conflict* and *Interstate war* were constructed using the Militarized Interstate Disputes (MID) data set (Version 2.1), which records four levels of state conflict behavior: threats to use force, shows of force, the use of force, and interstate war. Since states occasionally initiate multiple disputes in a given year, I include in this dataset the dispute with the highest hostility level. In other words, if a state initiated two disputes in 1960, one in which the highest hostility level reached was a “threat to use force” and another in which the highest hostility level was the “use of force,” I coded the dispute in which the hostility level was the “use of force.”

57 The MID dataset only records the highest hostility level reached in an interstate dispute—not the hostility level of the first incident (e.g., a threat to use force) in the dispute. If we did know how aggressive the first actions of the dispute initiator were, then we might predict that the first actions of low extractive capacity states in a dispute would be threats or shows of force rather than declarations of war. That said, we would still not know the intent of the dispute initiator, that is, whether the state’s leaders hoped or feared that the conflict would escalate to the point of war. For further discussion, see below.


59 For the most part, only great powers tend to initiate multiple MIDs in a given year, and they represent only a small subset of cases in the data set. Thus, while they may have considerable influence in international politics, their behavior is unlikely to have a significant effect on the results.
Because the unit of analysis in this data set is the country-year, Interstate conflict is coded 1 if a state initiated a dispute in which it threatened to use force, engaged in a show of force, or used force in a given year and 0 if it did not. If a state joined an ongoing MID or simply chose to continue participating in an ongoing MID, this is coded 0. Interstate war is coded 1 if a country initiated a dispute that became a war (defined as 1000 battle-related fatalities) and 0 if it did not.

3.2.2 Dependent Variables: Repression and Political Reform

The dependent variables Political reform and Repression were created using data from the World Handbook of Social and Political Indicators III. 60 A state is coded as having adopted a policy of repression if it imposed “negative sanctions” in a given year. A negative sanction includes any attempt by the state to suppress or eliminate a domestic threat to the security of the government, for example, by instructing national or local police units to imprison dissidents, limiting or intimidating the mass media, imposing curfews, etc. 61 The variable for Repression is coded 1 if a state imposed negative sanctions one or more times in a year; otherwise, it is coded 0. Similarly, a state is coded as having enacted political reforms if it modified or eliminated negative sanctions during a year, for example, by reducing government controls on the popular media. The variable for Political reform is coded 1 if the state repealed negative sanctions that had

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61 These events were coded daily and then summed to produce the number of times a state imposed negative sanctions annually.
been previously imposed on the domestic public one or more times during a given year and 0 if it did not.

### 3.2.3 Dependent Variables: Foreign Intervention

The fourth dependent variable—*Foreign intervention*—was constructed using the International Military Intervention (MINT) data set, which includes cases in which a state is the target of a military intervention by another state.\(^{62}\) “Military intervention” is defined as the movement of regular troops or forces (naval, air, and/or ground) of one country into the territory or territorial waters of another country, including shelling locations in the target country. This also includes forceful military action by troops already stationed by one country inside the target state, as long as that action is conducted in the context of some political issue. A military intervention has not occurred if arms or materiel is transported into the target state or if a country engages solely in covert subversion in the target country.

The MINT data set also records the purpose of the military intervention, for example, whether the intervening state intended to aid the domestic opposition or rebel groups or to support the government. Thus, only foreign military interventions, which were intended to support the government against rebel groups, were included in the analysis and given a value of 1. If, however, a state either was not the target of a foreign

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intervention in a given year or the intervening state’s goal was to aid opposition or rebel
groups, it is coded 0.63

3.2.4 Independent Variables: Domestic Unrest and State Extractive Capacity

Adopting a standard measure for social strife, I constructed the variable Level of domestic unrest using data from the World Handbook of Political and Social Indicators III. Level of domestic unrest is measured as the annual number of protest demonstrations in each state aimed at the national government, strikes, work stoppages intended to change government policy, riots, and armed attacks by organized groups targeted at the government. This variable ranges from 0 to 3091.64

The measure of State extractive capacity was constructed using an indicator created by A.F.K. Organski and Jacek Kugler in the The War Ledger, which they label “relative political extraction.”65 More recently, Kugler and Marina Arbetman expanded this data set, collecting data on the political capacity of 112 states between 1960 and 1992.66 As explained in the previous chapter, state extractive capacity represents the ease with which governments mobilize resources from society. “Relative political extraction” is a good, although not perfect, approximation of, what I term, “state extractive capacity,” because Kugler and Arbetman’s measure is specifically designed to assess a

63 This data set does not include cases in which states requested but did not receive military aid or interventions by international organizations, limiting my ability to test the hypothesis regarding when states request and receive international military aid.

64 The mean value in the sample is 20.1 annual incidents of domestic unrest and the mode is 0.

65 See Organski and Kugler, The War Ledger.


46
government’s *efficiency* in transferring “resources from the population to the government to allow the government to achieve its policy goals” and not simply the absolute *size* of the government’s tax revenue.67

In order to evaluate each state’s extractive capacity (i.e., relative political extraction) in a given year, Kugler and Arbetman calculate two statistics: one which measures the tax revenues that the state could collect based on its total societal economic resources (i.e., “predicted government revenue”) and one which measures the amount the state actually extracted (i.e., “actual government revenue”). The predicted government revenue for a given country is obtained using the parameter estimates produced by running an ordinary least squares regression on the following model:68

\[
\frac{\text{Tax}}{\text{GDP}} = \beta_1 + \beta_2 \frac{\text{Time}}{\text{GDP}} + \beta_3 \frac{\text{Mining}}{\text{GDP}} + \beta_4 \frac{\text{Agriculture}}{\text{GDP}} + \beta_5 \frac{\text{Exports}}{\text{GDP}} + \epsilon
\]

Lastly, a ratio is calculated using these two statistics to identify governments that collect a larger (smaller) than expected amount of tax revenues from society in a given year, based on economic factors:

\[
\text{State Extractive Capacity} = \frac{\text{Actual Government Revenue}}{\text{Predicted Government Revenue}}
\]


68 The adjusted R\(^2\) for this model is 0.3904. For further discussion of this measure, see Yi Feng, Jacek Kugler, and Paul J. Zak, “Politics of Fertility and Economic Development,” *International Studies Quarterly* 44 (2000): pp. 690-1.
If the ratio of actual to predicted government revenue is greater than 1, then that state is better than expected at extracting revenue. A state extractive capacity ratio of less than 1 indicates that the government is worse than expected at extracting tax revenues. Thus, a value of 2 indicates that the state’s ability to mobilize resources is twice that of the predicted value for that country, and an extractive capacity of .05 indicates a state whose extractive performance is half that of the predicted value for that government.69

An alternative measure of state extractive capacity used in other studies is to calculate a government’s annual tax revenues.70 The problem with this measure is that it fails to take into account the size of a country’s national economy. High revenue states would generally be countries like India or China, which have large national economies. As a result, a government could appear to have a superior ability to mobilize resources simply because the pool of resources from which it can draw is larger. In contrast, the measure of state extractive capacity used here captures the ease with which the government can generate resources, which is critical in deciding the breadth of its policy menu.

When one considers which countries are categorized as high and low extractive capacity using this measure, the results generally conform to one’s expectations (see Figures 3.1 and 3.2 below). One expects that relatively weak and poorly governed states will have low extractive capacity, and, for example, Mexico, Turkey, and the Philippines all have low extractive capacity. Similarly, we expect that relatively strong and well-governed states will have a high extractive capacity, and Sweden, the United Kingdom,

69 State extractive capacity ranges from 0.05 to 6.410. The mean value is 1.04.

70 See Davenport, “Multidimensional Threat Perception.”
and France all have high extractive capacity. However, this measure of extractive
capacity does produce a few outliers, for example, the United States. The United States is
coded as a low extractive capacity state.

Figure 3.1: High Extractive Capacity States

Why is the U.S. government’s extractive capacity lower than other advanced
industrialized states, that is, why does it appear to be commensurate with countries that
are relatively weak? One answer is that Washington’s low extractive capacity may result from America’s well-documented culture of limited government except in times of national crisis. Although I argue in the previous chapter that states that are unable to easily extract revenues from society have fewer policy options, it is quite possible that the United States’ low extractive capacity may not always constrain its behavior, for example, by preventing it from adopting a policy of repression. The United States’ low
extractive capacity, therefore, may not act as a significant constraint on its behavior because of its considerable potential to mobilize a greater percentage of society’s resources in extremis. Unlike weak states, which are essentially forced into having a low extractive capacity, the U.S. chooses to have a relatively low extractive capacity. It is much easier for the U.S. than, say, the Philippines to increase its extractive capacity to levels comparable with France. In a crisis, the U.S.’s hands are tied more loosely than are other low extractive capacity countries’. As Admiral Isoroku Yamamoto reportedly declared after the Japanese attack on Pearl Harbor: “I fear all we have done is to awaken a sleeping giant.” Thus, the U.S. case does suggest that there may be a small number of outliers in the analysis: apparently low extractive capacity states whose behavior during periods of social unrest is markedly different from that of other low extractive capacity countries.\footnote{Compare this with states whose low extractive capacity could be attributed to factors that might be difficult to change. If, for example, a state is hampered by a woefully inefficient bureaucracy, this problem may be more difficult to remedy in a short period of time. During the first few years of his administration, Alberto Fujimori was able through administrative reform to improve the Peruvian state’s access to revenues. Even so, Peru remained a low extractive capacity state. Thus, the United States may behave differently than Peru when confronted by domestic unrest because its low extractive capacity is, to some extent, voluntary.}

\footnote{However, one should be careful not to overstate the ease with which American leaders can improve their capacity to extract revenues from society—indeed, the rapidity with which the US government was able to increase military spending after 1941 may be atypical, even misleading. As both Zakaria and Christensen argue, the US government has often faced significant obstacles when attempting to increase state spending, although the nature of these obstacles has varied over time. Zakaria argues that throughout much of the 19th century the executive was shackled by a weak bureaucracy and an uncooperative legislature and, as a result, was unable to turn national economic growth into greater state power, limiting the president’s ability to increase America’s international influence. See From Wealth to Power, pp. 13-43. During the 20th century, Christensen observes, the US government confronted a public that was reluctant to permit increases in taxation to, for example, fund higher spending on military and economic assistance to Europe. This suggests that the US’s low extractive capacity during the 19th and 20th centuries limited the menu of policy options available to the US. See Useful Adversaries, pp. 11-31.}
3.2.5 The Interaction Term

It has been hypothesized that the effect of domestic unrest on a government’s policy choices (i.e., whether leaders choose a policy of repression or diversionary conflict during periods of social upheaval) depends on the state’s ability to extract resources. Hypothesis 1, for example, predicts that, as the level of unrest increases, states with low extractive capacity are more likely to adopt an aggressive foreign policy. In other words, the effect of domestic unrest on the government’s propensity to use force against an external adversary will be different as the state’s ability to mobilize resources varies. Therefore, I created an interaction term by multiplying Level of domestic unrest with State extractive capacity. A multiplicative term is appropriate when the effect of an independent variable $X_1$ on the dependent variable $Y$ is believed to depend on (or to be conditional on) the value of another independent variable $X_2$. Modeling domestic unrest and state extractive capacity as a multiplicative term will reveal whether high or low extractive capacity states are more likely to respond to escalating domestic unrest by adopting a policy of aggression, reform, repression, or foreign military aid. An interaction term, therefore, allows one to test the proposed relationship between domestic unrest, the government’s ability to mobilize resources, and its policy choices discussed in Chapter 2.

The hypotheses outlined in Chapter 2 produce predictions about the relationship between state extractive capacity, domestic unrest, and states’ policy choices. We can now review what these predictions are:

---

(1) Low extractive capacity states should be more likely to initiate an interstate conflict than are high extractive capacity states as the level of domestic unrest increases (*Hypothesis 1*).

(2) Low extractive capacity states should be more likely to initiate interstate conflicts than interstate wars (*Hypothesis 1a*).

(3) High extractive capacity states should be more likely to repress their domestic opponents than are low extractive capacity states as the level domestic unrest increases (*Hypothesis 2*).

(4) Low extractive capacity states should be more likely to adopt political reforms than are states with high values of extractive capacity as the level of domestic unrest increases (*Hypothesis 3*).

(5) Low extractive capacity states should be more likely request foreign military intervention than are states with high values of extractive capacity as the level of domestic unrest increases (*Hypothesis 4*).

Put simply, as internal instability grows, low extractive capacity states should be more likely to initiate an international conflict, reform, and request foreign intervention; high extractive capacity states should be more likely to repress. Of course, sometimes high extractive capacity states reform, and sometimes low extractive capacity states repress, but they are relatively less likely to do so.

### 3.2.6 Control Variables

A number of control variables are also incorporated into the model. These variables are included because, in the separate literatures on reform, repression, foreign intervention, and the use of force, they have been identified as important causes of a government’s decision to adopt one of the policy alternatives (i.e., in the literature on repression, it has been hypothesized that developed states are less likely to adopt
repressive measures). Note again that it is possible to integrate the findings of these previously distinct literatures into a single statistical model because multivariable probit allows one to (1) simultaneously estimate the likelihood that a state will adopt each of these policy alternatives and (2) to include different right-hand-side variables for each dependent variable.

*Economic development*, which has been hypothesized to decrease the likelihood that states will repress their domestic opponents, is measured using a standard proxy: energy consumption per capita.\(^{74}\) This variable is included the model of repression, but not in the models of the interstate conflict, interstate war, reform, and international intervention. These data were taken from Correlates of War (COW) *National Material Capabilities* data set.\(^{75}\) *Major power* is a dummy indicator that is coded 1 for all states defined as major powers; non-major powers are coded 0. This control variable is included in the model of foreign intervention, international conflict, and war, but not repression and reform. Major powers are expected to be less likely to be the target of an international intervention and more likely to initiate an interstate conflict or war. *National capabilities*, which assesses a country’s military strength, is measured using the Composite Index of National Capabilities (CINC) score created by the COW project (Version 3.0).\(^{76}\) It has been argued that the greater a state’s capabilities, the more likely it will initiate an interstate conflict or launch a war and the less likely it will be the target


\(^{76}\) *Ibid.*
of an international invention. *Economic growth* is measured as the percentage change in Gross Domestic Product per capita using data taken from the COW *National Material Capabilities* data set.77 Economic growth has been hypothesized to be both negatively and positively related to the use of force.78

3.3 Statistical Results

An examination of the results supports the argument outlined in Chapter 2 that state extractive capacity influences whether governments enact reforms, request international military aid, and initiate international conflicts and interstate wars during periods of unrest. The coefficients for the interaction between unrest and extractive capacity, which are listed in the third column of Table 3.1, reach the level of statistical significance for each of these dependent variables.79 The coefficient for the interaction term in the model of repression is not statistically significant. Importantly, however, for states with low to moderately high extractive capacity, the level of domestic unrest has a statistically significant effect on whether a government chooses to repress its opposition. This finding will be discussed in greater detail below.

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78 For a discussion regarding whether increases in wealth prompt states to expand their interests, see Zakaria, *From Wealth to Power*, ch. 2; and John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton, 2001), ch. 6.

79 The results of four binary probit models are included in Table 1 as a robustness check. In most, but not all cases, the coefficients and standard errors in the binary probit models are roughly similar to those in the multivariate probit model.
<table>
<thead>
<tr>
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<th><strong>Binary Probit</strong></th>
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Table 3.1: Binary and Multivariate Probit Results
Table 3.1 continued

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<td>Constant</td>
<td>-.206</td>
<td>-.161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Log-likelihood=1272.4</th>
<th>Log-likelihood=268.31</th>
</tr>
</thead>
<tbody>
<tr>
<td>X² = 20.52**</td>
<td></td>
<td>X² = 13.36**</td>
</tr>
</tbody>
</table>

* Statistically significant at α=.05
** Statistically significant at α=.01
Multivariate probit log-likelihood=3405.60
Multivariate probit X²= 1066.74**

Robust standard errors (adjusted for clustering by country) N=2067 (for all models)

Because *Level of domestic unrest* and *State extractive capacity* are modeled as an interaction term, their individual coefficients are interpreted as the marginal effect of each covariate on the dependent variable when the other equals zero. In the case of state extractive capacity, zero is outside its observed range, which means that one cannot
substantively interpret this coefficient.\textsuperscript{80} However, because many countries included in the data set did not experience any social unrest, one can substantively interpret the individual coefficients for \textit{Level of domestic unrest}. For example, the coefficient for extractive capacity in the model of international conflict is positive, meaning that, in the absence of social strife, as a state’s ability to efficiently extract resources from society increases, its leaders are more likely to initiate a conflict with another country. The individual coefficients for state extractive capacity do not reach the level of statistical significance for any of the dependent variables, however.

Of greater interest to this analysis, therefore, are the coefficients for the interaction terms. Because the interaction term in each model represents the conditional relationship between domestic unrest and extractive capacity, these coefficients indicate how the effect of domestic unrest on the dependent variable (a government’s policy choice) changes depending on a state’s ability to mobilize resources.\textsuperscript{81} One gets a better sense of the nature of the relationship between level of unrest and state extractive capacity for each dependent variable when they are graphically displayed.\textsuperscript{82}


\textsuperscript{81} The interaction term also tells us how the effect of state extractive capacity on a state’s policy choice changes as the level of unrest varies.

\textsuperscript{82} The formulas to calculate the values of each covariate as the other varies are as follows:

\[
\beta_1 \text{ at } X_2 = \beta_1 + \beta_3X_2, \text{ and } \text{SE} (\beta_1 \text{ at } X_2) = \sqrt{\text{var}(\beta_1) + X_2^2 \text{var}(\beta_3) + 2X_2 \text{cov}(\beta_1, \beta_3)}}^{1/2}
\]

\[
\beta_2 \text{ at } X_1 = \beta_2 + \beta_3X_1, \text{ and } \text{SE} (\beta_2 \text{ at } X_1) = \sqrt{\text{var}(\beta_2) + X_1^2 \text{var}(\beta_3) + 2X_1 \text{cov}(\beta_1, \beta_3)}}^{1/2}
\]
3.3.1 Interstate conflict and war

Figure 3.3 illustrates the relationship between domestic unrest, state extractive capacity, and the decision to initiate an international conflict short of war. As predicted,

Figure 3.3: The Effect of Domestic Unrest ($\beta_2$) on the Initiation of Interstate Conflict as State Extractive Capacity ($X_1$) Varies

the effect of *Level of domestic unrest* on government decisions to provoke an interstate conflict changes as state extractive capacity varies. At low levels of state extractive
capacity (i.e., a state extractive capacity value between 0.5 and 0.8), there is a positive and statistically significant relationship between the initiation of an interstate dispute and domestic unrest, and the relationship is stronger for low extractive capacity states than for moderate extractive capacity states. In contrast, at high levels of extractive capacity (2.1-6.5), this relationship is reversed: there is a statistically significant negative relationship between unrest and the initiation of an international conflict. Thus, for governments that struggle to mobilize societal resources, escalating domestic turmoil increases the likelihood that they will initiate interstate disputes, whereas growing internal unrest causes high extractive capacity states to be less inclined to use force against an external enemy. Riots and demonstrations propel impoverished states to rattle their sabers, whilst convincing moneyed states to put the saber back in the scabbard.

To get a better sense of the magnitude of the effect of Level of domestic unrest on how low and high extractive capacity states respond to internal conflict, I calculated the marginal predicted probability that a government will initiate an interstate conflict as internal unrest and state extractive capacity vary (see Figure 3.4). 83 As unrest increases, the probability that high extractive capacity states will provoke international crises short of war begins to decline, while the probability that low extractive capacity states will provoke an interstate dispute sharply increases. The difference in the probability that low and high extractive capacity countries will provoke an international conflict at very extreme levels of unrest (99th percentile) is dramatic: low extractive capacity states are two and a half times more likely to threaten to use or actually use force against an

83 To calculate the marginal predicted probabilities in this chapter, I held all of the control variables at their means, except the variable for Major power, which was held at its mode (0). State extractive capacity is held at the 5th (low extractive capacity) and 95th percentiles (high extractive capacity).
external adversary than are high extractive capacity states. Thus, all leaders are not equally tempted by the idea that they can wage a “little victorious war to stem the tide of revolution.”

Figure 3.4: The Marginal Predicted Probability of the Initiation of Interstate Conflict as Domestic Unrest Varies

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84 Blainey, *The Causes of War*, p. 76.
These results are consistent with Hypothesis 1, which states that the combination of (1) few available resources and (2) high internal threat causes weak rulers to wage high-risk bets on strategies that could result in a loss of sovereignty and a worsening of their domestic ills. Thus, they should be more likely to initiate an interstate conflict as unrest increases. Indeed, the results of the analysis are more dramatic than expected. Instead of simply finding a greater propensity to initiate interstate disputes among low versus high extractive capacity states, there is actually a negative relationship between

![Figure 3.5: The Marginal Predicted Probability of the Initiation of an Interstate War as Domestic Unrest Varies](image)

Figure 3.5: The Marginal Predicted Probability of the Initiation of an Interstate War as Domestic Unrest Varies
Level of domestic unrest and Interstate conflict for high extractive capacity states. In sum, there is an inclination to provoke external conflicts during periods of internal unrest, but this impulse is present primarily among states that struggle to collect revenues from their citizens.

Hypothesis 1a states that, all things being equal, governments with low extractive capacity will be increasingly likely to initiate low-level interstate conflicts as unrest escalates but will try to avoid more costly conflicts, such as interstate wars. The results of the statistical analysis support this claim. Both high and low extractive capacity countries are inclined to launch a war as social instability increases, but high extractive capacity states are, across all levels of domestic unrest, more likely to do so than are low extractive capacity countries, although the difference is relatively small (see Figure 3.5 above). They are about one and half times more likely than are low extractive capacity states to participate in a war at high levels of unrest (i.e., a probability of .047 for high and .028 for low extractive capacity states).85

A more striking and instructive finding, however, is that, at very high levels of unrest (99th percentile), impoverished states are eleven times more likely to initiate a low intensity conflict than they are to initiate an interstate war (see Figure 3.6). In contrast, high extractive capacity states are only about two and half times more likely to participate initiate a low-level conflict versus an interstate war at high levels of unrest. All types of states initiate low-level conflicts more often than large-scale wars but this tendency is far

85 The predicted probability that states will initiate a war during periods of domestic unrest with an external target only increases a small amount. In the end, this is not surprising. Just as there are many causes of death, there are many reasons why states go to war; no one would claim that domestic unrest is chief among them. Nevertheless, domestic unrest does increase the likelihood that states will adopt a bellicose foreign policy.
stronger for low extractive capacity states. Impoverished states turn more readily to brinkmanship, but they also look more warily over the brink.

Figure 3.6: The Marginal Predicted Probability of the Initiation of Interstate Conflict and War for Low Extractive Capacity States

3.3.2 Repression

In the model of repression, the results of the quantitative analysis indicate that there is a positive and statistically significant relationship between domestic strife and the suppression of internal unrest for low to moderately high extractive capacity states (a
state extractive capacity between 0.5 and 1.5). That is, domestic unrest causes leaders of states with low to moderate extractive capacity to crack down on their domestic opposition (see Figure 3.7).\textsuperscript{86} The marginal predicted probability, however, that low and high extractive capacity states will adopt a policy of repression is roughly the same (see Figure 3.8). Impoverished states are slightly more likely (one and a half more times) to repress their opponents than are governments with a high extractive capacity at low levels of unrest. Since the level of unrest at this level is quite low (only 2 incidents per year),

Figure 3.7: The Effect of Domestic Unrest ($\beta_2$) on the Adoption of a Policy of Repression as State Extractive Capacity ($X_1$) Varies

\textsuperscript{86}That is, states with a higher extractive capacity are inclined to impose repressive measures in response to rising domestic unrest and the correlation between repression and unrest is greater than it is for low extractive capacity states. However, these coefficients are not statistically significant.
This finding is consistent with the logic discussed in Chapter 2. Hypothesis 2 predicts that, because repression is a relatively costly strategy for dealing with a government’s internal opponents, governments with high extractive capacity should be more likely to impose repressive measures than governments that are less able to extract societal resources. However, it was also argued that embattled governments with few resources might be particularly inclined to attempt repression at low levels of unrest when they still

Figure 3.8: The Marginal Predicted Probability of Repression as Domestic Unrest Varies
have the ability to do so. That said, the results do not differ greatly for high and low extractive capacity states. For example, governments, regardless of their resources, are almost certain to adopt a policy of repression at acute levels of unrest. Of course, these results do not tell us what motivates the leaders of impoverished states to adopt such a costly policy. It is possible that they lack the resources to successfully put down the unrest but, given the extent of the unrest and/or other domestic conditions, they have no viable policy alternatives. In other words, leaders of low extractive capacity states repress not because they expect to be successful but because they have no other options on their policy menus. The precise relationship between state extractive capacity and repression will be explored further in the case studies.

3.3.3 Political Reform

Domestic unrest has a *positive* and statistically significant effect on whether governments appease their domestic opposition by enacting political reforms for low and moderately high extractive capacity states (i.e. state extractive capacity between 0.5 and 1.3), but the relationship is slightly stronger for low values of extractive capacity (0.5-0.9) than for higher values (1.0-1.3). The effect of social turmoil on the propensity to reform is reversed for states with higher extractive capacity, however: for government’s with the ability to easily extract resources from society (2.1 and 6.5), there is a statistically significant *negative* relationship between the decision to adopt political reforms and mounting domestic opposition to the regime (see Figure 3.9 below).
Figure 3.9: The Effect of Domestic Unrest ($\beta_2$) on the Adoption of Political Reforms as State Extractive Capacity ($X_1$) Varies

Figure 3.10, which graphs the marginal predicted probability of reform for low and high extractive capacity states as unrest increases, shows that impoverished governments are more than two times as likely to enact political reforms at higher levels of domestic unrest (95th percentile) and almost one and a half times as likely to enact reform measures at extreme levels of domestic unrest (99th percentile). These results are

* statistically significant at $\alpha=.05$
consistent with Hypothesis 3, which predicts that, because political reforms require few resources to implement but often require that governments relinquish some of their sovereignty to domestic opposition groups, leaders of low extractive capacity states should be more likely than governments of high extractive capacity states to enact reforms as unrest increases. Kings with empty purses sign Magna Cartas.

Figure 3.10: The Marginal Predicted Probability of Political Reform as Domestic Unrest Varies

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87 Interestingly for states with very high state extractive capacity, there is actually a strong negative relationship between unrest and political reform. If the predicted probabilities are generated for very high values of state extractive capacity (greater than 2.0), then the difference in the likelihood of reform between low and high extractive capacity countries is even greater.
3.3.4 Foreign intervention

Finally, the quantitative analysis reveals that there is a positive and statistically significant relationship between the Level of domestic unrest and Foreign intervention at low values of state extractive capacity (i.e. between 0.5 and 0.9). But the relationship between these variables for low extractive capacity states, although still positive, becomes weaker as a government’s extractive capacity approaches 1 (i.e. a state whose actual capacity to extract revenues from society equals its predicted capacity).

Figure 3.11: The Effect of Domestic Unrest ($\beta_2$) on the Choice of Foreign Intervention as State Extractive Capacity ($X_1$) Varies
Conversely, for very high extractive capacity states (4.5-6.5), there is a strong and statistically significant negative relationship between Foreign intervention and escalating internal unrest (see Figure 3.11).

The predicted probability that a government will be the target of a military intervention is markedly different for low and high extractive capacity governments (see Figure 3.12). Resource-poor states are nearly six times more likely to experience a foreign intervention than are governments that can more easily extract revenues from the national economy. These findings are consistent with Hypothesis 4, which predicts that,
due to the obvious unattractiveness of having to turn to another country to put down a domestic uprising, low extractive capacity states should be more likely to be the target of an international military intervention when they face escalating social turmoil than are high extractive capacity states.

3.3.5 Summary

This analysis supports the argument that incorporating the logic of policy alternatives into the model of diversionary conflict puts into sharper focus the nature and extent of the relationship between the use of force and unrest. Leaders of states suffering from a high degree of social upheaval choose from a menu of alternative solutions to their internal problems, and state extractive capacity influences which of these policies they select. Incorporating this variable into the model of government responses to domestic unrest improves our understanding not only of the conditions under which states initiate diversionary conflicts but also when states engage in repression, enact political reforms, and invite foreign military intervention.

State extractive capacity shapes leaders’ decision-making in predictable and logical ways: a lack of access to revenues pushes governments towards less costly policies, such as low-level international conflicts, political reform, and foreign intervention. Governments in low extractive capacity states are also inclined to repress domestic opponents. It appears, therefore, that imperiled governments with low extractive capacity seem to act out of desperation; they are more likely than are states with high extractive capacity to enact any of the four policies. On the other hand, because
they have the greatest freedom of action to respond to internal crises, high extractive capacity states are less inclined to select distasteful options, such as international conflict, political reform, and foreign intervention. Instead, they tend to try to crush unrest through repressive internal policing. Thus, the quantitative analysis supports the logic of policy alternatives outlined in Chapter 2 and the predictions made regarding how state extractive capacity influences government responses to social unrest (see Table 3.2).

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Results from Statistical Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diversionary Conflict</strong></td>
<td><strong>Low extractive capacity states</strong> should be more likely to initiate an interstate conflict as the level of domestic unrest increases (<em>Hypothesis 1</em>).</td>
</tr>
<tr>
<td></td>
<td><em>Hypothesis 1 supported by the statistical analysis</em></td>
</tr>
<tr>
<td><strong>Diversionary War</strong></td>
<td><strong>Low extractive capacity states</strong> should be more likely to initiate interstate conflicts than interstate wars (<em>Hypothesis 1a</em>).</td>
</tr>
<tr>
<td></td>
<td><em>Hypothesis 1a supported by statistical analysis</em></td>
</tr>
<tr>
<td><strong>Repression</strong></td>
<td><strong>High extractive capacity states</strong> should be more likely to repress their domestic opponents as the level of domestic unrest increases (<em>Hypothesis 2</em>).</td>
</tr>
<tr>
<td></td>
<td><em>Hypothesis 2 not supported by statistical analysis</em></td>
</tr>
<tr>
<td><strong>Reform</strong></td>
<td><strong>Low extractive capacity states</strong> should be more likely to adopt political reforms as the level of domestic unrest increases (<em>Hypothesis 3</em>).</td>
</tr>
<tr>
<td></td>
<td><em>Hypothesis 3 supported by statistical analysis</em></td>
</tr>
<tr>
<td><strong>Foreign Intervention</strong></td>
<td><strong>Low extractive capacity states</strong> should be more likely to request foreign military intervention as the level of domestic unrest increases (<em>Hypothesis 4</em>).</td>
</tr>
<tr>
<td></td>
<td><em>Hypothesis 4 supported by statistical analysis</em></td>
</tr>
</tbody>
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Table 3.2: Summary of Statistical Results
3.4 The Case Studies

The results of the foregoing analysis suggest that escalating domestic unrest prompts leaders of low extractive capacity states to “do something.” Domestic unrest increases the likelihood that impoverished governments will adopt each of the policies on the menu of options. Although it strongly influences government decision-making during internal crises, state extractive capacity alone does not enable one to predict precisely when low extractive capacity states are most likely to choose each of the policy alternatives. This variable takes us an important step closer to solving the puzzle of diversionary conflict but it does not provide the whole answer. The statistical results point to an important next stage in the search for the conditions that precipitate diversionary conflict: examining individual cases of low extractive capacity states’ responses to domestic unrest to uncover new potentially generalizable variables that may shape leaders’ policy choices.

In Chapters 4 through 7, I examine four classic cases in which a low extractive capacity state adopted one of the four policy options in response to escalating social strife: the Argentine junta’s decision to initiate a diversionary conflict in the Falkland Islands in 1982; the French monarchy’s decision to enact political reforms in 1788 and 1789, the Peruvian government’s decision to repress Sendero Luminoso and its moderate peasant base in 1987; and, finally, the Habsburg monarchy’s decision to request Russian intervention in the Hungarian revolution in 1849.
These are exploratory case studies, in which the goal is discovery rather than theory confirmation. In other words, it is an “analytical inductive approach to theory development,” in which new causal variables are “suggested by…the evidence itself.” As Alexander George notes, this approach is “unlikely to provide a fully satisfactory confirmation or invalidation of existing theory,” but it does provide an important means by which one can improve upon or add to existing theory. This historically grounded approach to theory building is most commonly known as the method of “structured, focused comparison.” The aim is to carefully and systematically compare the leader’s decision-making process in each case in order to identify patterns of behavior and, in particular, to discover whether the presence or absence of certain variables can explain variation in the leaders’ policy choices across the cases.

I have chosen to focus specifically on the responses of low extractive capacity states to social unrest. There are admittedly some limitations with this choice. Because all of the cases examined are low extractive capacity states experiencing social instability, some of the conditions that push these governments towards the adoption of a particular strategy may not be generalizable to high extractive capacity states. That

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90 Ibid, p. 58.
91 See Ibid.
92 There is also the danger that all low extractive capacity states may exhibit specific antecedent conditions that are necessary for the variables to work in the observed manner. These variables may be hidden unless
said, by choosing four cases with no variation on the state’s extractive capacity but with different values on the dependent variable (i.e., different policy choices), it is possible to identify variables that might explain when and why one policy becomes more attractive than its alternatives, while holding state extractive capacity fairly constant.

The case studies serve an additional purpose. I also investigate the process by which extractive capacity influences leaders’ policy choices in specific cases. As Dan Reiter succinctly states, the limitation of quantitative analysis is that it “demonstrates only by correlation, leaving the black box of decision largely unexplored.”93 In-depth case studies, therefore, can increase our confidence that specified factors actually produced the phenomenon they were said to cause—in this study, that low extractive capacity was a true cause of the leaders’ policy choices. Thus, a secondary goal of the case studies is to learn how low extractive capacity eliminated leaders’ preferred policy responses, pushing them to adopt an alternative from the menu of options.

one also examines the decision-making processes of leaders in high extractive capacity states. Furthermore, a key issue for all small-N analyses is whether the cases are representative of the larger class of cases to which they belong. Thus, one must consider these cases might be unusual in ways that may limit the generality of any conclusions drawn from them. They are, for example, all non-democracies or newly democratizing states. Thus, the insights drawn from these cases might not be generalizable to mature democratic regimes. In each of the cases, the governments were also constrained by a combination of factors that generally ruled out all but one policy. This makes it difficult to state with great certainty, which factors might cause one policy to appear more attractive than the alternatives if the leader has more than one option. Finally, one can also not identify based on the evidence assembled here the conditions under which a state might choose a mixed strategy (i.e., when a government adopts more than one strategy). That said, this study enables one to predict when situations of greater policy freedom might arise. 95 Dan Reiter, *Crucible of Beliefs: Learning, Alliance, and World Wars* (Ithaca: Cornell University Press, 1996), p. 122. See also Stephen Van Evera, *Guide to Methods for Students of Political Science* (Ithaca: Cornell University Press, 1997), p. 54.
3.4.1 Case Studies: Method of Analysis

The technique of process tracing was used in each of the cases. This approach involves searching for evidence about “the decision process by which various initial conditions are translated into outcomes.”

Process tracing enables one to discover the precise causal mechanisms at work, that is, the precise sequence and structure of events that led to the selection of a policy from the leader’s menu of options. This can be useful for understanding more fully how low state extractive capacity shapes leaders’ calculations when selecting policy responses to unrest. It is also a useful technique for uncovering key independent variables that might previously have been overlooked. As Gary King, Robert Keohane, and Sidney Verba argue: “process tracing and other subunit analyses are useful for finding plausible hypotheses about causal mechanisms which can, in turn, promote descriptive generalizations and prepare the way for causal inference.”

Process tracing is ideal for applying the Policy Alternatives Approach to the question of state responses to unrest. The logic of policy alternatives requires that (1) we establish the government’s preferred policy response to address the domestic unrest and (2) we identify those factors that made this policy impracticable, thereby pushing the government towards another solution from the menu of options. The process tracing approach is necessary to accomplish both of these tasks.

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It is important to note that process tracing requires that one be able to identify the motivation behind a leader’s decision. It is always difficult to know exactly what motivates leaders to act. Sometimes the leaders themselves do not know. In cases in which government decision-making is shrouded in secrecy and the press may not freely comment on the conduct of the state, uncovering the aims of leaders is a particularly challenging task. As a result, one may be forced to draw conclusions from evidence that is often circumstantial. We can analyze the statements made by those who participated in the events, recognizing that these public and private comments are often intended to promote a specific agenda. In the end, one can attempt to make a reasonable judgment based on a judicious assessment of the available evidence.

In order to weigh the relative causal importance of state extractive capacity (and other variables) for explaining the leader’s decision-making in each case, I employed the logic of necessary and sufficient conditions. A few words about using these concepts are needed here. It is important to emphasize that the language of necessary and sufficient is used to identify the cause(s) of a particular leader’s decision at a particular moment in time. For example, in regard to the junta’s initial decision to invade the Falklands, the goal is to identify the necessary or sufficient conditions of the government’s plan to invade this particular target at this moment in time. Of course, in each case, one can conceive of a number of rival causal schemes that could have resulted

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in the same policy choice. In a broader sense, no variable is ever truly “necessary” for something to happen because the introduction of fantastical new variables can always provide a causal pathway in the absence of the supposedly necessary variable. Furthermore, one can imagine alternate scenarios in which, for example, the state’s extractive capacity was high or there was no domestic unrest and the same policy was nevertheless chosen. Because other conditions could have produced the same or a similar outcome, one identifies a cause as necessary or sufficient knowing that it was not in any ultimate sense either necessary or sufficient.

Yet, this predicament can be escaped. One can reasonably claim that a cause was necessary or sufficient as long as one fully specifies the background factors that form the context in which the event occurred. Put differently, a condition can be necessary or sufficient in a particular context. If, for example, the escalating domestic unrest in Argentina and the state’s low extractive capacity were necessary or sufficient for the junta to have decided to invade the Falklands, we must describe, as much as possible, the background against which these factors assumed causal importance. This is not only required in order to produce a complete explanation of each individual case but also to identify which necessary conditions may be generalizable to other cases. It will enable one to distinguish, as much as possible, between those conditions that were necessary given the context in which each government acted and those that might be necessary conditions for any government to adopt a given policy in almost any place and at almost any time.  

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97 For further discussion, see Gerring, *Social Science Methodology*, pp. 149-151; and Goertz, “The Substantive Importance,” pp. 67-73.
The logic of necessary and sufficient conditions is also useful for identifying additional causal variables that influence a leader’s response to domestic unrest. Though this may be an obvious point to some, it is one worth making. Any causal explanation is incomplete until sufficient antecedent conditions (a single one or a complete set of them) are stated. To assert that a condition or set of conditions is necessary to cause an event may be to provide something less than a full explanation, unless one has identified enough necessary conditions to have caused the effect that one is attempting to explain. Of course, a complete explanation of an event may require only a single cause if it is both necessary and sufficient. Therefore, in each case, if domestic unrest and low state extractive capacity were insufficient to explain the government’s policy choice, I sought to identify additional necessary conditions that, when acting together, were jointly sufficient to cause a government’s decision.98

3.4.1 Case Studies: Measurement Issues

In each of the case study chapters, I evaluate the extractive capacity of the state by trying to answer the following question: how readily could the state raise revenues from society? When available, Kugler and Arbetman’s measure of relative political extractive was used to gauge the extractive capacity of the states examined in the case studies (see Chapters 4 and 6). In each of the cases, I also employ both primary and secondary

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98 The logic of necessary and sufficient conditions invariably requires that one use counterfactual analysis; to say that a factor was a necessary condition is to claim that an event would not have occurred its absence. See Goertz and Starr, “Introduction,” pp. 7-14. For a discussion of the utility of counterfactuals in explaining particular cases and guidelines for their use, see Philip Tetlock and Aaron Belkin, “Counterfactual Thought Experiments in World Politics: Logical, Methodological, and Psychological Perspectives,” in Counterfactual Thought Experiments in World Politics: Logical, Methodological, and Psychological Perspectives, ed. Philip Tetlock and Aaron Belkin (Princeton: Princeton University Press, 1996), pp. 5-38.
sources to either supplement Kugler and Arbetman’s measure or, when their data were not available, to evaluate the state’s ability to mobilize resources. For example, in the case study of King Louis XVI’s decision to call the Estates General in 1788, I use historical accounts, records of the French monarchy’s finances, and public statements of key policy-makers to ascertain the ease with which the state was able to extract resources from the national economy. If, for example, (1) experts on the period state that the government struggled to collect taxes, (2) the government’s financial accounts indicate a decline in revenues (often despite a growing economy), and (3) prominent members of the government bemoaned the state’s inability to improve its finances, then I conclude that the state’s extractive capacity was low.

A state’s extractive capacity may be a function of a number of factors, including the efficiency of the state’s bureaucracy, the strength of the executive relative to the legislature, the popularity of the regime, the presence of powerful opposition groups, and domestic norms regarding the proper size and role of the state. While an exhaustive discussion of the variables that shape a state’s ability to raise revenues is outside the domain of this analysis, I note in each of the case studies those factors that influenced the extractive capacity of the state. The purpose of this is to confront head-on the concern that the state’s ability to extract revenues is wholly or mostly determined by the legitimacy of the country’s governing institutions or the popularity of the leader in power. If the degree of domestic unrest within the country could account entirely for the state’s ability to extract resources from society, then one could reasonably conclude that domestic unrest and extractive capacity were measuring the same phenomenon: support
for the government. In each of the cases, factors other than domestic unrest or dissatisfaction with the regime’s policy were at least partly responsible for the difficulties the state faced in raising resources. I was also careful in these analyses to distinguish between situations in which the government was impoverished because of the state’s inability to raise revenues and those in which the lack of government revenue was due to a declining national economy—that is, when there were simply no societal resources available for leaders to extract.

All of the cases examined were instances of countries experiencing domestic unrest. In each case, I first and foremost sought to document the presence of escalating unrest in a particular country. This is because one goal of the case studies was to link the mere existence of growing social turmoil to the decision-maker’s final policy choice. However, given that the type of social unrest could shape the government’s response, I also examine the degree and nature of unrest that was present in the country when the state was compelled to formulate a response. The precise nature (who was protesting?), scope (how widespread was the unrest?), and strength (what were the capabilities of the opposition relative to the regime?) of the domestic unrest are documented in each case study. I relied primarily on secondary sources to answer these questions.

Finally, I used primary and secondary sources to identify a government’s policy response during a period of unrest, relying on the operationalizations of the four policy alternatives described above. A choice to initiate an international conflict includes a government decision to threaten or use force against another state. An interstate war is a state’s decision to declare a war against another country or to engage in acts that would,
in all likelihood, result in war. A government adopts a policy of repression if it seeks to suppress domestic groups through internal policing or enacts restrictive legislation, such as banning political parties, halting elections, and withdrawing the right to freely assemble. Political reform includes attempts by the government to liberalize the political system, by, for example, increasing the representativeness of governing institutions, allowing greater freedom of the press, and permitting political parties to form. Finally, when a state requests that another country send troops and materiel into its territory to aid in suppressing a domestic uprising, then the government has chosen a policy of foreign intervention.
DIVERSIONARY CONFLICT: ARGENTINA’S INVASION OF THE FALKLAND ISLANDS

In this chapter, I reexamine the archetypal case of diversionary conflict: Argentina’s decision to invade the Falkland Islands.99 To date, no studies of the war have systematically looked for factors that explain why the junta chose to initiate a diversionary conflict to ensure its political survival and not to repress its opposition, request foreign military aid, and/or enact reforms.100 Viewing this case through the lens of policy alternatives, however, produces a novel and more accurate explanation, illuminating a number of necessary conditions for the conflict that have been largely overlooked in the extant historical and theoretical literature on the Falklands War. This case study also has important implications for the study of diversionary conflict. In this case, the junta’s decision to initiate a diversionary conflict was influenced by three sets of factors: (1) motivation, (2) domestic constraints, and (3) opportunity. Diversionary conflict was chosen over repression, international intervention, and reform because the

99 In Argentina, the islands are known as Islas Malvinas.

government faced escalating social unrest (motivation), its resources were limited due to its low extractive capacity (domestic constraints), and there was a low cost, domestically popular target (opportunity).

The structure of this chapter is as follows. I first review the alternative explanations for the Argentine junta’s decision to forcefully require the Falklands, arguing that while these alternatives may account for some aspects of the case, they do not explain key elements, in particular the timing of the decision to reclaim the islands. Second, I discuss whether the junta’s strengthening domestic opposition and its low extractive capacity were necessary conditions for its decision to invade the Falklands. I find that the combination of low extractive capacity and high domestic unrest not only compelled Argentina’s leaders to desperately search for any policy that held out some hope of addressing their domestic problems but also that, in this case, it contributed to their decision to rule out substantial economic reform and sustained repression as solutions to moderate or end the unrest. Third, I identify the necessary conditions that, when considered in conjunction with the domestic unrest and extractive capacity, were jointly sufficient to cause the junta to initiate a diversionary conflict. These factors worked together to rule out the government’s most preferred policy response to the social instability—a mixed strategy of limited political reform, economic reform, and repression—and pushed the government towards its final policy choice: a diversionary conflict. Several of these factors, including the junta’s misperception of Britain’s willingness to use force to recover the Falklands, are often cited as central causes of the invasion. Other conditions, which I argue were also necessary ones, have been ignored in the extant literature on the Falklands War. These necessary conditions, namely the nature
of the demands made by the government’s domestic opposition and the existence of a unifying target, help to explain why the junta chose diversion as its response to Argentina’s domestic troubles.

4.1 Argentina’s Invasion of the Falkland Islands

In 1982, after almost 150 years of relative peace, Argentina launched an invasion of the Falkland Islands, hoping to end a longstanding dispute with the United Kingdom regarding ownership of the territory through the use of force. While most accounts of Argentina’s invasion of the Falkland Islands focus on the events immediately preceding the landing of Argentine marines on the islands in April 1982 or the subsequent escalation of tensions between Argentina and the United Kingdom, the origins of the decision to use force can be traced to a meeting of the military government several months earlier. In December 1981, the members of the junta, including the newly-appointed President Galtieri, Admiral Jorge Anaya, and Brigadier Basilio Lami-Dozo, decided to invade the Falkland Islands in a plan so secret that even the Argentine foreign minister was not immediately privy to it.101 To assess whether the junta was motivated by a desire to distract the public from Argentina’s political and economic problems, one must examine the context in which the initial decision to invade was made. Therefore, this is a study of the factors that compelled the junta to abandon diplomatic negotiations with Britain and plan instead to use force to reclaim the Falklands and not why it decided to launch an invasion in April 1982.

The most basic question for this analysis is whether the Falklands War was indeed a diversionary conflict. I argue that it was: but before we examine this question, I will discuss three prominent alternative explanations for the junta’s decision to retake the islands, which maintain that the primary motivation for the conflict was not the escalating social unrest in Argentina.\(^{102}\)

4.1.1 Chile and the Beagle Channel Dispute

Several accounts of the Falklands War maintain that the junta’s decision to reclaim the islands was part of Argentina’s grand strategy to achieve regional dominance. In particular, historians have argued that it was partly a byproduct of the dispute between Argentina and neighboring Chile over the ownership of three small islands located at the eastern entrance of the Beagle Channel. Argentina maintained that if it was not granted sovereignty over the islands, Chile would have a significant foothold in the competition for control over the Antarctic Peninsula and would dominate the shipping route around Cape Horn. Given the Beagle Channel islands’ proximity to one of Argentina’s key naval bases, this would also mean that Argentine ships would regularly have to pass

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\(^{102}\) One other possibility is that the military government decided to invade the Falklands simply for the glory of achieving a victory over a great power—Britain—and of retaking a territory of great symbolic importance. While there is some evidence to support this claim, it does not explain the timing of the invasion. Galtieri and Anaya had been in power for some time (though Galtieri had not been president) before seriously considering an invasion. Importantly, the decision to claim the Falklands was made in late 1981 when the unrest reached a fever pitch. See Daniel K. Gibran, *The Falklands War: Britain Versus the Past in the South Atlantic* (Jefferson: McFarland & Company, 1998), pp. 72-3; Arthur Gavshon and Desmond Rice, *The Sinking of the Belgrano* (London: Secker and Warburg, 1984), p. 57; and Cardoso, Kirschbaum, and van der Kooy, *Falklands*, p. 69.
through waters controlled by Chile.\textsuperscript{103} Thus, if Argentina were not awarded the islands, it would affirm Chile’s position as a major power in the South Atlantic.

Historians have identified three reasons why the junta’s concerns about the outcome of the conflict with Chile influenced its decision to seize the Falkland Islands. First, they contend that the junta believed that, if Argentina could regain control of the Falklands, it might strengthen its bargaining position vis-à-vis Chile in the Beagle Channel dispute.\textsuperscript{104} Chile and Argentina had managed to avoid a military confrontation over the islands, by accepting an eleventh-hour offer by the Vatican to mediate the dispute. The Vatican considered the matter for two years and then quietly informed Argentina that its judgment was likely to favor Chile. Dissatisfied with this outcome, Argentina asked the Vatican to reconsider. Argentina’s leaders reasoned that, if they adopted a tougher stance on the Falklands and demonstrated their readiness to use force to achieve their objectives, the Vatican would soften its position on the conflict with Chile. Second, if the Vatican ultimately chose not to reverse its decision, the junta hoped that it could compensate for losing its claim to the islands by recovering the Falklands.\textsuperscript{105} Finally, the junta sought to reclaim the Falklands because it feared that Chile and the United Kingdom would form an alliance against Argentina.\textsuperscript{106} As a result, the military


\textsuperscript{104} Gibran, \textit{The Falklands War}, p. 66.


\textsuperscript{106} Britain’s decision to lift sanctions against and sell arms to the Chilean government appeared to confirm the junta’s suspicions. See Lawrence Freedman and Virginia Gamba-Stonehouse, \textit{Signals of War: The Falklands Conflict of 1982} (Boston: Faber and Faber, 1990), p. 11.
government believed it was necessary to assert its claim over the Falklands before an alliance between Chile and the United Kingdom was forged.

These might appear to be a compelling series of mutually reinforcing arguments, but the evidence in their favor is at best mixed. There is some indication that the Argentine navy believed that a victory in the Falklands would increase Argentina’s leverage in the Beagle Channel dispute. An editorial in Conviccion, a paper known to represent the views of the navy, hinted that “the taking of the Malvinas would actually help resolve the Beagle Channel issue since it would strengthen Argentina’s negotiating hand.”

In addition, Galtieri had long considered Chile to be a threat to Argentina’s position in the regional balance of power, and Argentina’s relations with Chile reached a new low under his leadership. Finally, in the weeks before the invasion of the Falklands, Britain received intelligence that Argentina’s foreign minister, Nicanor Costa Mendez, was concerned that a peaceful resolution of the conflict over the Falkland Islands was unlikely if the outcome of the Vatican’s mediation of the Beagle Channel dispute did not favor Argentina. One can safely conclude, therefore, that managing the Chilean threat was a priority for Galtieri and that some members of the government believed that the Beagle Channel and Falkland Islands disputes were linked.

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108 When General Roberto Viola was president, Galtieri oversaw the mobilization of troops against Chile after two Argentine officers were jailed for espionage. Furthermore, a few weeks after coming to power, Galtieri confirmed that he was prepared to reject the Vatican’s decision, repudiate a 1972 treaty with Chile that stated that any border disputes would be submitted to the International Court of Justice, and move troop detachments to the Argentine-Chilean border. See Martin Honeywell and Jenny Pearce, *Falklands/Malvinas: Whose Crisis?* (London: Latin America Bureau, 1982), pp. 80-1; Max Hastings and Simon Jenkins, *The Battle for the Falklands* (London: Michael Joseph, 1983), p. 47; and Cardoso, Kirschbaum, and van der Kooy, *Falklands*, p. 22.

On the other hand, there is no evidence that, when the junta decided to invade the Falklands in December, its was predominantly motivated by a desire to secure a favorable papal decision in the Beagle Channel dispute. This is not surprising given the improbability that the Vatican would have been swayed by an unprovoked attack on the Falklands.\textsuperscript{110} There is also scant evidence that the junta planned the invasion to compensate for the probable loss of the islands in the Beagle Channel. Indeed, tensions with Chile arguably led the junta to use more caution in regard to the Falklands. Finally, the junta’s concerns about British-Chilean collusion had receded by December 1981. After London announced that it was withdrawing the ice-patrol vessel HMS *Endurance* from the South Atlantic, the junta concluded that its fears had probably been exaggerated.\textsuperscript{111} Instead, its belief that Britain was increasingly disinterested in the region played a far more important role in the junta’s decision to invade. Furthermore, if the ties between Britain and Chile were becoming stronger, an Argentine invasion of the Falklands would not have severed them. Rather, it is far more likely that, if Argentina provoked a conflict with the United Kingdom, it would have pushed Chile and Britain closer together. The fear of an alliance between Britain and Chile, therefore, was either not a factor in the decision to attack or one that made the invasion of the Falklands less likely.

\textsuperscript{110} See Cardoso, Kirschbaum, and van der Kooy, *Falklands*, pp. 1-23

4.1.2 Brinkmanship and the Failure of Diplomacy

After seventeen years of formal negotiations over the Falkland Islands between Argentina and the United Kingdom, there had been very little progress. Richard Ned Lebow argues that the junta’s mounting frustration with the diplomatic process led it to initiate a brinkmanship crisis, which he defines as “a confrontation in which one state knowingly challenges an important commitment of another with the expectation that its adversary will back down when challenged.”\footnote{Lebow, “Miscalculation in the South Atlantic;” p. 119. See also Wynia, Argentina, p. 16.} Lebow argues that Britain’s unwillingness to meet Argentine demands during a series of talks in February 1982 convinced the military government that the dispute could not be resolved diplomatically and a new strategy was needed to pressure Britain to negotiate. The junta decided that, by threatening an invasion, they might be able to blackmail London into ceding sovereignty over the islands. In Lebow’s words: “After the termination of the New York negotiations, the generals set out upon a deliberate course of escalating tensions with Britain. Their strategy was to commit themselves step by step to military action in the expectation that this would succeed in eliciting some kind of British concession on sovereignty before they were compelled to act.”\footnote{Lebow, “Miscalculation in the South Atlantic;” p. 108. Moro similarly argues: “the government decided to seek alternative means to induce the British resume serious negotiations without, however, discarding the military option should all others fail.” The History of the South Atlantic Conflict, p. 7.}

Lebow maintains that the junta sent Britain signals that it would use force against the Falklands if no progress was made and began preparing public opinion for the possibility of an invasion. The brinkmanship failed, putting Argentina’s leaders in a difficult position. After promising the Argentine public that it was going to recover the
islands, the junta was faced with a choice between backing down and losing power and invading and risking war with Britain. In the end, the junta feared the public’s wrath more that the possibility of a military confrontation with the United Kingdom.

This argument nicely captures some of the dynamics that prevented the junta from withdrawing its troops from the Falklands after the invasion in April. For example, Argentina was, as Lebow suggests, constrained by the tremendous outpouring of public support for the military action and, in particular, Galtieri’s dramatic promise after the invasion that Argentina would “give battle” if Britain retaliated.\footnote{Cardoso, Kirschbaum, and van der Kooy, \textit{Falklands}, p. 144; and Alexander Haig, \textit{Caveat: Realism, Reagan, and Foreign Policy} (New York: Macmillan Publishing, 1984), p. 282.} That said, the logic of brinkmanship cannot explain why the junta initially decided to recover the islands by force in December 1981. Lebow’s argument rests, at least in part, on his claims that the decision to invade (or to threaten to invade) was made after this point, in response to the failed talks in February, and that the junta did not really want to use force to recover the Falklands. The evidence suggests, however, that the junta formed its plan to invade two months earlier than Lebow claims. The disappointing outcome of the talks, therefore, could not have been a cause of the junta’s decision to invade, except in the sense that a British capitulation would have averted military action. Thus, the invasion was not the unintended consequence of a failed attempt at initiating a brinkmanship crisis, as Lebow contends, but rather a deliberate choice. The junta’s frustration with the progress of the negotiations with Britain did not induce it to provoke a brinkmanship confrontation, because it had already decided to go over the brink.\footnote{There is some evidence that the talks were part of Argentina’s plan to recover the islands. This is supported by the fact that the demands Argentina made before the talks in February were “out of the blue”}
4.1.3 The Fragmentation of Military Rule

Jack Levy and Lily Vakili contend that the fragmentation of Argentina’s ruling elite was an important cause of the invasion of the Falklands, arguing that bureaucratic authoritarian regimes, like Argentina’s military government, initiate international conflicts in response to domestic unrest when divisions emerge among the ruling elite. When such regimes are unified, they are insulated from domestic pressures, because they can exclude the public from economic and political decision-making. Thus, it follows that it is only when the regimes are fragmented and there is a “rupture in the self-imposed isolation” that its leaders become aware of and feel compelled to respond to the public’s demands. When such a regime loses its unifying purpose, it may choose to initiate an international conflict to renew its sense of shared mission.

Levy and Vakili describe Galtieri’s decision to invade the Falklands after becoming president as a “classic instance of this pattern.” When the military came to power in 1976, it sought to rebuild the economy and rein in widespread domestic terrorism through a combination of orthodox economic liberalization and repression, which it called the Process of National Reorganization or simply “the Process.”

and represented a sudden ratcheting up of the pressure on Britain. The junta hoped and expected that Britain would not meet its demands, giving it a pretext for using force to reclaim the islands. Indeed, the junta was frustrated when the February talks went better than expected. See Juan E. Corradi, *The Fitful Republic: Economy, Society, and Politics in Argentina* (Boulder: Westview Press, 1985), pp. 19, 141-42; Hastings and Jenkins, *The Battle for the Falklands*, p. 50; and Cardoso, Kirschbaum, and van der Kooy, *Falklands*, p. 39.


117 Ibid, p. 123.

the first four years of military rule, the junta ruthlessly eliminated any traces of opposition. The dirty war was so effective that, by 1980, “even isolated acts of terrorism seldom disturbed the peace.” The government’s economic reforms were considerably less successful, and the Argentine economy was soon on the verge of collapse.

Initially, their shared commitment to economic reform and the war against leftist “subversives” enabled the three branches of the military to put aside competing bureaucratic interests. The fragile truce among the commanders of the navy, air force, and army disintegrated as soon the dirty war ended and the economy deteriorated, however. The divisions within the junta deepened as the public began to demonstrate against the Process, demanding that the government repair the economy and account for the disappearance of thousands of Argentines during the dirty war. In other words, without a unifying mission, the junta was torn apart by factional infighting. By ordering an invasion, Levy and Vakili contend, he sought to give the military government a new mission and to increase elite unity as well as public support for the government, creating, in effect, a rally within the government.

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121 Wynia, *Argentina*, p. 9

122 In this same vein, it was rumored that Galtieri promised Anaya that he would invade the Falklands if the admiral backed his bid for the presidency. There is, however, no consensus regarding whether such a deal was ever made. For opinions on both sides of this issue, see Wynia, *Argentina*, pp. 8-9; Hastings and Jenkins, *The Battle for the Falklands*, pp. 46, 110-12; Thornton, *The Falklands Sting*, pp. 73-75; Freedman and Gamba-Stonehouse, *Signals of War*, p. 3; Haig, *Caveat*, p. 277; and Cardoso, Kirschbaum, and van der Kooy, *Falklands*, p. 6.
Historical accounts of the events prior to the Falklands War generally support Levy and Vakili’s argument. In David Pion-Berlin words: “The changing of the guard [in December 1981] did nothing to reunite the armed forces…Galtieri’s plunge into war with the British four months later was a desperate act designed to reunify a badly split institution.” The question remains, however, whether the fragmentation of the governing elite was a necessary condition for the junta to decide to reclaim the Falklands. Levy and Vakili contend that, while the plan to invade was intended to address the social unrest in Argentina, the timing of the decision is best explained by the breakdown of the military government. That is, the Argentine government only felt compelled to respond to the domestic unrest after it splintered and was no longer insulated from domestic pressures. In order to evaluate the importance of elite fragmentation, therefore, one should consider the following counterfactual: would the rising domestic unrest have been threatening enough to compel a unified government to invade the Falklands or, at least, to respond in some way?

If there was one issue of which every member of the government was acutely aware at the beginning of Galtieri’s term as president, it was the need for a strategy to address the public’s increasingly insistent calls for political and economic reform (see discussion below). Not only was the public asking that the government ease their economic woes, but it was also demanding the end of military rule. Thus, while there may have been little consensus regarding which economic policies would revive the economy or whether the government should liberalize the political system, the members

of the junta agreed that something had to be done in response to the public’s dissatisfa-
c tion with military rule.\textsuperscript{124} Indeed, the pressure to respond to the rising domestic unrest may have been so great that even a cohesive (and generally insulated) regime would have perceived it as a threat to its survival that needed immediate attention.\textsuperscript{125} Indeed, the breakdown of military rule was largely precipitated by the deepening social fragmentation. When the domestic unrest resurfaced in 1981, the members of the junta could not agree on how best to respond, fracturing the once-monolithic government.\textsuperscript{126} The argument that such governments are only concerned with domestic unrest when they are divided ignores two factors: (1) the elite divisions may result \textit{from} domestic unrest; and (2) even a united government must fear domestic unrest if it is sufficiently severe. The French Revolution would have been concerning even to a completely unified monarchical regime.

In any case, the fragmentation of the governing elite was not necessary to cause the junta’s decision to invade the Falklands. While this factor may help explain why the government felt compelled to do something to address the rising social unrest, it does not explain why the junta initiated a diversionary conflict instead of, for example, enacting reforms or repressing its opposition. Levy and Vakili implicitly recognize that elite fragmentation is insufficient to explain why the junta chose diversionary conflict over its alternatives, by attempting in an ad hoc manner to explain why the junta did not enact

\textsuperscript{124} Gavshon and Rice, \textit{The Sinking of the Belgrano}, p. 57. See also Honeywell and Pearce, \textit{Falklands/Malvinas}, p. 79; Smith, \textit{Authoritarianism}, p. 244; and Eddy and Linklater, \textit{The Falklands War}, p. 62.

\textsuperscript{125} It is noteworthy that the junta chose as their unifying mission virtually the only policy that also could have unified society behind the government.

\textsuperscript{126} At most, there was an interaction between the domestic unrest and the conflict among the elite. After the domestic unrest began to escalate and the junta fragmented, the infighting among the military elite opened the door for the public to express its dissatisfaction with the government’s performance.
reforms or repress its opposition. They mention, for example, that the government chose to initiate a diversionary conflict because of “the absence of viable alternatives” and suggest that reform was not possible because the resources were not “available to provide material rewards for supporters of the regime” or to coerce the opposition. Thus, the infighting among the ruling elite made the junta more vulnerable to the public’s demands for change but it did not make the invasion of the Falklands inevitable.

4.2 Domestic Unrest: Was the Falklands War a Diversion?

The foregoing discussion begs the question of whether the Falklands War was a diversionary conflict. What unites these three disparate arguments is that they downplay the extent to which the invasion was truly a diversionary war. The evidence suggests that the desire to distract attention from domestic problems and to rally the public behind the regime were very important motivations for the war: so much so that domestic unrest was a necessary condition for the use of force. The Falklands invasion thus deserves its reputation as the archetypal diversionary war.

Galtieri became president at a time when Argentina was facing the collapse of its economy and escalating domestic turmoil. From March 1980 to March 1981, more than 40 banks and investment firms declared bankruptcy. When the junta attempted to reverse the economic decline by repeatedly devaluing the peso, inflation skyrocketed. Between June and July 1981, for example, its value fell from 4,200 to 7,800 pesos to the dollar. In response, union leaders reestablished the General Confederation of Labor (CGT) and

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128 Lewis, Guerillas and Generals, p. 181.
launched several general and partial strikes. Business organizations openly criticized the government’s economic policies. The Catholic Church, which had initially adopted a policy of accommodation towards the junta, distanced itself from the government, by publicly reaffirming its support for a return to democratic governance and forming an alliance with the labor movement. Mothers of the victims of the dirty war gathered in increasing numbers in the Plaza de Mayo and demanded an explanation from the government for the disappearance of their children. These demonstrations came to the attention of the foreign press, other governments, and nongovernmental organizations, and, as a result, the military government was under mounting international pressure to improve its human rights record. Several of the political parties, which existed before the advent of military rule, reorganized and founded the *Multipartidario*, effectively ending the junta’s ban on party activity. Finally, abandoning its tacit agreement not to openly criticize the government, the Argentine press launched a barrage of attacks on the junta’s economic policy only days after Galtieri came to power.\(^\text{129}\) The *Buenos Aires Herald* reported, for example, that:

> Hardly a day goes by without well-known political or labor leaders predicting, often with manifest relish, large-scale unrest in the not too distant future. They argue that as the country is burning with discontent already, and as wages are bound to keep falling while unemployment goes up, it cannot be long before the great conflagration begins, with tens of thousands of desperate people taking to the streets to express their disgust with what the military regime has done to them and to their country.\(^\text{130}\)


In sum, union representatives, political parties, business leaders, students, the Church, intellectuals, and human rights activists “formed a chorus of opposition that by the beginning of 1982 was difficult for the government to ignore.”

Despite the three alternative arguments outlined earlier, there is in fact a considerable degree of scholarly consensus regarding the degree to which the junta was influenced by the rising unrest in Argentine society when it planned to invade the Falklands. In particular, the timing of the decision to invade is best explained by the fact that the junta was facing unprecedented social turmoil. The public discontent encountered by the junta in December 1981 differed in two significant ways from the unrest that the junta sought to contain after coming to power in 1976. First, members of most sectors of society were expressing dissatisfaction with the performance of the military government, including groups that had previously backed the junta. Most notably, this included the Catholic Church and business leaders, both of which were important sources of support for the junta. Indeed, the government “found itself discredited by and ostracized from the larger Argentine community to a degree not

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133 Gavshon and Rice, *The Sinking of the Belgrano*, p. 18. See also Diehl, “The Final Stage.”
Second, the junta’s opposition not only questioned the government’s economic policies but also called for an end to military rule. In addition to the requests for better wages, the right to engage in collective bargaining, and lower inflation, union leaders and the *Multipartidario* demanded that the junta step down and allow Argentina to democratize. As Juan Corradi notes, the “right of the regime to stay in power was called into question in a significant way for the first time, and by established groups.”

Thus, when Galtieri became president, the junta desperately needed to find a strategy to manage its growing domestic problems; to ignore their opposition was “politically impossible.” It was also evident to observers in Argentina at the time that the government needed to immediately address the worsening domestic situation. Days before Galtieri became president, an article in *La Nación* reported that the junta was keenly aware that “urgent solutions were needed to put an end to the crisis of confidence the country has been going through.” Indeed, Galtieri himself acknowledged this during his inaugural speech: “I know that the time for words and promises is gone. I also know that words have lost their force and power to persuade. This is a time for firmness and action.” Given its collapsing political base, the junta had to do something—the question was, what?

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While Galtieri and the other members of the junta unsurprisingly have publicly denied that the plan to invade the Falklands was conceived in response to their domestic problems, the evidence suggests that it was. Foreign correspondents in Argentina reported before and after the invasion that the junta’s decision to reclaim the islands was profoundly influenced by the domestic situation. In the *Latin America Weekly Report*, it was noted weeks before Argentina invaded, that Galtieri had been planning to retake the Falklands since his ascension to power: “The link with internal politics is clear…President Leopoldo Galtieri feels that tough action over the Malvinas, for long a question of nationalist pride, could do wonders for his popularity.” More important still, Argentine journalists indicated prior to the invasion that the junta’s plans to occupy the islands were connected with its declining popularity. An editorial published in *Conviccion* in February, for example, stated: “Right now, conditions are at their best. We have a decisive president and an excellent foreign minister. If, having won the war against terrorism, we recover the Malvinas, history will forgive the economic stupidities.” Similarly, three reporters from the daily newspaper *Clarín*, who interviewed many of the key players in the conflict and had access to confidential documents, maintain that social strife was a decisive factor in the junta’s decision to invade the Falklands:

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140 Quoted in Eddy and Linklater, *The Falklands War*, p. 28.
Galtieri knew that he was arriving at the Casa Rosado with a country coming apart at the seams, with deep social divisions and a yearning for political change...In particular, he felt that it would be essential to have some resounding triumph in order to give impetus to the military regime which was struggling to survive...He placed much emphasis upon the Foreign Ministry, since he supposed that in foreign policy he might find a key to the success of his strategy.  

The British and American diplomats who attempted to negotiate an end to the dispute after the invasion also concluded that the domestic political situation in Argentina caused the junta’s decision to invade. The British ambassador to the United States said, for example, that Galtieri “brought about the present occupation in order to distract public opinion from economic and political difficulties.” Reflecting on his efforts to mediate the dispute, U.S. Secretary of State Alexander Haig writes that there “was a widespread impression that the junta was creating a foreign distraction to give itself a respite from domestic economic problems, including severe inflation.” The evidence, therefore, points to the fact that the mass discontent in Argentina was a necessary condition for the invasion.

However, the presence of increasing social strife is insufficient to explain why the junta chose to initiate a diversionary conflict to address their domestic problems instead of another policy. In other words, while the “discomfiture of the Argentine people was growing” and it led to “a greater willingness to contemplate risky policies,” it does not account for why Argentina’s leaders ruled out other possible responses. Why, for

141 Cardoso, Kirschbaum, and van der Kooy, Falklands, p. 21.
142 Gavshon and Rice, The Sinking of the Belgrano, p. 58.
143 Haig, Caveat, p. 263.
example, did they not choose to repress their opposition or attempt to increase domestic support by adopting popular political and economic reforms? The question remains, therefore, why a diversionary conflict chosen over its alternatives.

4.3 The Argentine Junta’s Preferences

Before discussing the factors that caused the Argentine government’s decision in December 1981 to invade the Falkland Islands, it is necessary to clearly identify, at the outset, its preferred policy response(s) to the domestic unrest. This is because the Policy Alternatives Approach is useful for explaining government decision-making in two situations: (1) a leader prefers a different policy to the one that is chosen and this preferred policy would have replaced (not coexisted with) the policy that is ultimately chosen; and (2) if a leader has no preference between policy options. In the first situation, the variable that eliminates the preferred policy represents an important cause of—perhaps a necessary condition for—the decision to be explained. In the second situation, a variable that simply narrows the range of options from which the leader may choose is also a necessary condition for the final policy choice. Therefore, one must demonstrate that either the junta had no clear preference or that a diversionary conflict was not its preferred response to the instability in Argentina. In this case, there is evidence that the Argentine junta would have preferred adopting a mixed strategy of limited political reform, economic reform, and repression to initiating a diversionary conflict, and these alternatives, if they had been practicable, would have been substituted for a decision to invade the Falkland Islands.

In the weeks before the decision to retake the Falklands, the junta began discussing the possibility of liberalizing the political system by reintroducing some aspects of democratic rule. Specifically, they contemplated formally allowing political parties to organize (although not necessarily compete in democratic elections).\textsuperscript{145} As we will see, the increasingly extreme nature of the political reform demands made this otherwise attractive policy response untenable. Galtieri and the other members of the junta also sought ways to improve the national economy. Indeed, they were desperate to address Argentina’s economic woes, largely because the military came to power on a promise to improve the country’s economic performance.\textsuperscript{146} However, low state extractive capacity essentially shut off this option. For the Argentine military government, repression had always been and continued to be the fallback strategy for dealing with domestic opponents. Although the repressiveness of the state had been in decline since 1980, the government continued to respond to small-scale demonstrations with police violence.\textsuperscript{147} However, in late 1981, escalating unrest and a lack of resources foreclosed this otherwise likely response to the worsening domestic situation. Finally, the Argentina junta never considered foreign intervention to address its domestic problems, because this inherently unattractive policy is usually only chosen when there is absolutely no alternative. The government never even seriously considered foreign intervention, because there was always at least one alternative: diversionary conflict. Overall,

\textsuperscript{145}See Gamba, \textit{The Falklands/Malvinas War}, p.132; Honeywell and Pearce, \textit{Falklands/Malvinas}, p. 80; Romero, \textit{A History of Argentina}, p. 244; Hastings and Jenkins, \textit{The Battle for the Falklands}, p. 46; and Wynia, \textit{Argentina}, p. 12

\textsuperscript{146}See Romero, \textit{A History of Argentina}, p. 256; Cardoso, Kirschbaum, and van der Kooy, \textit{Falklands}, p. 87; and “Galtieri Speaks in La Pampa on Government Goals,” \textit{La Nación}, 13 February 1982, pp. 1, 12.

\textsuperscript{147}Cardoso, Kirschbaum, and van der Kooy, \textit{Falklands}, pp. 87-8; and Gamba, \textit{The Falklands/Malvinas War}, p. 75.
therefore, it was the removal of preferred alternatives, which to a large extent explains the junta’s road to war. In the remainder of this chapter, I will explain precisely how these preferred alternatives were eliminated.

4.4 The Junta’s Low Extractive Capacity

The question of why the junta chose to initiate a diversionary conflict and not to repress its opposition or adopt reforms is partly answered by examining how the state’s low extractive capacity influenced the government’s policy options. The junta’s inability to extract resources hindered its capacity to respond to the unrest. In this case, it meant that the junta could not adopt costly measures, such as meaningful economic reforms and sustained repression.

There is little doubt that Argentina faced serious economic challenges by December 1981, including soaring inflation, rising unemployment, and a rash of bank failures. In addition, government revenue from taxes was severely diminished.148 As Monica Peralto-Ramos notes: “the ability of the state to cover its expenses with income from collected taxes was at the lowest level in twenty years.”149 Indeed, revenues fell despite the junta’s efforts to increase them, for example, by raising the value added tax. A World Bank report on Argentina’s tax system attributes the decline in government revenues to tax evasion, inefficient tax administration, and rampant inflation: “Poor compliance, the proliferation of incentives and exemptions, and high inflation rates have


149 Ibid, p. 87.
affected revenue performance...In 1981 and 1982, total revenues from all taxes fell sharply as a fraction of GDP.\textsuperscript{150}

Kugler and Arbetman’s data on extractive capacity also suggests that the junta’s ability to extract resources was declining in 1981 and 1982 (see Figure 4.1). The government’s extractive capacity was well below its potential, tumbling after 1980.\textsuperscript{151}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure41.png}
\caption{Argentina's Extractive Capacity, 1960-1982}
\end{figure}


\textsuperscript{151} See Kugler and Arbetman, “Relative Political Capacity.”
Revenues were well under the amount that theoretically could have been extracted from Argentina’s economy during those years.\textsuperscript{152} Another indicator of the state’s low extractive capacity during this period was the junta’s increased efforts to find additional sources of revenue. After Galtieri came to power, the junta sought to increase its income by selling publicly owned businesses and incurring substantial foreign debt. While the government’s decision to privatize state-owned industries was a reflection of its firm commitment to classical liberal principles, it was also “designed to fulfill important short-run objectives such as acquiring badly needed cash from the sale of assets and attracting foreign investors.”\textsuperscript{153} By 1982, Argentina’s public and private sectors had accumulated foreign debt equal to 60 percent of its gross national product (about $40 billion).\textsuperscript{154} Interest payments on the debt (domestic and foreign) were the principal categories of government expenditure, rising from 10 percent in 1977 to 37 percent of the total in 1982.\textsuperscript{155} Moreover, half of Argentina’s external debt was scheduled for repayment in 1983.\textsuperscript{156} Simply put, the state was on the verge of insolvency.

When the government’s access to resources declined so did its freedom of action. The scarcity of revenue severely constrained how the Galtieri-led junta could respond to the escalating unrest in December 1981. First, the government’s limited access to

\textsuperscript{152} If a government extracts revenues equal to the expected amount based on the size of its economy, a state receives a score of 1.0. Scores, for example, that are less than 1.0, indicate that the government did more poorly than expected relative to the size of its national economy. Kugler and Arbetman give Argentina an extractive capacity score of 0.56 in 1981 and 0.52 in 1982. \textit{Ibid.}

\textsuperscript{153} Smith, \textit{Authoritarianism} p. 245.

\textsuperscript{154} \textit{Ibid.} p. 246.

\textsuperscript{155} World Bank, \textit{Argentina}, p. xxvii.

\textsuperscript{156} \textit{Ibid.} p. 19.
resources substantially removed the option of meaningful economic reform to placate domestic critics, including higher wages and better working conditions for state employees, a reduction in unemployment, and increased spending on social programs. To implement these changes, the government needed access to resources over which it did not have control. Thus, instead of granting the public’s demands for reform, Galtieri’s economic minister instituted a wage freeze for government employees and announced a reduction in government spending. While one should not underestimate the strength of the junta’s commitment to economic liberalism and, therefore, to fiscal austerity, it is clear that the government also had few other options. In the words of one historian, the Argentine government simply had “insufficient resources for attending to society’s multiple demands, from education to public health to the salaries of state employees.”

Galtieri’s public statements also suggest that the state’s low extractive capacity hampered efforts to improve the economy. Galtieri advised the public that his ability to address the country’s economic problems depended on whether the government had access to sufficient revenues:

I profoundly believe in the importance of the state. A state that should not carry out what must and can be done by the private sector…. It is not a question of reducing the state to a minimum, but of giving it the necessary strength to carry out the great tasks that our republican organization has given it. Give it an authentic capability so that it can look after the educational and health sectors, the security of our people and the defense of our territory. So that it can expand and improve justice…I will be hard, even miserly, in all management of public finances that are not channeled toward the high priorities that I have just mentioned.


158 “Galtieri Speaks,” pp. 1, 12.
Second, the junta’s low extractive capacity also limited its ability to engage in sustained repression against its domestic opposition. Although the government could and did use its internal police force to control isolated demonstrations and strikes, this policy would have proved too costly if employed on a large scale, and in the long run. This was particularly true given the nature of the government’s opposition at the end of 1981. Instead of targeting left-wing subversives as it had done during the dirty war, a return to repressive rule would have meant a campaign of state violence against almost all sectors of society. Not only would this have ended any hope of replacing coerced with voluntary support for the regime, the junta also would have needed considerable additional resources to implement this policy. Indeed, Cardoso, Kirschbaum, and van der Kooy, report, for example, that Galtieri believed that a popular revolt would be “uncontrollable,” suggesting that he knew the state did not have the capabilities to contain widespread unrest. Consequently, while the police were permitted to use force in response to several anti-government demonstrations by the CGT, the junta did not attempt to stamp out all signs of opposition, for example, by dismantling the Multipartidario or by preventing the mothers of the disappeared from gathering in the Plaza de Mayo. The government was in no position to carry out the sort of sustained repression required to end the crisis.

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159 Pion-Berlin, “The Fall of Military Rule in Argentina,” p. 66.

160 Wynia, Argentina, p. 12.

161 Cardoso, Kirschbaum, and van der Kooy, Falklands, p. 87. This is confirmed by the fact that shortly after the government faced a popular revolt in response to Argentina’s defeat in the Falklands, it set a date for elections. Of course, they also clung to the hope that, if they oversaw Argentina’s democratization, they might be able to participate as elected leaders.
Argentina’s low extractive capacity was a necessary condition for the invasion of the Falkland Islands, because if the government had been capable of extracting additional resources, it would have chosen the less risky options of reforming its economy and repressing its opposition. Unfortunately for the junta, these preferred policy responses were not on the menu of available options.

It was the combined effect of domestic unrest and low extractive capacity that contributed to the invasion. Examining the independent effect of low extractive capacity on state behavior, one might have predicted that the government would have preferred inactivity to adopting a bellicose foreign policy. Thus, it was only when the junta’s low extractive capacity was combined with its escalating domestic problems that it was inclined to initiate a conflict. Domestic unrest compelled the junta to adopt a policy to quell the unrest, while its extractive capacity prevented it from adopting preferred policies that were too costly. The government’s lack of resources limited the scope for reform and repression, and, of course, it would have limited the scope for a large-scale war against Britain as well; but crucially, the junta did not think that Britain would fight. Invading the Falklands and managing a diplomatic crisis, without actually fighting a war, was one of the few things to ameliorate the domestic crisis that the junta could afford to do.

4.5 The Final Pieces of the Jigsaw

The state’s inability to mobilize resources is not a sufficient condition for the Falklands War, however. It does not explain, for example, why the junta chose not to adopt the—in monetary terms—low cost political reforms requested by the public (e.g.,
their demand for greater participation in the political process). And we still need to explain why the Falkland Islands were the target of the junta’s diversionary conflict—why would a cash-strapped government invade the territory of a far more powerful state?

The answers to these questions are found in the junta’s misperception of the likelihood that Britain would use force to defend its territory, Argentina’s new alliance with the United States to fight communism in Latin America, the nature of the opposition’s demands for political reform, and the Argentine public’s desire to recapture the Falklands. These factors, when considered in conjunction with domestic unrest and state extractive capacity, were jointly sufficient to explain why the junta selected diversion (and not reform or repression) from the menu of policy alternatives.

4.5.1 British Resolve and the Likelihood of War

The simple truth is that Argentina’s leaders would not have considered invading the Falklands if they believed that the United Kingdom was prepared to go to war to recover the islands. This perception of Britain’s resolve was a necessary condition for the use of force. Galtieri and the other members of the government were “absolutely, viscerally, convinced that the British would not fight.”

During and after the war with Britain, Galtieri repeatedly averred that he never anticipated Britain’s response, saying

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that “such a stormy reaction as was observed in the United Kingdom had not been foreseen.”  

The junta’s misperception that Britain would not oppose an Argentine invasion of the islands had a profound effect on their decision-making in December 1981 and January 1982. It meant that they did not have to calculate what the economic costs of fighting a war against Britain might be (surely high enough to deter an attack), whether they would be able to mobilize additional resources if they were drawn into a lengthy war (dubious at best), or even whether their military could defeat the British (hardly a certainty). Because the junta was entirely convinced that Britain would accept Argentina’s occupation of the islands, they devoted very little time to contingency planning for the possibility of a war with Britain. The junta simply expected that “the military would have nothing to do after the invasion but drive up and down the streets of Port Stanley for the benefit of the media.” This was something the government’s extractive capacity could just about cover. Even after it received news that Britain was

\[163\] Wynia, Argentina, p. 8. Although it proved to be a miscalculation with disastrous consequences, it is not difficult to see why Argentina’s leaders might have doubted Britain’s resolve. In the months prior to the decision to invade, Britain announced the withdrawal of the HMS Endurance from the South Atlantic, which was its only semi-permanent naval presence in the region, and the closure of the British Antarctic Survey base in South Georgia, which was its only presence on South Georgia and the South Sandwich Islands. Together, these events suggested that if “ever a nation was tired of colonial responsibility, this was it.” Hastings and Jenkins, The Battle for the Falklands, p. 47. See also John Nott, Here Today, Gone Tomorrow: Recollections of an Errant Politician (London: Politico’s Publishing, 2002), pp. 254-256.


\[165\] Gavshon and Rice, The Sinking of the Belgrano, p. 31.
sending a task force to recover the islands, the junta thought that it was a form of diplomatic pressure and not the first signs of a British military response.\footnote{166}{Freedman and Gamba-Stonehouse, \textit{Signals of War}, p. 147.}

If one examines how Argentina prepared for and conducted the invasion in April, for example, there is ample evidence that the Argentine military was not anticipating a war with Britain. Although Argentina initially took the islands with a force of 1400 troops, and half of those sent were recently trained conscripts.\footnote{167}{See Thornton, \textit{The Falklands Sting}, p. 131; and Hastings and Jenkins, \textit{The Battle for the Falklands}, p. 47.} Furthermore, the admiral in charge of the campaign was instructed to send all but 500 soldiers back to Argentina in the days immediately after the invasion.\footnote{168}{Eventually this decision was reversed, although only after most the troops had already been sent back to Argentina.} The remaining troops were charged with keeping order on the islands and not with defending the territory against a British assault.\footnote{169}{Admittedly, the junta did not intend to reclaim the islands in April. The junta was compelled to move up its plan for invasion by several months after Argentine workers landed on South Georgia, refused to request formal authorization for their presence, and hoisted an Argentine flag. Therefore, one could argue that the military might have been better prepared for an invasion if it had taken place in July or October as originally anticipated. That said, the abbreviated timetable can not account entirely for the absence of a plan to defend the islands against a British reprisal.}

Simply put, if the junta thought that Britain would go to war over the islands, Argentina would not have invaded.\footnote{170}{Dov Zakheim, “The South Atlantic Conflict: Strategic, Military, and Technological Lessons,” in \textit{The Falklands War: Lessons for Strategy, Diplomacy, and International Law}, ed. Alberto R. Coll and Anthony C. Arend (Boston: George Allen & Unwin, 1985).} While it might have had air superiority in a war with Britain, its military risked being outgunned.\footnote{171}{This is not to suggest that Britain was guaranteed a military victory. Indeed, Argentine was able to inflict significant damage on Britain’s task force. And, if Argentina had been able to acquire additional Exocet missiles, the damage would have been even greater. See Gavshon and Rice, \textit{The Sinking of the ...}
protracted, the junta’s ability to mobilize additional resources was severely constrained. As a representative of the Argentine navy said a few days prior to the invasion: “We can’t stand more than 15 days of combat, let alone think of war.”

That said, Britain’s apparent lack of resolve made an invasion possible, but, in the absence of other factors, Argentina would not have used force to reclaim the islands. To argue that it was a sufficient condition is to say that the junta would have taken advantage of any opportunity to invade even if it did not particularly desire to reacquire the Falklands. Taking this logic a step further, this argument suggests that any country, sensing Britain’s weakness, would have been inclined to invade the Falklands. The question is, therefore, why did Argentina (not Chile or Brazil) invade the Falklands? The answer is simply that Argentina was looking for an opportunity to recover the islands, whereas Chile and Brazil were not. In sum, Britain effectively had a veto over the invasion; it could have prevented Argentina from invading if it had strongly signaled its willingness to use force. When it declined to do so, Britain paved the way for an Argentine attack. It was a classic necessary, but not sufficient, condition.


172 After the EEC imposed an embargo on trade with Argentina, for example, the government would have gone bankrupt in a matter of weeks if it was not able to find a state willing to loan it money. Argentina was among the countries with the largest international debt. See Smith, Authoritarianism, pp. 245-6.

173 Quoted in Cardoso, Kirschbaum, and van der Kooi, Falklands, p. 97.

4.5.2 American and Argentine Rapprochement

During the Carter administration, Argentina’s relationship with the United States deteriorated significantly. In an effort to compel the junta to improve its human rights record, for example, President Jimmy Carter imposed an arms embargo on Argentina.\(^{175}\) During the early days of the Reagan administration, however, the United States’ policy towards Argentina became more conciliatory.\(^{176}\) This about-face resulted from President Ronald Reagan’s desire to exploit the junta’s strong anti-communist stance to combat the perceived Soviet threat in Latin America.\(^{177}\) Reagan found a particularly receptive audience in Galtieri, who was sympathetic to the American president’s overtures during his two lengthy visits to the United States in 1981.\(^{178}\)

Argentina’s decision to invade the Falklands has been attributed to the heady experience of being courted by the United States. There is considerable evidence that Galtieri’s rapport with Reagan led to “an unrealistic sense of Argentina’s comparative strategic importance in the world,” with the junta believing that the United States would either support its efforts to recover the islands or, at a minimum, remain neutral.\(^{179}\) In an


\(^{176}\) This policy reversal began under the Carter administration in response to the revelation that Argentina had been developing a nuclear weapons program.

\(^{177}\) See Thornton, *The Falklands Sting*, pp. 53-4, 256.

\(^{178}\) Galtieri, who was then commander of the army and a member of the military government, made a very favorable impression on many officials in the Reagan administration. After one visit, he was described as “Argentina’s General Patton” and said to possess a “majestic personality.” See Thornton, *The Falklands Sting*, p. 70; and Cardoso, Kirschbaum, van der Kooy, *Falklands*, p.15.

\(^{179}\) David Lewis Feldman, “The United States Role in the Malvinas Crisis, 1982: Misguidance and Misperception in Argentina’s Decision to Go to War,” *Journal of Interamerican Studies and World Affairs*, 27 (Summer, 1985): p. 6. The belief that the United States would remain strictly neutral or even side with Argentina instead of its historic ally, Britain, was a product of wishful thinking and miscommunication. The junta believed that American officials had hinted that the United States would not oppose Argentine
editorial published in January 1982, Iglesias Rouco, who was closely connected to high-ranking government officials, stated that the junta anticipated that the United States would side with Argentina in the event of an invasion: “[Argentina is] searching for something beyond the mere recovery of a portion of its sovereignty. As far as we know, Washington understands it so, this being the reason why it has reportedly expressed its support for ‘all of the actions’ leading to the recovery [of the Falkland Islands], without excluding military actions.”

Even Galtieri, who once described himself as America’s “pampered child,” admitted that he had misperceived how the United States would respond to an invasion: “I didn’t expect his [Reagan’s] approval or support…but I was sure that he would behave with balance and neutrality.”

It is improbable that Argentina would have invaded the Falklands if its leaders believed that the United States was prepared to fight alongside Britain in the South Atlantic or even that it would have offered Britain substantial military assistance.

Although prior to the war many analysts indicated that a British victory was far from...
assured, Argentina could hardly have believed that it could defeat Britain if it had been supported by Washington. It is also possible that Argentina would have been reluctant to invade if it would confirm Argentina’s status as an international pariah, although previous military governments had repeatedly defied the United States during the preceding decade and readily accepted the military and economic sanctions that resulted from their noncompliance. Thus, it follows that Argentina’s calculations regarding the prudence of an invasion were influenced by its expectations about the diplomatic effects of using force to reclaim the Falklands. In other words, there existed a point between the Argentine perception that invasion would be followed by diplomatic condemnation, and the perception that it would be followed by US military support for Britain (or indeed support by any other powerful state) at which Argentina would no longer have considered the costs of an invasion acceptable. To say that the junta’s belief in the United States’ strict neutrality was a necessary condition for the war is perhaps too strong a claim. On the other hand, it probably was necessary for the junta to have believed that the United States would not actively assist Britain. In the end, however, the question of American neutrality is largely irrelevant. The foregoing discussion assumes that Argentina expected to fight a war with Britain over the Falklands. It did not. A more accurate assessment of the causal importance of America’s rapprochement with Argentina, therefore, is that it contributed to the junta’s perception that the Falklands were a low risk target. It was a necessary condition for the invasion to have occurred in the minimal sense that, with Britain not resisting the invasion, the US was also unlikely to resist.

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183 Ibid, ch. 5.
184 See Thornton, The Falklands Sting, pp. 53-77.
4.5.3 The Nature of the Target and Demands for Reform

In order for an international conflict to produce a rally effect, the government must select a target that will unify the citizenry behind the ruling elite. An external adventure will produce internal cohesion only if there is a social consensus that the use of force is justified. There is some evidence that most military confrontations produce a temporary surge in support for the government. That said, if the government’s sole or primary motivation for initiating a conflict is to improve public opinion, the government will prefer engaging in one for which there is widespread domestic support, such as reclaiming territory that has cultural or historical significance or defending the country against a generally recognized threat.

The junta planned to recover the Falkland Islands, therefore, not only because it was a low-cost target (i.e., Britain was not expected to go to war to defend its territory), but also because it was a popular foreign policy goal. Indeed, it was perhaps the only policy that was supported by all sectors of Argentine society, including the junta’s most vociferous critics. In the words of one Argentine: “The dispute has assumed the proportions of a national feeling going back to the childhood of every native of Argentina (without any political or class distinction) and uniting the national conscience in the

185 Gavshon and Rice, The Sinking of the Belgrano, p. 18. Some have made the stronger claim that the Falkland Islands were the only foreign policy issue on which the Argentine government could act. As Rock argues, “if the regime escalated the tension with Chile, it risked a protracted war that could spread elsewhere in Latin America, perhaps ultimately sparking and invasion from Brazil. And if Argentina became too involved in Central America, domestic dissidents would charge that the government was acting as a mercenary to imperialism, a position that might unite the Peronists, prompt the revival of the Left, and incite renewed popular unrest. By comparison, action in the Falklands was the ‘easiest war of all.’” David Rock, Argentina, 1516-1987: From Spanish Colonization to Alfonsín (Berkley: University of California Press, 1987), p. 376. See also Freedman and Gamba-Stonehouse, Signals of War, p. 4.

knowledge of having been robbed and subjected to insult without apology.”¹⁸⁷ This was evidenced by the public’s reaction to the invasion in April 1982. Thousands of celebrants gathered in the Plaza de Mayo to demonstrate their support for the reoccupation of the islands. Even a number of Montoneros, the left-wing guerillas targeted by the junta during the dirty war, were in the crowd, risking execution if they had been discovered by the government.¹⁸⁸ On the other hand, the Falklands would not have been a viable target for a diversionary conflict if an invasion was a divisive issue or if the public was indifferent regarding their recovery. The importance of finding a unifying target is illustrated if one compares the public’s attitude toward the Falklands with its attitude towards the Beagle Channel dispute.

The junta briefly considered initiating a diversionary conflict against Chile in 1978. The public’s response to the possibility of a war with Chile was decidedly negative, however. The Catholic Church, for example, organized a series of public rallies against a war with Chile.¹⁸⁹ In the end, the junta allowed the pope to arbitrate the dispute, in large part because of the public’s strong objections to the war. This suggests that, the junta would have abandoned its plans to invade the Falklands if it had not been a popular foreign policy goal, that is to say, the existence of a unifying target was a necessary but not sufficient condition for the invasion. Obviously, this causal factor alone cannot


¹⁸⁸ See Gavshon and Rice, The Sinking of the Belgrano, p. 46; Hastings and Jenkins, The Battle for the Falklands, p. 75; Eddy and Linklater, The Falklands War, p. 135; Romero, A History of Argentina, p. 243; Moro, The History of the South Atlantic Conflict, p. 30; Wynia, Argentina, p. 16; Cardoso, Kirschbaum, and van der Kooy, Falklands, p. 102; and Haig, Caveat, pp. 276-77.

¹⁸⁹ Dabat and Lorenzano, Argentina, p. 35.
explain why the junta decided to invade in December 1981, since the public had supported military action in the Falklands for decades.

The presence of a low cost, popular target also meant that the junta did not need to ask an ally to intervene to put down the unrest. Unsurprisingly, leaders will avoid asking an ally for military aid to address instability within their borders, as even a limited intervention signals the regime’s weakness to domestic opponents and regional rivals. Governments will choose an alternative response, if possible. The presence of an ideal target for diversionary action rendered foreign intervention unnecessary.

It was argued above that the junta did not adopt the economic reforms requested by the public because of its low extractive capacity. The question is, therefore, why did the junta also largely ignore its opposition’s demands for substantial political reform. The answer is quite simple. Even the most reform-minded leaders are likely to resist the public’s demand for a fundamental restructuring of the state’s political and economic institutions, even if acquiescing would end the unrest immediately. And the Argentine public demanded democratization, requiring the junta to immediately hold unrestricted elections. As one union leader stated when it was rumored that Galtieri was slated to be Argentina’s next president, “The political solution does not lie in changing the president or ministers, but on changing the system.” If the junta had complied, it would have meant the end of military rule and possibly a Nuremberg-style trial of the leaders responsible for the dirty war. The junta was not going to remove the threat to its regime by ending the regime. Thus, the specific nature of the public’s demands for political reform was a necessary condition for the invasion of the Falklands.

4.6 Discussion

In Chapter 2, I argue that identifying the sources of diversionary conflict to a large extent involves understanding why alternative preferred and in many ways less risky options are not chosen. This in turn suggests the critical role played by low extractive capacity and its interaction with domestic unrest, which may close off reform and repression as viable policy options, and therefore alternatives to diversionary conflict (see Figure 4.2 below). In applying these insights to the case of the Falklands War, I find that the combination of low extractive capacity and high domestic unrest not only compelled Argentina’s leaders to desperately search for any policy that held out some hope of addressing their domestic problems, but it also ruled out preferred policies, such as substantial economic reform and sustained repression, to moderate or end the unrest. Low extractive capacity and domestic unrest also removed the option of a protracted militarized conflict (as Hypothesis 1a predicts). What was left was the use of force without sustained warfare against a unifying target—the Falklands. Perceptions of British resolve, or the lack of it, made the use of force seem at least a plausible strategy, although hardly ideal, for solving difficulties at home. Therefore, the diversionary attack on the Falklands was driven less by its inherent or perceived utility, and more by the fact that it was virtually the only option on the menu that the junta could afford.
The necessary conditions for the Falklands invasion, which are summarized in Figure 4.3, can be divided into three categories: motivation, domestic constraints, and opportunity. The junta chose a diversion over repression and reform, because the necessary motivation—domestic unrest—was present. The military government lacked the resources to either repress or appease its opposition by enacting reforms—especially given the magnitude of the public’s demands for change. Given these domestic

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Figure 4.2: The Policy Alternatives Approach Applied to Argentina’s Decision to Invade the Falkland Islands, December 1981

- Escalating Domestic Unrest
- Inability to repress
  - Presence of a symbolic target
- Inability to reform
  - Perceived “green light” from the US
  - Perceived lack of British resolve
- The Argentine junta’s decision to invade the Falkland Islands
constraints, it chose to initiate a diversionary conflict. Finally, the junta chose diversion over its alternatives because it was presented with the opportunity: military action against the Falklands Islands was perceived as being both unlikely to provoke an international response and likely to produce the desired domestic response.

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Domestic Conditions</th>
<th>Opportunity</th>
</tr>
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<tbody>
<tr>
<td>• Domestic unrest</td>
<td>• Low extractive capacity</td>
<td>• Perceptions of British resolve</td>
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<tr>
<td></td>
<td>• Nature of political and economic reform demands</td>
<td>• US neutrality</td>
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<td></td>
<td></td>
<td>• Falklands as an popular target</td>
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Figure 4.3: Necessary conditions for Argentina’s invasion of the Falkland Islands

There may be few cases in which the diversionary motivation is as clear-cut as it was in the Falklands War. Nevertheless, there are many other cases where states used
force, in part, to distract the public or rally opponents (see Table 4.1 below).\textsuperscript{191} There are strong reasons for thinking that the interaction between extractive capacity and domestic unrest is likely to be a powerful cause of diversionary war in many of these cases, because this interaction profoundly shapes the policy menu available to leaders. In

\begin{table}[h]
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\begin{tabular}{|ll|}
\hline
Year & War Type \tabularnewline
\hline
1792 & France \tabularnewline
1823 & French Pyrenees Expedition \tabularnewline
1828 & Russo-Turk War \tabularnewline
1830 & Belgian War \tabularnewline
1830 & Franco-Algerian War \tabularnewline
1848 & Danish-Prussian War \tabularnewline
1848 & Sardinian-Austrian War \tabularnewline
1849 & Hungarian Expedition \tabularnewline
1853 & Crimean War \tabularnewline
1860 & Italian War \tabularnewline
1861 & Mexican Expedition \tabularnewline
1862 & The War of Haiti \tabularnewline
1864 & Danish-Prussian War \tabularnewline
1870 & Franco-Prussian War \tabularnewline
1876 & Serbo-Prussian War \tabularnewline
1877 & Russo-Turk War \tabularnewline
1882 & Egyptian Expedition \tabularnewline
1885 & Serb-Bulgarian War \tabularnewline
1894 & Sino-Japanese War \tabularnewline
1897 & Greco-Turk War \tabularnewline
1898 & Spanish-American War \tabularnewline
1899 & Boer War \tabularnewline
1900 & Boxer Rebellion \tabularnewline
1904 & Russo-Japanese \tabularnewline
1911 & Italian-Turk War \tabularnewline
1912 & First Balkan War \tabularnewline
1914 & First World War \tabularnewline
1918 & White Russian War \tabularnewline
1919 & Third Afghan War \tabularnewline
1919 & Greco-Turk War \tabularnewline
1920 & Russo-Polish War \tabularnewline
1931 & Sino-Japanese War \tabularnewline
1936 & Spanish Civil War \tabularnewline
1937 & Sino-Japanese \tabularnewline
1939 & Second World War \tabularnewline
1974 & Turkey-Cyprus \tabularnewline
1982 & Argentina-Falklands \tabularnewline
1898 & Spanish-American War \tabularnewline
1899 & Boer War \tabularnewline
1900 & Boxer Rebellion \tabularnewline
\hline
\end{tabular}
\caption{Wars Identified as Partly Diversionary in Motivation}
\end{table}

\textsuperscript{191} For a discussion of the domestic causes of these and other wars, see Blainey, \textit{The Causes of War}; Levy, “The Diversionary Theory of War”; Wright, \textit{A Study of War}; and Mayer, “Internal Crises and War.”
other words, governments are generally likely to calculate the cost of adopting economic and political reforms relative to their ability to extract resources and search for alternate and potentially risky solutions if the former far exceeds the latter.

Other conditions may be necessary only given the *specific* geopolitical context in which the junta acted. Given a different set of background conditions, alternative factors might become necessary conditions for that same outcome to have occurred. This means that not all of the conditions that were necessary for the junta to invade the Falklands may prove useful for explaining why states initiate diversionary conflicts in general. If, for example, a state has considerable military capabilities relative to its target, it may not be necessary for its leaders to believe that military action would encounter little resistance or provoke an international response. Nevertheless, the claim that most states, even very powerful ones, must perceive a target as a low cost objective (i.e., unlikely to provoke a military response from either the target or its allies) before they initiate a diversionary conflict is probably generally true and is borne out by the case studies in the following three chapters. In each of these cases, the governments were unable to initiate a diversionary conflict because of the absence of a low cost target—that is, the lack of an *opportunity* to use force. The French monarchy, for example, explicitly considered using force against Prussian and British forces in the United Provinces in 1787 to distract the nobility from their dissatisfaction with the regime—but ultimately abandoned this plan because a great power war (or any use of force) would have been *too costly*. Thus, while Britain’s apparent reluctance to defend its colonial possession in 1982 and the junta’s expectation that the international community would not interfere were clearly necessary
conditions for the Falklands War, one might reasonably expect all leaders to make similar calculations about opportunity at the outset of any military adventure.\textsuperscript{192}

One, however, cannot begin to claim that these generally are important causal factors without examining other cases in which leaders choose alternative responses, such as reform, repression, and foreign intervention. Thus, in order to begin to determine whether the insights from this case may improve our ability to predict when and why states initiate diversionary conflicts or adopt an alternative, I consider three additional cases of state responses to domestic unrest. The purpose of these cases also will be to uncover whether these or additional factors influence which response to domestic unrest low extractive capacity states choose from their menu of options.

\textsuperscript{192} Of course, leaders may sometimes choose targets that are not symbolic, hoping for a rally effect or to demonstrate the government’s competence. The Russo-Japanese War and Italy’s participation in World War I are both cases which were partly diversionary in motivation and both were wildly unpopular at home.
CHAPTER 5

POLITICAL REFORM: LOUIS XVI AND
THE FRENCH PREREVOLUTION, 1787-1789

The absolutist French monarchy has been described as a “conglomeration of centuries-old and sometimes thousand-year-old elements, none of which was ever discarded.”193 In 1787, however, a debate about the future of the ancien régime began in earnest, as first the nobility and then the middle and lower classes (known collectively as the “third estate”) demanded that King Louis XVI convocate the long dormant representative assembly known as the Estates General. During the following two years, the king sought to remedy his domestic (especially financial) ills by co-opting his opposition through political reform. There were two major reforms adopted by the increasingly desperate monarchy during this pre-revolutionary period, 1787-1789.194 The first was its decision in August 1788 to summon the Estates General. The second was a collection of reforms proposed by the regime on June 23, 1789, which expanded the powers of the Estates General, by, for example, granting it the right to approve all new royal taxes and loans. In the end, these efforts proved to be insufficient to preserve the


monarchy against the onslaught of social unrest that culminated in the storming of the Bastille in July 1789.

The question addressed in this chapter is why Louis XVI chose to adopt a policy of political reform in response to the domestic unrest plaguing France and not to repress his opposition (as he preferred), initiate a diversionary conflict, or invite foreign intervention. Despite the complexity of the case, the explanation for why reform was chosen over the alternative responses is relatively simple. Only three variables are needed to explain the king’s decision to reform the monarchy in 1788 and 1789: (1) the scope of the domestic unrest, (2) the regime’s low extractive capacity, and (3) the nature of the opposition’s demands for reform. I argue that, while the escalating domestic unrest pushed the government towards action, the monarchy’s low extractive capacity explains not only why repression and diversionary war were not viable policy responses but is also sufficient to explain why the king adopted some of the reforms. Finally, the nature of the opposition’s demands for political change explains why additional reforms were chosen over the remaining option of international intervention. In sum, the combination of these three factors ruled out the monarchy’s preferred response to the social instability—repression coupled with limited political reform—and propelled the government towards its decision to significantly liberalize the government.

5.1 The Révolte Nobiliaire and the Third Estate

The French monarchy’s decision to convogue the Estates General and the June 23 declaration were clearly precipitated by escalating domestic turmoil. While “opposition to the government in eighteenth century France was persistent, loud, and often
spectacular,” Louis XVI faced a particularly formidable domestic challenge between 1787 and 1789. During the two and a half years of the pre-revolution, the ancien régime faced a revolt by the nobility and the clergy and rising discontent within the wider population (the third estate). As disorder rapidly spread throughout the country, the embattled monarchy was under increasing pressure to reduce the unrest. As Alfred Cobban simply states: during Louis XVI’s reign, “the pressure for reform was such that no government could ignore it.”\footnote{Alfred Cobban, \textit{A History of Modern France} (New York: George Braziller, 1965), p. 105.} When, in August 1788, the monarchy’s domestic (and financial) troubles became acute, the king granted his opposition’s demands and agreed to call the Estates General. Similarly, when unrest spread through the third estate in the spring of 1789, the monarchy announced its decision to reform the structure of the Estates General. Although the presence of severe social strife within France was a necessary condition for the monarchy’s decision to call the Estates General and the subsequent June 23 declaration, it was not sufficient. The unrest forced the monarchy to act, but it alone cannot account for why a policy of reform was chosen over repression, foreign intervention, or diversionary conflict.

In 1787 and 1788, the aristocracy became progressively more hostile to the government, which was an ominous sign for Louis since the nobles were “normally the monarchy’s firmest supporters.”\footnote{Munro Price, \textit{The Road from Versailles: Louis XVI, Marie Antoinette, and the Fall of the French Monarchy} (New York: St. Martins Press, 2002), p. 25.} The origins of the révolte nobiliaire can be traced to Louis and finance minister Charles de Calonne’s attempts in 1787 to impose a series of fiscal and administrative reforms designed to rectify its financial crisis.\footnote{Of the many...}
proposed reforms, it was the monarchy’s request for a new land tax that represented the most significant threat to the nobility’s privileged tax position.\textsuperscript{198} However, the aristocracy’s attempts to obstruct the king’s plans to improve royal finances were not simply motivated by economic self-interest; they also represented a reaction to the monarchy’s perceived absolutism. The nobles objected to the “unilateral action of [the king’s] ministers, to what they saw as arbitrary or despotic government.”\textsuperscript{199}

As a result, when Calonne sought to generate public (and especially elite) support for the administrative reforms by calling an Assembly of Notables, its members, even though they were handpicked by the monarchy, rejected its proposals. Indeed, the Assembly eventually forced the king to dismiss Calonne, an unprecedented event that was particularly troubling for Louis since he had so closely aligned himself with his finance minister.\textsuperscript{200} After Calonne’s dismissal, anti-government sentiment among the Notables (and the public) intensified.\textsuperscript{201} For the first time, the idea of an Estates General became a “constant rallying cry,” as many insisted that only a representative assembly


\textsuperscript{198} The clergy also resented Calonne’s plans to make them repay their considerable corporate debt by selling off church properties.


\textsuperscript{200} It was also a dramatic change, because it suggested that the king needed national approval for his policies and political appointments.

\textsuperscript{201} The Notables were especially outraged by the idea that Calonne was only interested in gaining their approval for his plans not in listening to their advice. Furthermore, once Calonne presented them with evidence of the monarchy’s profligacy, they were convinced that government incompetence contributed to the state’s financial problems—a problem that only an elected assembly could rectify. See John Hardman, \textit{Louis XVI} (New Haven: Yale University Press, 1993), p. 129; and Bernard Faÿ, \textit{Louis XVI: The End of a World}, trans. Patrick O’Brien (Chicago: Henry Regnery, 1967), pp. 309-10.
could legitimately approve new taxes. In response, Loméni Brienne, who came to power after Calonne’s ouster, devised a new financial reform plan which he hoped might be more palatable to the Assembly—but neither he nor the king were willing to give in to the demands for an elected Estates General. After the Assembly refused to endorse much of the revised program, it was dissolved. In the end, the “crown’s attempt to enlist public opinion in its cause by summoning the Notables simply magnified the demand for a wider and more effective national representation.”

In May 1787, undeterred by the opposition of the Notables, Brienne pushed ahead with his reform program and sent a number of financial edicts to the regional parlements for registration. As Munro Price argues, this decision “ushered in almost two years of constitutional warfare and growing civil anarchy, as the parlements opposed Brienne’s measures and rallied most of public opinion to the standard of resistance to the royal demands.” While the parlements did not reject all elements of Brienne’s program, they shared the Assembly’s reluctance to accept the tax reforms—and especially the land tax. During the following months, however, the king forced the parlements to register the edicts through a *lit de justice* and even exiled the Paris parlement to Troyes in order to force its compliance. Unfortunately for the monarchy, the revolt spread to the provincial courts. Brienne was only able to obtain the cooperation of the parlements by

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204 Price, *The Road from Versailles*, p. 27.

abandoning the land tax, extending existing taxes, and vaguely promising to convene the Estates General within five years. 206

The high point of the revolt of the nobles came in May 1788, when the monarchy forcibly restructured the parlements, vastly limiting their powers. 207 This led to an outburst of popular protest in support of the parlements, resulting in a period of riots and disturbances throughout France. The nobles met in secret assemblies to organize petitions and write pamphlets against the government. 208 Simply put, the “system broke down completely in the summer of 1788,” and the mood of the nation was “overwhelmingly in favor of the immediate calling of the Estates.” 209 In the context of this hostile domestic environment, the increasingly desperate king dismissed Brienne and officially announced the date of the Estates General—May 1, 1789. 210 This was the monarchy’s first key

206 Brienne felt confident that this would prove to be a minor concession. In five years, the monarchy’s financial position would have improved, and the Estates General would be summoned only to celebrate the improvement in the state’s finances. This moderation from the monarch, however, was also accompanied by more forceful measures. Louis subsequently issued a lit de justice and ordered the Paris parlement to register a loan—despite their willingness to cooperate. This act of perceived despotism stunned the members of the parlement. In response to demands for the protection of the nobles’ legal rights, Louis simply stated: “it’s legal because I wish it.” After this, there was a “growing chorus of calls” for the Estates General as the twelve regional parlements united in their opposition to the absolutist monarchy. Price, The Road from Versailles, p. 27. See also Bailey Stone, The Genesis of the French Revolution: A Global-Historical Interpretation (Cambridge: Cambridge University Press, 1994), pp. 177-80.


208 The most well known of these incidents was the so-called “day of tiles,” during which the citizens of Grenoble bombarded the troops sent to restore order with tiles from the rooftops. Mercy-Argenteau wrote of the incident: “The fever has become so general that even if people were put in prison by the thousands the evil would not be overcome; that would exasperate their anger to the highest pitch and riots would erupt.” Quoted in Robert D. Harris, Necker and the Revolution of 1789 (Lanham: University Press of America, 1986), p. 279.


210 Hardman, French Revolution, p. 68.
decision to reform. The public response was joyful, and shouts of “vive le roi et le tiers état” could be heard throughout the streets of Paris.$^{211}$

Despite calling the Estates General, the domestic unrest continued, indeed broadened in scope and provided an important backdrop to the second phase of reform in June 1789. The voices demanding reform were increasingly to be found within the newly mobilized third estate, especially the relatively wealthy professional and merchant classes. Indeed, by 1789, the greatest danger stemmed from the bourgeoisie in the third estate, who had been largely excluded from politics and denied the social status enjoyed by the privileged orders.$^{212}$ The calling of the Estates General led to a rapid politicization of the third estate, whose leaders demanded the revival of provincial assemblies and the return of several parlements from exile. In addition, they wanted to increase their power in the Estates General by doubling the third estate’s representation and, crucially, by moving to voting by head instead of by order.

In a pattern to be followed throughout the early years of the French Revolution, reforming sections of French society, after achieving a set of aims, split into a conservative faction, seeking to defend the new settlement, and a radical faction, demanding an additional swathe of reform. For the next five years, the radical faction invariably won the day. When the nobles insisted that voting occur by order, ensuring that the third estate could always be outvoted by the first and second estates, there was a groundswell of opposition. For example, pamphlets critical of the aristocracy, like

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$^{211}$ Hardman, *Louis XVI*, p. 143.

Sieyès’s *What is the Third Estate?* were widely distributed.\(^{213}\) It was finally decided by the monarchy that the third estate would be doubled in size, but Louis deferred a decision on voting procedure until after the Estates General was convened.\(^{214}\) Elections to the Estates General took place between January and July 1789 against a “background of economic crisis, popular unrest, and continuing public effervescence and pamphleteering…which left few parts of the country untouched.”\(^{215}\) Indeed, in April, when rumors of wage reductions spread through Paris at a time of high bread prices, riots broke out, requiring troops to disperse the mobs.\(^{216}\) During the run-up to the first meeting of the Estates General, the crown stood to the side, choosing not to participate in the elections or help select candidates, but it was clear that popular grievances were far too numerous to be ignored for long: “there was no knowing where popular violence would lead unless it was contained.”\(^{217}\) Nevertheless, at this time, the opposition was not republican; it merely questioned the legitimacy of some of the monarchy’s actions.

The first weeks of the Estates General produced deadlock between the orders over the issue of voting procedure and a radicalization of the demands of the third estate.

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\(^{213}\) In perhaps the most famous pamphlet of the revolution, Sieyès argued that unless the first and second estates shared the burdens of the third estates (especially the tax burden) they should not be considered citizens of France. As he wrote: “the nobility does not belong to the social organization at all what is not of the third estate may not be regarded as belonging to the nation. What is the third estate? Everything!” Quoted in John Hall Stewart, ed., *A Documentary Survey of the French Revolution* (New York: Macmillan, 1951), p. 44.

\(^{214}\) While the king stated that voting would initially occur by order, he left the future of this issue to be decided by the members of the Estates General after it convened.


\(^{216}\) This uprising is known as the Reveillon riot, because the mobs sacked the home and factory of a wealthy wallpaper manufacturer named Reveillon, who was suspected of lowering the wages of his employees. For a discussion of the peasant uprisings in the winter and spring in 1789, see Goubert, *The Ancien Régime*, pp. 12-15.

These included, for example, proposing the abolition of the orders and the creation of a single assembly.\textsuperscript{218} The monarchy searched for a strategy that would address the escalating domestic unrest and chose once again to adopt a policy of reform. These measures, the second key set of reforms of the period, included: granting the Estates General the right to approve all future loans and taxes, the abolition of arbitrary imprisonment and serfdom, and the modification of several unpopular taxes. However, it did not include agreeing to vote by head rather than by order, and, thus, did not end the third estate’s demands for additional reform. Many conservative nobles, however, were shocked by the extent of the king’s reforms: “With tears in his eyes, [Louis] protested ‘that he would never abandon his nobility, but that he was forced by circumstances to make great sacrifices for unity.’”\textsuperscript{219}

The major effect of domestic unrest on decision-making in 1788 and 89 was to force the monarchy to do something—that is, it ruled out the “let them eat cake” option. In the summer of 1788, the revolt of the nobles reached a sufficient intensity that inactivity was no longer possible. Members of the regional parlements blocked each of the crown’s major policy initiatives, and, when they were dismissed by the king, the aristocracy fomented a wider rebellion throughout the provinces and in Paris. Indeed, the unrest among the nobles reached its highest level in decades. Thus, even if one ignores the monarchy’s financial predicament, on the basis of domestic unrest alone, the king was

\textsuperscript{218} See Hardman, \textit{Louis XVI}, pp. 149-450

\textsuperscript{219} Price, \textit{The Road from Versailles}, p. 70. P. M. Jones, however, argues that the king’s concessions were not especially conciliatory, having rejected some of the more radical reforms suggested by Necker. \textit{Reform and Revolution in France: The Politics of Transition, 1774-1791} (Cambridge: Cambridge University Press, 1995), pp. 177-78. That said, they were far more extensive than any reforms previously proposed by the monarchy.
compelled to act in August 1788. As Collins says of that summer of unrest: “stalemated at home, the drowning government of Louis XVI grasped at any available straw.”

The monarchy was forced to act once again by escalating domestic unrest in June 1789. The convocation of the Estates General and the subsequent debate about voting procedure fueled discontent within the third estate and led to its radicalization. Throughout the spring of 1789, the bourgeoisie engaged in widespread anti-government and anti-nobility pamphleteering, protests, and demonstrations. And, after the Estates General convened in June, the representatives of the third estate led a movement to abolish the traditional orders and increase the purview of the Estates General, which threatened to substantially reduce the king’s influence over policy. This culminated in the third estate’s decision to declare itself to be a National Assembly, with the power to approve future taxes and pass legislation. The implication of this was that the people, not the king, were sovereign. In the face of such clear challenges to the monarchy, Louis knew he had to “act urgently before matters got completely out of control.”

The above suggests that domestic unrest was a necessary condition for the monarchy to introduce reform measures in 1788 and 1789. If there had been no unrest or if it had been at a significantly lower level, the king would neither have called the Estates General nor proposed many of the reforms contained in the June 23 declaration (even

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given the king’s financial predicament, which will be discussed below). The causal importance of domestic unrest is suggested by the fact that there had been voices demanding these reforms for decades and yet the king had not been induced to respond. It was only when the social upheaval escalated to a sufficiently high level that he felt forced to act. The implication of this is that if the unrest had abated between 1788 and 1789, there would be little reason to expect that the king would have continued a policy of reform.

However, if unrest was sufficient to force a policy response, it was not a sufficient condition to explain the choice of reform from the menu of options. Knowing nothing about the remaining policy context, each of the four policy responses might have been a plausible strategy that Louis could have adopted to deal with the degree of domestic unrest that existed during the years of the pre-revolution. With the discontent being primarily an elite phenomenon, a diversionary use of force might possibly have united the nobles around the regime—a policy option the king contemplated and rejected in 1787 for reasons that will be discussed below. There were also monarchs in Europe, in particular the Hapsburgs, willing to countenance a military intervention to help reestablish Louis’s position. And, of course, repression was a tried and tested solution to domestic unrest for the Bourbon monarchy. Shortly before his coronation in 1775, Louis brutally repressed a peasant uprising, in what was known as the Flour War, in northeastern France.  

Thus, domestic unrest, on its own, can explain little more than the

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monarchy’s desire to do something to quell the social disorder. The question is, therefore, why the monarchy chose reform over these alternatives. Much of the answer to this question is found in the dire financial position of the king—more specifically, the numerous barriers that prevented the king from efficiently extracting resources from French society between 1787 and 1789.

5.2 The Ancien Régime’s Preferences

Before discussing the factors that led Louis XVI to transform the monarchy from absolutist to constitutional, one must identify his preferred policy response(s) to the social turmoil in France prior to the revolution. As discussed in the previous chapter and in Chapter 2, the Policy Alternatives Approach is useful for explaining government decision-making in two situations: (1) if a leader prefers an alternative policy to the one that is selected and this preferred policy would have been substituted for the policy that is ultimately chosen; or (2) if a leader has no preferred policy response. The case of the French monarchy’s response to the unrest in 1787-89 is an example of the first situation. While Louis XVI contemplated at various points adopting each of the four options, he preferred a policy of repression to quell the unrest (coupled with limited political reform to increase the state’s extractive capacity) to the alternative responses. Ultimately, it was the unavailability of diversionary war and especially repression due to government’s limited ability to mobilize resources, which pushed the French monarchy towards granting its oppositions’ demands for significant political reform instead of its preferred strategy of combining repression with limited political reform.
Given that the truculence of the nobility was a significant threat to its finances, the monarchy was willing to make some small constitutional concessions in 1788 in order to increase its access to resources.\textsuperscript{223} Indeed, the king recognized that the monarchy was crushed by “public debt, and it was pretty certain that unless bankruptcy could be avoided, and reforms instantly taken in hand, the monarchy would fall.”\textsuperscript{224} Thus, Louis was willing to allow modest political change in order to increase the regime’s access to revenues. Indeed, he preferred limited reform to alternative policy responses for dealing with this domestic challenge because he believed it would both quiet the nobility and replenish the royal treasury (in the following section, I refer to these as “positive sum” reforms).

When faced with the subsequent rebellion by the third estate in 1789, there is evidence that monarchy would have preferred not to enact the extensive reforms they demanded but instead would have adopted an alternative policy response. In particular, if the state’s extractive capacity had been higher, the king would have attempted repression.\textsuperscript{225} Some have argued that Louis was reluctant to repress his own subjects. Two explanations are offered for why this might be the case. First, he had a life-long interest in British history and politics and was known to be particularly anxious to avoid the failures of King Charles I, who was executed for warring against his people.\textsuperscript{226} Second, it has been suggested that the king believed that the army should not be used

\textsuperscript{223} Hardman, \textit{Louis XVI: The Silent King}, p. 101-02.


\textsuperscript{225} The forgoing suggests that diversionary war might have been a viable option—since the reason it was ruled out against the United Provinces was the lack of finance and not morality, national interest, etc.

against an assembly that represented “the French people” in order to preserve the monarchy. These facts might lead one to conclude that the king would not—even if his resources had been greater—have repressed a popular uprising. But Louis’s own behavior contradicts these sentiments. The monarch readily sanctioned the use of force, for example, to put down the peasant uprisings during the Flour War in 1774, to restore order in the provinces in 1787, and to subdue the Revillion riots in 1789. He even solicited military support from Austria after the storming of the Bastille in order to wage a war against the revolutionary (but popularly-elected) government. Thus, Louis failed to repress his opposition, not because he was averse to use violence against French citizens, but rather because he had insufficient resources to put down such a large-scale uprising. In the following sections, I discuss the process by which the French monarchy was led to adopt significant political reforms.

5.3 The Monarchy’s Low Extractive Capacity

By 1787, the French monarchy’s fiscal system had “reached the end of the road.” As Alexis de Tocqueville wrote of the crown’s finances: “I do not hesitate to say that no private individual could escape ruin if he conducted his affairs as the great monarch in all his glory managed the public business.” Indeed, its finances were so uncertain, that, several times during the pre-revolution, Louis was informed by his administrators that the royal treasury was empty. Because the king’s ability to extract

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228 Price, *The Road from Versailles*, p. 23.

resources was extremely limited, the range of policy responses available to him when the unrest peaked in 1788 and 1789 was severely constrained: he was simply unable to adopt several policies because he lacked the necessary resources. In other words, Louis probably would not have chosen a policy of significant political reform if he had been able to either repress his opposition, or possibly, if he could have provoked a diversionary conflict. Thus, the government’s low extractive capacity was a necessary condition for the monarchy to have adopted a policy of reform in 1788 and 1789.

Throughout the eighteenth century, the foremost concern of the French monarchy was to put the state’s finances back on a sure footing.\(^{230}\) By 1787, the critical state of royal finances—and, in particular, the government’s low extractive capacity—was the product of several factors.\(^{231}\) First, the monarchy was saddled by an antiquated administration and a grossly inefficient system of tax collection.\(^{232}\) As Chérest writes of the pre-revolutionary period: “the collection of taxes each day encountered difficulties


\(^{232}\) For a description of the royal administration, see Egret, *French Prerevolution*, pp. xiii-xiv, xviii-xix.
which agents of the fisc [sic] did not succeed in overcoming.”

There were multiple provinces, and heterogeneous tax collection systems. As Calonne commented during his tenure as France’s finance minister:

> The most glaring anomalies vitiate the tax system…There are towns which have bought exemption, those which have settled for a lump sum; some provinces have their taxes farmed out, other collect them through their own Estates, whilst yet others have bought exemption. One cannot take a step in this vast kingdom without encountering different laws, conflicting customs, privileges, exemption…rights and claims of all kinds; and this dissonance, worthy of the barbarian centuries or those of anarchy, complicates administration, clogs its wheels…and everywhere multiplies expense and disorder.

Second, the monarchy shared the authority over taxation and expenditure with the parlements. While the crown drafted policy, any new royal taxes, loans, or financial edicts had to be registered by the parlement in Paris, whose members, for personal and political reasons, often used their power to obstruct the government. As White argues:

> “The result of this constitutional arrangement was that tax rates changed very little, as the Parlement was only willing to grant small, temporary increases to fund wars...France was

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not ‘overburdened’ by taxes; rather political economy constrained its capacity to finance the state’s expenditures.”

The parlements became even more recalcitrant after Jacques Necker (France’s finance minister before Calonne) published the *Compte Rendu au Roi*, in 1781, which reported that, despite four years of war supporting the colonials in the American Revolutionary War, without increases in taxation, there was an impressive annual budget surplus of 12,200,000 livres. Needless to say, this account, which was intended to increase confidence in the monarchy (and especially in Necker’s performance), was grossly inaccurate. The report, which was the first of its kind, had an unanticipated negative effect on the monarchy’s future efforts to increase revenues. The *Compte rendu* was widely read by the aristocracy, who developed “superstitious reverence” for its conclusions. When Calonne later attempted to pass tax reforms, he found it extremely difficult to convince the nobles of the parlous state of the monarchy’s finances. Thus, the extractive capacity of the government was further constrained by the fact that the “*Compte rendu* made it harder for future governments to plead poverty and to educate the parlements about the financial needs of a modern state.”

Although historically the parlements had been obstructionist, especially after the *compte rendu*, they virtually declared war on the government’s fiscal policy in 1787 and

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237 Price, *The Road from Versailles*, p. 21


refused to register any new loans or taxes or even to allow the king to renew old taxes. This conflict was triggered by Calonne and Louis’s efforts in 1786 and 1787 to reform the country’s financial system. This so-called “royal revolution” included voluntarily calling the Assembly of Notables in order to increase investor confidence in the state. The belief was that granting the Notables oversight of the government’s fiscal policy would reassure foreign and domestic creditors that loans would be repaid (as parliamentary control over state finances appeared to have done in Britain). They also hoped that the citizenry would view any new taxes as legitimate if there was some public control (via the Notables) over state finance. As discussed above, the decision to call the Assembly of Notables did not have the desired effect. Instead of increasing public support for the crown, it initiated a two-year conflict with first the aristocracy and then the third estate over the political structure of France. This conflict had a further deleterious effect on the state’s extractive capacity. Not only was the state unable to reform the administration, solicit new loans, or pass new taxes, but many nobles urged citizens to resist “the enterprises of arbitrary power” and withhold their taxes from Paris. The result was that the royal treasury was empty when the king was most in need of revenue—during the periods of unrest. At the height of the revolt of the nobles in


242 Although the desire for a representative assembly—though not the Assembly of Notables—was a constant feature of French politics, the crown characterized these reforms as being essentially apolitical. In Louis’s words, the reforms “had nothing to do with anything but finance.” This was a reasonable statement, given that they were adopted partly in response to the financial crisis. Quoted in Hardman, Louis XVI, p. 109. See also Mousnier, Institutions of France, p. 661.


244 Garrett, The Estates General, p. 16.
August 1788 and again during the spring of 1789, the monarchy struggled to find the resources to cover its expenditures.\textsuperscript{245}

There were two causal pathways linking the government’s extractive capacity to its choice of reform. First, the regime’s low extractive capacity pushed it towards specific reforms, by which it hoped to raise more money. Some of these initiatives were also demanded by reformists, such as the calling of the Estates General. These reforms can be thought of as positive-sum, in that all sides perceived themselves to gain from their adoption—including the king. This suggests that, even in the absence of unrest, the monarchy would have been tempted to adopt some of these reforms. That is, Louis needed to make certain constitutional concessions in order to increase his access to resources.\textsuperscript{246} For the king, greater representation promised greater taxation.\textsuperscript{247} The monarchy hoped that calling the Estates General would increase the king’s extractive capacity, for example, by increasing the legitimacy of taxes. Furthermore, the monarchy accepted the reality that without “a representative assembly, [it] would not have been able to borrow money” because of its declining credit rating.\textsuperscript{248} For these reforms, therefore, low extractive capacity was a necessary and sufficient condition.


\textsuperscript{247} To some extent these reforms—especially those that ended the tax privileges of the aristocracy—were more at the expense of the nobles than of the king. See Acton, \textit{Lectures}, p. 43.

\textsuperscript{248} Collins, \textit{The State in Early Modern France}, p. 266.
Secondly, there were additional “zero-sum” political reforms, for example, those of June 23, which, unlike some of the limited political reforms previously adopted by the monarchy, were introduced without a perceived direct payoff for the crown; they instead were reluctantly adopted to placate the king’s opponents and were perceived by Louis to be a loss. In these cases, extractive capacity was also of causal importance, because it essentially removed sustained repression and a diversionary use of force from the crown’s menu of options, thus propelling the king towards significant reform through a process of elimination.

While the king did engage in limited repression during the pre-revolution (e.g., exiling disloyal nobles, containing small-scale riots, etc.), there is evidence that the lack of ready money made sustained repression, on a magnitude sufficient to end the unrest during the summer of 1788 and spring of 1789, almost impossible. Traditional accounts of the events surrounding the June 23 declaration assert that the monarchy intended to undo earlier reforms and forcefully subdue Paris—that is, pursue a policy of repression. Stephen Walt, for example, argues in Revolution and War that the monarchy intended to repress the uprising in Paris, but that this plan was interrupted by the storming of the Bastille. This telling is apparently confirmed by the fact that the king was gathering thousands of troops around the edge of the city. Recent archival evidence, however, has not revealed “a shred of evidence” for this argument. Instead, most historians now contend that the purpose of these forces was purely to defend the royal family and key


250 For a further discussion of whether the monarchy intended to repress its opposition during the spring of 1789, see Hardman, Louis XVI, pp. 135, 154-57; and Price, Road to Versailles, p. 856.
government buildings and not to suppress a popular uprising in the city. As the commander of French troops in Paris, Duc de Broglie, instructed his forces in June: “‘If there is a general insurrection we cannot defend the whole of Paris and you must confine yourself to the plan for the defence of the Bourse, the Royal Treasury, the Bastille, and the Invalides.’” In the end, however, the debate over whether the state wanted to suppress an uprising in the capital city is largely irrelevant. The king was unable to provide for the troops he had assembled in Paris; their food, housing, and pay were meager. As a result, the soldiers were demoralized and unreliable, many choosing to desert their posts to join the revolution. Thus, Collins concludes: “Historians often focus on the role of force in spring of 1789—on the use or non-use of royal troops—yet to do so is to ignore the simple fact that the king needed money to pay these troops.” This money was simply not available: “by the end of June, 1788…[the monarchy] found itself powerless to suppress disorders or to collect taxes. The king was face to face with the hard necessity of choosing between the convocation of the Estates General and a declaration of bankruptcy.”


253 Scott, Response of the Royal Army, p. 55.


256 Garrett, The Estates General, pp. 23-4. Of course, the regime could also have requested foreign intervention. See below for a discussion of why the king did not adopt this policy.
The regime’s low extractive capacity also ruled out the possibility of a diversionary use of force. A war to distract attention fought against one or more great powers in Europe (or any use of force) was simply not an option because the crown lacked the finances to pay for it. If the government was unable to take on the revolutionaries then it was certainly unable to take on one of its great power neighbors. Furthermore, it was foreign adventure in the American Revolution that had got the regime into financial trouble in the first place. Although the administration considered trying to rally opinion through an intervention in Holland during the first year of the pre-revolution, the obvious implausibility of the large-scale use of force became quickly apparent. In 1787, Prussian forces, with the support of the British government, invaded the United Provinces, whose government had been allied with France. Several members of Louis’s administration encouraged the king to intervene to repel the Anglo-Prussian coalition. The Marquis de Castries wrote of the Dutch affair: “Present the idea of *la gloire* to Frenchmen and you will effect the most useful…diversion from the present turmoil.” Similarly, Alexandre de Lameth, a high officer in the French army, later commented:

> in the critical situation facing royal authority, [war] could only be helpful. Ideas of glory, hope for honorable reward, the habitual disposition of the army to enjoy taking risks, the fortunes of battle, especially the magnanimous protection of a defenseless people, exposed by its leaders to the arms of the enemy, would have created diversions from internal politics…

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257 Marie Antoinette wrote Joseph II, saying that she feared that war would deplete resources further and “force” them to call the Estates General. Quoted in Hardman, *French Revolution*, p. 63.


259 Quoted in Egret, *French Prerevolution*, p. 42.
In the end, the government’s weak financial position convinced the monarchy that military intervention was impossible, and France abstained from the conflict.\textsuperscript{260} As Comte de Mercy-Argenteau revealed after the denouement of the Dutch affair: “It is not credible… that the Versailles ministry, in such straits, would risk getting involved in a war that would make bankruptcy inevitable.”\textsuperscript{261}

In sum, the government’s low extractive capacity during the pre-revolution was a necessary condition for the monarchy to call the Estates General in 1788 and to propose the reforms contained in the June 23 declaration in 1789. Simply put, if the regime had had greater access to resources during these periods of social unrest, it would not have reformed. The monarchy would no longer have had an incentive to introduce the “positive-sum” administrative and financial reforms needed to improve the state’s fiscal position. Furthermore, the king would not have adopted the “zero-sum” reforms, because he would have been able to either repress his opponents or possibly to initiate a diversionary conflict.

It is useful to consider at this point what this reveals about the relationship between domestic unrest and extractive capacity in this case. A low extractive capacity \textit{and} a high degree of domestic unrest were necessary to push the king towards adopting those “zero-sum” reforms that were designed to alleviate the domestic unrest but did not directly improve the king’s financial position. On the other hand, the king might have been inclined to adopt some reforms—such as restructuring the state’s administration and financial system—if the monarchy’s financial predicament was dire but his domestic


\textsuperscript{261} Egret, \textit{French Prerevolution}, p. 41.
opposition was weaker. The effect of the regime’s low extractive capacity combined with escalating unrest on the monarchy’s decision-making is revealed in the Compte de Saint Priest’s (a minister of the crown) letter to Louis XVI on June 22, 1789 and is, therefore, quoted at length:

The young hot-heads, eager for change, regard ancient laws as superannuated prejudices; but what we take into the most serious consideration, Sire, is the weight of present circumstances: the ship of state is threatened with wreck; it is a matter of avoiding it and this time we cannot do it by facing the storm. As at sea we must be able to lose ground in order to make it up later when this is dictated by justice and the good of the state…. [We] need to make the Estates-General work, to revive credit through public confidence, to provide for indispensable expenditure, to calm the people whilst they are experiencing a period of high good prices and are threatened with shortages…even if we closed are eyes to the terrifying scenario…we should still need the means with which to act. Your majesty has an army—it has to be paid. The royal treasury is empty.262

That said, extractive capacity, even in combination with domestic unrest, is insufficient to explain the king’s decision to adopt the “zero-sum” reforms, because two plausible policy responses remain: the king could have either chosen to reform in order to co-opt his opposition, or he could have requested foreign intervention. In order to understand why reform was chosen over international intervention, one must examine the changing nature of the opposition’s demands for political reform.

5.4 Nature of the Demands for Reform

For the Argentina junta, the Habsburg monarchy, and the Peruvian government (see chapters 4, 6, and 7), granting their opposition’s demands would probably have spelled the end of their regimes. Those demonstrating against the military government in

262 Quoted in Hardman, French Revolution, pp. 96-7.
Argentina demanded a transition to democracy, Sendero Luminoso sought to overthrow the political system, and the Habsburg’s enemies wanted Hungary to secede from the empire. In all of these cases, the extent of the reform demands ruled out the possibility of reform. In the case of the Bourbon monarchy, however, the opposition’s demands, which initially came from the nobles, were quite moderate. From Louis’s perspective in 1788 and early 1789, these reforms looked like significant but acceptable concessions, which promised to buy the government time to reassert control over society and even promised to improve its finances. In other words, at this time—before the storming of the Bastille and the flight to Varennes—the demands did not seem like a significant threat to the monarchy. It is only with the benefit of hindsight that we imbue these demands with greater significance, as the first of the dominoes leading to the French Republic. Thus, if these demands had been more extreme—if they had clearly implied or presaged an end to the monarchy—then the king would have chosen foreign intervention over reform. Thus, the nature of the opposition’s demands for reform in 1788 and 1789 were a necessary condition for reform.

There is evidence to suggest that Louis’s decision-making was influenced by the extent to which he viewed the opposition’s demands to be a threat to the survival of the monarchy. During Calonne’s tenure as finance minister, Louis was reluctant to adopt the reforms proposed by the Notables, but he appreciated “the fact that the issues did not involve radical changes but the kind of reforms he had heard discussed since the beginning of his reign.”263 Faced with modest requests for reform, the king chose to buy the nobles’ support by conceding to their demands. However, when the third estate’s

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263 Egret, *French Pre-Revolution*, p. 4.
reform demands later became increasing extreme, as they did after the June 23 declaration, Louis abandoned his accommodative stance. The National Assembly’s rejection of the king’s June 23 proposal and its efforts to force him to accept the full union of the three orders “opened an irrevocable breach between the king and his people…this was one step too far for Louis XVI.” These developments convinced Louis to dismiss his reformist minister, Jacques Necker, and focus on finding new sources of funding in order to increase his “freedom of action.”

Thus, the king abandoned his reform agenda when he believed that the demands for political change threatened the monarchy and sought to increase his access to revenues in order to adopt an alternative policy. Indeed, when the third estate proposed the creation of a Civil Constitution for the clergy, whose contents were extremely radical, Louis suddenly “started to cast around for the means to end a political situation that had become intolerable for him…[the Civil Constitution] marked the moment when he began actively to plan a counter-revolution.”

Thereafter, Louis (and especially Marie Antoinette) began to plan their escape from Paris and opened diplomatic negotiations with allies regarding the possibility of foreign intervention to reinstate the monarchy.

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264 Price, *Road to Versailles*, p. 70.


266 The constitution stated that bishops and priests in the Catholic Church would be elected by the laity.

267 For a discussion of the monarchy’s efforts to negotiate a foreign intervention, see Price, *Road to Versailles*, pp. 116, 136-37, 139-46, 158. It is interesting that Austria was then and would continue to be France’s best chance at foreign intervention in the early years of the revolution. It had only recently become an ally and was deeply distrusted, even by Louis whose own marriage to Maria Antoinette had been arranged to cement that alliance. Marie Antoinette (born Maria Antonia) was the daughter of Maria Theresa, the empress of Austria.
Thus, the nature of the reforms demanded by the crown’s opponents prior to July 1789 represented a crucial green light for reform. While many of the reforms limited the powers of the king and were, therefore, unwelcome, they were not so extreme that Louis believed that they threatened the survival of the French monarchy. In addition, they closed off the final available alternative policy response to the social upheaval—foreign intervention. Leaders are traditionally very reluctant to ask for foreign intervention in order to end domestic unrest, since this signals the government’s incapacity to deal with its own national problems, and will choose an alternative response, if possible. Moderate reform demands made this unpalatable option unnecessary.

Furthermore, Louis’s international supporters were unlikely to send troops in order to repress a group of fairly conservative nobles. Foreign intervention was a more attractive option for France’s neighbors later in the revolution, when events in Paris became dramatically radicalized. If the earlier reform demands had been more extreme, then it is plausible that the other monarchies might have intervened. The payoff for the intervening state has to be significant, and it is usually derived from the removal of a threatening revolutionary movement, which looks potentially contagious. Otherwise, the intervening state might well demand a quid pro quo for their aid. Therefore, Louis was very unlikely to respond to fairly moderate demands with such an inherently unattractive response. Of course, there is a price to be paid for both reform and foreign intervention. That said, the cost of foreign intervention is usually high, while the cost of reform varies depending on the nature of the demands. In this case, the apparent price for acquiescence to the reformers was far lower than the probable price of foreign intervention.
5.5 Discussion

Leaders are often averse to granting demands for reform in the face of mounting public pressure, most obviously because it reveals the weakness of the regime relative to its subjects. It was hypothesized in Chapter 2, therefore, that low extractive capacity states are more likely to adopt reforms in response to escalating domestic unrest because more attractive but costlier policies are not available—specifically those, such as repression, that do not require leaders to make concessions to their domestic adversaries. The results of the quantitative analysis discussed in Chapter 3 confirm that, at high levels of social unrest, low extractive capacity states, in general, are more likely to turn to political reform than are states that can easily extract revenues from society. A policy of reform may be adopted only as a last resort by states with few options, for which trading political concessions for an end to the violence may be an acceptable bargain. If the demands for reform are relatively moderate in scope, they leave open the possibility that the state, once it has reasserted control over society (and its extractive capacity is higher), may repeal the reforms and choose an alternative policy from its menu of options. The shadow of the future can make states resist reforms that may simply encourage further demands, but this shadow can also open up the possibility of buying off opponents through reform with the intention of later revoking these changes.

The French monarchy’s response to the rising social unrest in 1788 and 1789 is consistent with this argument (see Figure 5.1). The combination of (1) widespread domestic unrest and (2) low extractive capacity explains much of Louis XVI’s response to the révolte nobiliaire in 1788 and the opposition of the third estate in 1789.
Figure 5.1: The Policy Alternatives Approach Applied to Louis XVI’s Decision to Adopt Political Reforms, 1788 and 1789

These two variables alone prevented the king from adopting a policy of repression and made a diversionary war much less likely. Because of its low extractive capacity, the regime lacked the revenues to pay (or even feed) its troops, essentially precluding a crackdown. The regime’s inability to construct a substantial military force also meant that the king could only have initiated a diversionary conflict if it could have found a sufficiently low cost target. As it was argued in the previous chapter, the Argentine junta
initiated a diversionary war, in part, because of the perceived presence of an easy target—the Falklands Islands. In 1788-89, however, a diversionary conflict was not a viable response to the unrest, because there was no low cost target against which the impoverished monarchy could employ its limited forces. Provoking a conflict with any of France’s great power neighbors surely would have led to a costly confrontation (see Figure 5.2).

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Domestic Constraints</th>
<th>Opportunity</th>
</tr>
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<tbody>
<tr>
<td>• Domestic unrest: opposition to the crown among both the nobles and the third estate</td>
<td>• The monarchy’s low extractive capacity</td>
<td>• No state willing and able to intervene at this level of unrest</td>
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<tr>
<td></td>
<td>• Fairly modest demands for reform by the nobles and the third estate</td>
<td>• No unifying, symbolic target</td>
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<td></td>
<td></td>
<td>• Significant opposition from the international community to the initiation of a war</td>
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Figure 5.2: Necessary conditions for Louis XVI’s Decisions to Reform in 1788 and 1789
Reform, however, was a viable policy option for the Louis XVI. The nobles’ (and later the third estate’s) demands for political reform would limit the power of the monarchy but did not threaten its existence. The king, therefore, concluded that accepting the creation of a constitutional monarchy would preserve his rule without eliminating the possibility that there might be a return to absolutism in the future. Thus, he did not consider the inherently unattractive option of appealing to an ally for military intervention to preserve the *ancien régime*. Although the Habsburg Empire later considered sending troops to restore the French monarchy, it probably would not have sent in troops at this earlier point. It was only when the revolution reached its height in 1792 that many of the great powers went to war with France, in part, to restore the monarchy. Before the revolution, however, there was neither an opportunity for foreign intervention nor for a diversionary use of force.

Finally, this case produces an interesting additional insight into the relationship between low extractive capacity, domestic unrest, and reform. Louis XVI readily adopted a number of political reforms to both increase his extractive capacity and to reduce opposition to his rule—that is, some of the reforms were “positive sum” in that they benefited both the nobility and the third estate (which received greater political freedom) and the king (who increased his access to revenues). Other political reforms adopted by the Louis—especially those contained in the June 23 declaration—were granted under duress and were, thus, “zero-sum”: a gain for the French malcontents was a loss for Louis. This leads one to conjecture that the likelihood of political reform may increase in situations where reform simultaneously alleviates unrest and increases the state’s extractive capacity. It also suggests that both a high degree of unrest and
relatively moderate demands for political reform are necessary for leaders to adopt “zero-sum” reforms.
CHAPTER 6

REPRESSION: PERU AND SENDERO LUMINOSO, 1985-1990

Sendero Luminoso, a radical offshoot of the Peruvian Communist Party, first came to the attention of the government in Lima in May 1980 after claiming responsibility for a series of small-scale acts of violence in the Ayacucho region of the Andean highlands. Encouraged by his recent electoral victory—which marked Peru’s transition to democracy after more than a decade of military rule—President Fernando Belaúnde Terry dismissed the group’s members as little more than “cattle thieves” and “political pranksters.” When his successor, Alan García, assumed the presidency five years later, however, the fight against Sendero had claimed the lives of more than 175 military and police personnel and 2,500 civilians. Devising a more effective strategy to combat the Senderistas was now at the top of the government’s agenda.

When García came to power in 1985, it was clear that the government’s use of indiscriminate repression against the Sendero guerrillas and their peasant base had not

268 Sendero Luminoso is known in English as “The Peruvian Communist Party of the Shining Path of Mariátegui” or simply “Shining Path.”


only failed to quell the rebels, it had actually fueled sympathy for the Marxist revolutionaries. Hoping to regain the support of the peasants, García proposed a new economic reform program, which would funnel development and agricultural aid to communities in the impoverished southern sierra where the insurgency was most deeply rooted. Despite the fanfare with which these economic reforms were introduced, García abandoned them only two years later and ceded control over the counter-insurgency back to the military, knowing that this meant a return to a policy of widespread repression with, in all likelihood, little concern for human rights.

This chapter examines the conditions that precipitated García’s decision to shift from his preferred policy response—economic reform—to a strategy of indiscriminate repression in 1987, targeted against the Senderista guerillas and the peasants who were sympathetic with Sendero’s agenda. It is important to clarify at the outset that there are two sets of decisions to be explained in this chapter. The first is García’s decision to continue essentially unabated Belaúnde’s counter-insurgency strategy for dealing with the Senderista guerillas. The second and more puzzling is the president’s decision to abandon his plan to co-opt the moderate peasants who supported Sendero through economic reform and resort to repression against them. This is puzzling because the reform initiatives themselves had been prompted by the failure of earlier efforts at repression: García, keenly aware of the previous regime’s unsuccessful attempts at repression, had actually campaigned on a platform of reform to combat the insurgency. Both decisions are explained by five factors: (1) the strength of domestic unrest, especially the Sendero insurgency; (2) the government’s low extractive capacity; (3) Sendero Luminoso’s radical demands for a Marxist revolution; together with the absence
of (4) a low-cost, symbolic target against which the government could have launched a diversionary war and (5) a willing ally able to help the government put down the insurgency through foreign intervention.

In the case studies of Argentina’s invasion of the Falkland Islands and Louis XVI’s decision to call the Estates General (see Chapters 4 and 5), the combination of low extractive capacity and domestic unrest propelled the governments towards strategies other than repression, and it was argued that cash-strapped states are generally unable to adopt such a costly policy. In this case, however, the government chose to send in troops to suppress Sendero Luminoso. The question, therefore, is why, when an inability to extract resources closed off the option of repression for the Argentine junta and the French monarchy, did this variable permit the Peruvian state to repress its domestic opposition in 1987?

6.1 Domestic Unrest I: Belaúnde and Sendero Luminoso, 1980-1985

In order to fully understand the conditions that led to García’s decision to adopt a policy of indiscriminate repression in 1987, it is useful to first briefly describe why the previous administration decided to adopt a similar approach. During the first three years of Senderista violence, the Belaúnde administration neglected to develop a coherent strategy to reduce the unrest. Its muted reaction to the appearance of Sendero can be explained by the simple fact that few in the political and military elite believed it to be a significant threat to the government in Lima: Sendero was capable of “childish acts of
delinquency” but not substantive violence.\textsuperscript{271} It was only after the attacks became more frequent, widespread, and destructive that the president was forced to “sit up and take notice.”\textsuperscript{272} While the scale of the uprising explains why the government was finally compelled to act, it does not explain the nature of its response—that is, Belaúnde’s decision to repress both the Senderistas and peasants in Sendero-dominated regions.

Belaúnde’s delegation of responsibility for the counter-insurgency to the police, and eventually the military, was influenced by several factors. While the notion of complying with Sendero’s goal of toppling the government was unsurprisingly rejected, it might have been feasible to grant the more modest demands of peasants for economic reform. However, Belaúnde’s orthodox neo-liberal economic policy essentially precluded increased social spending, and, as a result, he made “no effort to buffer low-income groups from the impact of severe economic crisis.”\textsuperscript{273} Even if he had been willing to adopt a major economic reform program, the state would have been unable to finance it.\textsuperscript{274} This is supported by the fact that the government’s large public works


projects, for which Belaúnde had a particular weakness (he was known in some circles as “the Architect”), also failed during this period due to a lack of adequate funding. The lack of state revenue was caused, in part, by the government’s low extractive capacity: during Belaúnde’s term, there had been a “sharp fall in tax revenues from reduced income tax collections, a weak tax administration, and declining export taxes.” While its lack of extractive capacity may have constrained the government’s ability to successfully implement economic reforms during the first three years of Belaúnde’s presidency, after that point it became more a matter of a lack of resources to extract in the first place. In 1983, the government experienced a debt crisis, and a general economic recession, and suffered the catastrophic damage wrought by El Niño. Even a high extractive capacity state would have been unable to fund a reform program because there simply were few resources to extract.


Importantly, however, while the government’s access to revenues was limited, repression was still a viable strategy in the early stages of the Sendero uprising. This is because repression may be possible for a low extractive capacity state if the unrest, while sufficiently strong to provoke a response, is not a formidable challenge to the government. Under such conditions, the government can channel its limited resources to fund a small military force to defeat its domestic opponents. Similar to the Habsburg imperial army in 1848 (see Chapter 7), the Peruvian military was large and well equipped enough to tackle a low to moderate degree of social unrest.278 The Peruvian government believed it could overpower Sendero even with fairly limited military capabilities, given the perceived strength, or lack of strength, of the insurgency. Having attributed the local police’s failure to suppress Sendero to a lack of resources and ineptitude, the military concluded that only a “minor investment of their significant capacity for destruction” would be needed to quell the unrest.279 Note also that, because the Peruvian government

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278 Until 1983, Sendero was treated as a regional matter and a criminal organization, and the local police and then specialized police units were charged with combating the insurgency. Frustrated by their inability to root out Sendero, however, these units eventually engaged in large search-and-destroy missions, detaining and killing those suspected of cooperating with the insurgents (including whole villages). See T. David Mason, *Caught in the Crossfire: Revolutions, Repression, and the Rational Peasant* (Lanham: Rowman & Littlefield, 2004), p. 251; Crabtree, *Peru Under García*, pp. 104-106; and Mauceri, *State Under Siege*, p. 136-37.

279 Gorriti, *The Shining Path*, p. 117. When the junta was in power, the military had unsurprisingly been a priority recipient of government resources, which, while limited, were sufficient to fund an arms buildup in 1975. Similarly, during Belaúnde’s administration, the military retained control over its budget and it continued to exercise influence over matters having to do with security and domestic order. Belaúnde’s civilian government saw to it that “the needs of the military [were] looked after, including providing special funds for emergency activities, as in Ayacucho…or for police salaries.” See also Gorriti, *The Shining Path*, pp. 64-5, 114-18; Palmer, “Changing Political Economy,” p. 58; Adrian J. English, *The Armed Forces of Latin America* (London: Jane’s, 1985), pp. 366-401; Rudolph, *Peru*, p. 83; Masterson, *Militarism*, pp. 270-71, 273; Graham, *Peru’s APRA*, pp. 76-7; Crabtree, *Peru Under García*, p. 20; Mauceri, “Military Politics,” pp. 88-9; and Alfred Stepan, *The State and Society: Peru in Comparative Perspective* (Princeton: Princeton University, 1978), ch. 4.
believed that it possessed sufficient resources to put down the insurgency, it felt no need to appeal to a third party for aid, ruling out a request for foreign intervention.

The government could at this point have selected from its menu of options a diversionary use of force, but the absence of a symbolic target that would have rallied Sendero’s peasant base to support the government made this an implausible strategy.280 Thus, Belaúnde’s only viable response to the Sendero insurgency was repression.281 Given the almost “total war” methods sanctioned by the military, this meant violence against both Senderistas and civilians.282 While he harbored no particular desire to harm the peasants in Ayacucho, Belaúnde was not especially disturbed by reports of human rights abuses.283 Upon receiving scathing reviews of his human rights record from Amnesty International and Americas Watch, the president claimed to have unceremoniously pitched them in a wastebasket.284 This approach proved to be remarkably unsuccessful, however. The violent methods of the military, which included arbitrary searches, interrogations, and arrests, and, in extreme cases, air strikes that destroyed whole villages, alienated the majority of the peasant population and increased

280 See Peru Under García, pp. 11-12, 16.


the pool of Sendero sympathizers. Belaúnde’s inability to successfully respond to Sendero caused public confidence in his administration to decline precipitously: his approval rating dropped from 70 percent in 1980 to less than 20 percent by early 1983.285

The question addressed in the balance of this chapter is why Peru’s subsequent president, Alan García, who initially hoped to reduce support for Sendero Luminoso through a program of economic reform, ultimately reverted to Belaúnde’s failed policy of indiscriminate repression. This chapter focuses on this period of the government’s response to Sendero because it better illustrates the role that low extractive capacity can play in a state’s decision to repress social unrest. During the Belaúnde presidency, the difficulties the government had in mobilizing resources played a relatively small role in its decision to repress Sendero, because of the president’s own belief system. It was not a necessary condition except to the extent that a minimal level of state extractive capacity was necessary for repression to be a viable strategy. Economic reform would have been made virtually impossible because of the state’s inadequate resources, but, in this case, reform was never on Belaúnde’s menu of options, because of his neo-liberal economic leanings. During the García administration, however, the government’s struggle to mobilize resources significantly shaped its response to Sendero.

6.2 Domestic Unrest II: Alan García and Sendero Luminoso, 1985-1990

The insurgency inherited by García in 1985 presented a significant challenge to the central government. Having already built up his base of support, Sendero was well into, what its leaders termed, the “third stage”—a pronounced guerilla war against the

Sendero had a strong presence in much of the Peruvian sierra and was now gathering momentum in other regions of the country, in particular the coca-producing Huallaga Valley and Lima, where it was responsible for blackouts, bombings, and assassinations. Indeed, more than half of the reported terrorist acts were now outside of Ayacucho. The number of attacks also increased from 219 in 1980 to 2,050 in 1985. Because of the escalation of Sendero’s activities, García’s presidential campaign focused on halting the terrorist violence and promised the public a radical change in counter-insurgency strategy—his professed ability to combat Sendero was a prominent reason why he was elected.

Senderista violence showed no signs of flagging two years into García’s presidency, however. Between 1985 and 1988, there were almost 5,000 incidents of political violence in which more than 2,500 civilians and 650 police and military personnel were killed. During this period, Sendero also stepped up its efforts to assassinate national and local politicians, foreign and domestic businesspeople, and aid workers. Senderistas killed a number of mayors in the departments of Pasco, Junín, and Lima, and, by the end of 1988, 104 mayors and 224 council members had also resigned.

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286 Poole and Rénique, *Peru*, p. 86.


290 Crabtree, *Peru Under Garcia*, p. 76.

after receiving death threats. Many political parties began to question whether they would even be able to recruit candidates for future elections. Given the rapid escalation of violence throughout Peru, the government was under increasing pressure to rethink its counter-insurgency strategy.

While previous governments had been able to ignore the discontent of the peasantry, García could not. It was clear by 1987 that García’s economic reforms had not reduced peasant support for Sendero. This was largely because the few programs García attempted to implement, such as a loan program for agricultural producers, were starved of funds and, therefore, had no effect on declining economic conditions in the highland regions; other proposed reforms merely died on the vine and were never realized. Thus, the rural population continued to be the primary base of support for Sendero. One study conducted during the late 1980s found, for example, that 58 percent of the Sendero terrorists captured by the government were from peasant communities in the Andean highlands. In addition to the peasants who participated in the guerilla war or sheltered Senderistas, there were many others who sympathized with Sendero but did not actively support the insurgency. They also represented a substantial problem for the government, because they often refused to cooperate with the counter-insurgency. Of course, many neutral peasants did not aid the government out of fear of Sendero

292 Mauceri, “Military Politics,” p. 97. See also Poole and Rénique, Peru, p. 81.


294 For a discussion of previous governments’ policies attitudes towards the peasantry, see Peter S. Cleaves and Martin J. Scurrah, Agriculture, Bureaucracy, and Military Government in Peru (Ithaca: Cornell University, 1980), pp. 230-32.

retribution; those suspected by Senderistas of cooperating with the state were routinely executed as imperialist collaborators.296

Throughout his presidency, García faced an insurgency that was making steady advances in a growing number of regions and disrupting the functions of the local and national governments with increasing ease. The success of Sendero, therefore, was a necessary condition for García’s to adopt a policy of repression in 1987 (as well as for its earlier attempts at reform). Simply put, without the presence of escalating unrest, García would not have been compelled to act. In this case, however, the presence of a rapidly intensifying insurgency is insufficient to account for why the president was unable to implement his economic reform program and adopted a policy of indiscriminate repression (except in the sense that persistent unrest showed that the attempted economic reforms were ineffective). It also does not explain why diversionary war and foreign intervention were not options. This policy shift is partly explained by the state’s low extractive capacity during García’s presidency.

6.3 Alan García’s Preferences

Before discussing further the factors that led Alan García to select the policy of indiscriminate repression from his menu of options, one must identify his preferred policy response(s) to the social upheaval in Peru. As discussed in the previous chapters, the Policy Alternatives Approach can be used to explain government decision-making, when leaders prefer an alternative policy to the one that is selected and this preferred policy would have replaced the policy that is ultimately chosen. This is because the

296 De Wit and Giannotten, “The Center’s Multiple Failures,” p. 49.
factors that rule out the preferred policy are then important causes of the policy that ultimately is chosen. The logic of policy alternatives can be usefully applied to the case of García’s response to the unrest, because it was the unavailability of economic reform and heightened repression of the Sendero guerillas due to the government’s limited ability to mobilize resources that pushed the García towards the less desirable policy of indiscriminate repression of Sendero and its moderate peasant base.

Due to the extreme nature of Sendero’s demands for political reform, there was very little chance that the Peruvian government would do anything but try to suppress the insurgency. Thus, García, like his predecessor, would have preferred to intensify the repression of the guerillas as their movement gained strength during his administration. However, García, unlike the previous president, had a new plan for siphoning peasant support away from Sendero. He was convinced that economic reform was the most promising way to address an urgent political problem—the rising support among the rural population for the Senderistas. Sendero could be weakened if it no longer had the allegiance of the peasants who were its primary source of support.297 Thus, it was not “just idealism…that made García take up the issue of distribution. It came also from a belief that unless there was some narrowing of the gap between the haves and have-nots in Peruvian society, neither social peace nor democratic political stability could be guaranteed.”298 Furthermore, the president was keenly aware that the public had been frustrated by Belaúnde’s inability to combat Sendero. There was a strong societal consensus that, in order to move the country away from the brink of civil war, the

297 Note that this was possible only because their demands, unlike Sendero’s, were quite moderate. For further discussion, see below.

298 Crabtree, Peru Under García, p. 45.
government needed to address the root causes of the conflict and, in particular, the needs of the impoverished peasants in the Andes.299 Lastly, García was a member of the socialist party, *Alianza Popular Revolucionaria Americana* (APRA), which claimed, like Sendero, to be sympathetic to the peasants’ grievances, was in theory also committed to revolution, and, in its not-to-distant past, had used violent tactics against the state.300 Furthermore, many APRA voters and potential voters supported Sendero’s message. This made it difficult for the *Aprista* president to strongly condemn Sendero and especially to continue with Belaúnde’s brutal counter-insurgency strategy.301

It is important to note that history is replete with authoritarian leaders who willfully choose to repress their domestic opponents, being motivated, for example, by racism, avarice, ideological antipathy, or simply paranoia, and many, such as Zaire’s Mobutu Sese Seko, wage war against their citizenry even in the absence of unrest. In other words, often leaders do not meaningfully choose from a menu of options but rather are predisposed to respond to any signs of perceived or actual opposition with repression, and deviations from this policy, such as diversionary war, represent the real puzzles. Therefore, it is important that in this case, García initially opposed adopting a policy of widespread repression, and attempted an alternative strategy before reluctantly resorting to a militarized response. In 1987, Peruvian repression was not simply the knee jerk


300 See Roett, “Peru,” pp. 277-79. In English, APRA is known as the American Popular Revolutionary Alliance.

choice of a tyrannical leader. In the remainder of the chapter, the process by which García’s preferred policies were rendered impracticable will be discussed.

6.4 Low Extractive Capacity During the García Administration

When García assumed the presidency in 1985, he confronted a difficult challenge: he had to deliver on his campaign pledge to put through a program of substantial economic reform, which, he hoped, would stem the tide of terrorist violence in the south sierra. The problem, however, was the “weak and ineffective nature of the Peruvian state machinery,” which had consistently thwarted past presidents’ attempts at reform.\(^{302}\) Two years into García’s administration, it was clear that this pattern would continue: the state’s difficulty in extracting resources would also serve to undermine García’s attempts at economic reform. Peru’s low extractive capacity, by ruling out García’s preferred response to the peasant unrest of reform, pushed the Peruvian leader towards a policy of continuing repression against the Sendero guerillas and, crucially, extending this repression to the Senderistas’ moderate peasant supporters. Furthermore, in addition to (1) ruling out economic reform, the government’s struggle to mobilize resources also made impracticable both (2) a diversionary war and (3) heightened repression focused specifically against the Senderista guerillas. Thus, because the state’s low extractive capacity eliminated several alternative—and more attractive—policy responses from the

government’s menu of options, it was a necessary condition for the president to adopt a policy of indiscriminate repression in 1987.

The Peruvian government has historically struggled to accumulate the revenues needed to finance its economic and social programs, which is not especially surprising given that, until 1963, taxation was conducted by a privately contracted firm. The state of tax collection when García became president was: “truly arcane. There were some 200 different kinds of taxes and 33 different taxpayer classifications, and the rules governing taxes fluctuated sharply each year.” Furthermore, state finances suffered from rampant tax evasion and a narrow tax base. Simply put, the Peruvian state lacked the “administrative machinery to tax increased sales, income, and profits.” Given that the inefficiency of government bureaucracy had been a significant impediment to effective policy-making for some time (and especially after the economic crisis under Belaúnde in 1983 and 1984), a primary task of Garcia’s administration should have been to put the state on a sound financial footing. García, however, made virtually no attempt to reform the tax system. This neglect was especially problematic because Peru’s poor

303 Kuczynski, Peruvian Democracy, p. 13.
304 Klarén, Peru, p. 419.
305 Klarén, Peru, p. 385; and Crabtree, Peru Under García, p. 46
306 Crabtree, Peru Under García, pp. 61-62.
credit rating caused the supply of foreign and domestic loans to dry up, limiting the state’s ability to finance its projects through borrowing.\textsuperscript{308} As a result, despite higher than usual growth in the economy during the first two years of García’s presidency, government income actually fell substantially in 1986 and 1987.\textsuperscript{309} Indeed, by the end of García’s term, the government’s tax receipts as a percentage of GNP were the lowest of any country in the region.\textsuperscript{310} As Peter Klarén writes:

\begin{quote}
[T]he government’s fiscal condition deteriorated, not so much from increased spending, which actually fell as a percentage of the GNP, but from declining government income (from taxes and state enterprises)...The decrease in public-sector income was due to many technical reasons, but mainly due to the García administration’s failure to reform the country’s notoriously narrow and lax tax system, one of the worst in South America. For example, only 800 large companies (out of 100,000) accounted for 75 percent of the tax receipts to the treasury in 1987.\textsuperscript{311}
\end{quote}

In addition to the poor state of the country’s tax system, the government’s extractive capacity was limited by the growth of the informal economy, involving notably the production of illegal drugs. While Peru’s traditional economy had suffered due to a decline in the price of oil and copper, the informal sector had grown dramatically. By the

\textsuperscript{308} García, in an effort to reorient Peru’s relationship with the international financial community, unilaterally reduced the country’s debt payments, which meant that most foreign lenders were unwilling to extend it additional credit. He did so with the hope of increasing the state’s resources, which would give the government “breathing space.” Crabtree, \textit{Peru Under García}, pp. 32-33.


\textsuperscript{310} Mauceri, \textit{State Under Siege}, p. 70.

\textsuperscript{311} Klarén, \textit{Peru}, p. 389. Mauceri also writes, for example, that, under García, it “was common knowledge among Lima businessmen that no one had ever been sent to prison for tax evasion and while the state had a right to shutdown businesses for tax evasion, no major businesses had ever been affected.” \textit{State Under Siege}, p. 70.
mid-1980s, it comprised about one-third of the workforce.\textsuperscript{312} As a result, much of the improvement in the economy during the first two years of García’s presidency was driven by the growth of the informal economy and especially by the export of cocaine to the United States. This led to a further decline in government revenues, because narcotraffickers, like Al Capone in the 1930s, do not pay taxes.\textsuperscript{313} The state’s chronic inability to mobilize resources is also reflected in Kugler and Arbetman’s data on Peru’s extractive capacity between 1960 and 1995, which reveals that the government revenues were well below the amount that could have been extracted given the size of the national economy (see Figure 6.1).

Figure 6.1: Peru's Extractive Capacity, 1960-1995

\textsuperscript{312} Crabtree, \textit{Peru Under García}, p. 8.

The state’s low extractive capacity shaped García’s response to Sendero in several ways. First, and perhaps most important, García was unable to implement meaningful economic reforms to co-opt the moderate peasant supporters of Sendero. Despite the fact that the “most serious” problem for the government by 1986 was “the erosion of state revenue,” García made economic reform a central goal of his administration, promising to reduce inequality in rural incomes through development aid, low-interest loans, and agricultural assistance.314 Unfortunately, the reform initiatives the president attempted quickly foundered on the state’s lack of resources.315 As John Crabtree succinctly states: “Without an effective overhaul of the tax system, it was inappropriate to think that the government would be able to intervene more in pursuit of economic development or social equity.”316 Deborah Poole and Gerardo Rénique offer a similar analysis, arguing that García’s proposals for economic development in Ayacucho “became mired down” because he “lacked the resources to carry out such ambitious programmes.”317 After it was apparent that García’s reform agenda had been crippled by a lack of funding, it was abandoned.318 García could not win hearts and minds without dollars and cents.


316 Crabtree, Peru Under García, p. 213.

317 Poole and Rénique, Peru, p. 8.
Therefore, the state’s struggle to extract resources was a necessary condition for García to adopt a policy of indiscriminate repression, because it ruled out the preferred option of economic reform.

Second, the state’s low extractive capacity also eliminated the government’s other preferred option of combating Sendero’s guerillas through enhanced targeted repression. In theory, the president had two repression options: (1) launch a full scale war against the guerillas and avoid targeting neutral peasants or peasants who only passively supported Sendero (i.e., repression of greater depth); or (2) continue with a moderate level of repression but widen its targets to include the peasantry (i.e., repression of greater breadth or indiscriminate repression). Repression of greater depth requires considerable resources to be effective: it is more costly to hunt down and fight well-armed guerillas hiding in the mountains than to target immobile and undefended peasant villages. On the other hand, the cheaper option of repression of greater breadth necessarily antagonizes the civil population; nevertheless, to catch the fish, you may have to drain the entire pond.

The state’s low extractive capacity prevented García from choosing the first option: a targeted full-scale war against the Senderista guerillas. While the government’s counter-insurgency strategy faced many challenges, the lack of funding for the military was chief among them, particularly after 1985 when both salaries and capabilities declined drastically.319 Reductions in salaries led to difficulties attracting new recruits

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318 Mauceri, *State Under Siege*, p. 139. Other contributing factors were a lack of a follow-up by the government and the slow speed at which programs were developed. See Graham, *Peru’s APRA*, p. 158; and Crabtree, *Peru Under García*, pp. 56-7.
and a decline in moral; there was a “virtual stampede” of resignations among officers and desertions among enlisted soldiers.\textsuperscript{320} By the end of García’s presidency, the military’s capabilities had degraded to the point where, for example, 70 percent of its helicopters had been grounded due to a lack of fuel and spare parts.\textsuperscript{321} A number of generally unsuccessful experiments in counter-insurgency strategy attempted during this period are symptomatic of the government’s inability to combat Sendero due to the state’s low extractive capacity. The military sought to increase its presence without additional funding, for example, by encouraging paramilitary activity and the creation of civil defense groups in peasant communities (known as \textit{rondas}).\textsuperscript{322} The emergence of \textit{Comando Rodrigo Franco} (CRF), a paramilitary organized by the more extremist members of APRA, was sanctioned by high-ranking members of the government, including the interior minister. Even the military ceded authority to CRF in some Sendero-dominated regions in “apparent acknowledgement of its own limitations.”\textsuperscript{323} The military also increasingly relied on rondas, which were charged with patrolling rural areas and locating Sendero bases as a way to reduce its need for costly military patrols. As Philip Mauceri argues: “This increased reliance on rondas…is perhaps the clearest

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\item Mauceri, “Military Politics,” p. 100.
\item Mauceri, \textit{State Under Siege}, p. 139.
\item Mauceri, “Military Politics,” p. 97.
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indicator of the declining ability, if not the willingness, of the government and the military to assert their authority."  

Ironically, Sendero extracted resources to fund its insurgency with greater ease than did the García administration. The Senderistas formed an alliance with the coca growers in northern Peru and collected “taxes” in exchange for protecting them against government officials, unscrupulous buyers, and Sendero itself. Amply funded by the drug trade, Sendero was able to reach a “strategic equilibrium” with the Peruvian military. Indeed, by the 1990s, Sendero posed “such a credible challenge to the Peruvian armed forces that it seemed the military no longer had a monopoly on the use of force, and that the state could in fact be toppled.”

All in all, this made a total war against the Sendero guerillas unrealistic. Instead of increasing the depth of the repression against the guerrillas, therefore, the government chose the cheaper option of increasing the breadth of the repression to encompass the peasantry. If the state’s extractive capacity had been higher, García would have introduced a program of greater repression against the rebels. It is revealing to note that some improvement in the state’s extractive capacity under García’s successor, Alberto Fujimori, helped the government to prevail over Sendero essentially through repression of greater depth. Tax reform was at the top of Fujimori’s policy agenda when he

324 Ibid, p. 97.
326 Crabtree, Peru Under Garcia, p. 197.
327 Rochlin, Vanguard Revolutionaries, p. 47.
assumed the presidency; it was his intention to “resurrect and reconstruct the extractive capabilities of the state,” which he did with some success.\textsuperscript{329} By increasing the states’ resources, Fujimori hoped to enable the government to “eliminate the threat of SL [Sendero Luminoso] guerillas…at will.”\textsuperscript{330} Thus, after ensuring the state’s access to revenues, Fujimori focused on improving the military’s preparedness and equipping the peasant \textit{rondas} with the materiel to fight Sendero, making them a more potent force—indeed key players—in the counter-insurgency.\textsuperscript{331}

Third and finally, the state’s steadily declining access to resources under García made a policy of diversionary war impossible. The only adversary in the region against which the government might have launched a diversionary war was Ecuador; Peru’s territorial disputes with Chile, Bolivia, Brazil, and Colombia had largely been resolved.\textsuperscript{332} Ecuador and Peru, however, had a long-standing and heated rivalry stemming from an unresolved border dispute.\textsuperscript{333} Despite their cooperation on several

\textsuperscript{328} While improvements in tax administration played an important role in increasing the options available to Fujimori, there were other elements of his “self-coup,” like his decision to suspend the constitution and give the military free reign against Sendero, which weakened the insurgency. For a discussion of Fujimori’s reforms, see Klarén, \textit{Peru}, ch. 13; Mauceri, \textit{State Under Siege}, ch. 5; and Kurt Weyland, \textit{The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela} (Princeton: Princeton University, 2002), pp. 116-18.


\textsuperscript{330} Menzel, \textit{Fire in the Andes}, p. 208.


\textsuperscript{332} See Masterson, \textit{Militarism}, p. 265. The dispute with Chile heated up in 1977 in anticipation of the centennial celebration of the treaty; Chilean military officers were convinced that Peru would attack before the anniversary of the War of the Pacific.

\textsuperscript{333} Their shared border was determined by the Protocol of Rio de Janeiro, which was signed in 1942 by the two countries after a 10-day war. Ecuador later denounced the accord and reaffirmed its claim to a large
regional development projects, Peru’s relationship with Ecuador soured during the last years of military rule and the first years of Belaúnde’s administration. Mounting tensions led to a number of skirmishes along their shared border, including a deadly confrontation in January 1981, during which almost 200 troops were killed in five days of fighting.334 Interestingly, there is some evidence that this “mini-war” was motivated, at least in part, by domestic politics. One has to wonder, for example, at the timing of the incident. Ecuadoran troops had been in the contested territory for eight months before Peru protested, and the government’s decision to expel them coincided with rumors that the unions were planning a large labor strike—which was subsequently called off because of the conflict with Ecuador.335 Regardless of whether it was intended, the military’s triumph substantially improved its tarnished image.336 The public, which had welcomed the junta’s decision to allow Peru to democratize, celebrated the military’s triumph. The incident also benefited Belaúnde. When he returned to the capital after visiting with the victorious troops at the border, Belaúnde was greeted by cheering crowds; it marked the high point of popular support for his presidency.337

swathe of oil-rich Peruvian territory. Of all the rivalries in Latin America, this is the only one “marked by the expression of nationalist hatred.” Miguel Angel Centeno, Blood and Debt: War and the Nation-State in Latin America (University Park: Pennsylvania State University, 2002), p. 85.


336 See Gorriti, The Shining Path, pp. 115-117; Rudolph, Peru, p. 85; Masterson, Militarism, p. 270; Mauceri, “Military Politics,” p. 104. It actually appeared as though they might declare war, but Ecuador and Peru negotiated a cessation of hostilities at the last moment.

337 Masterson, Militarism, p. 270.
Although a diversionary use of force might have been feasible in 1981, it was impossible six years later.\textsuperscript{338} Tensions with Ecuador continued through García’s presidency, but the balance of capabilities no longer clearly favored Peru.\textsuperscript{339} In response to the state’s financial difficulties, García cut defense expenditures, which had already been on the decline since 1980, giving Ecuador an edge in any future confrontation.\textsuperscript{340} In 1982, the Argentine junta launched a diversionary war because it believed that Britain would not react to its invasion of the Falkland Islands. But in this case there was no chance that Peru could attack Ecuador without anticipating a military reaction.

In sum, the Peruvian state’s low extractive capacity was a necessary condition for the García government to adopt a policy of indiscriminate repression in 1987 for several reasons. First, García was unable to continue with his preferred response to the peasant unrest—economic reform—because of inadequate funding. The lack of ready money also degraded the military’s capabilities, which prevented the president from heightening its assault on Sendero extremists (i.e. implementing a policy of repression of greater depth) and from launching a diversionary war. That said, the state’s low extractive 

\textsuperscript{338} Miguel Centeno points out that the military clash between Peru and Ecuador was quite short, “in part because the military capabilities of the belligerents were rapidly exhausted…[due to their] limited access to fiscal revenues.” \textit{Blood and Debt}, pp. 92-3.

\textsuperscript{339} Mares, “Deterrence Bargaining,” p. 116. Ecuador simultaneously sought to strengthen its military, with the hope of reversing the unfavorable terms of the 1942 Rio Protocol. As a result, Ecuador was no longer the kind of low-cost target suitable for a diversionary conflict. Ecuador had always been capable of mounting a rigorous defense, but, given the relative decline in Peru’s capabilities, there was now a real possibility that it might win the next military contest.

\textsuperscript{340} García, for example, cancelled the planned purchase of a number of French Mirage fighters. The president also promoted a regional disarmament treaty, which, if it had been successful, would have reduced the need for military spending to maintain troops along its border with Chile and Ecuador. See Rudolph, \textit{Peru}, p. 105; Wendy Hunter, “Continuity or Change? Civil-Military Relations in Democratic Argentina, Chile, and Peru,” \textit{Political Science Quarterly} 112 (Autumn 1997): p. 468; Ronald Bruce St. John, \textit{The Foreign Policy of Peru} (Boulder: Lynne Reinner, 1992), pp. 210-11; and Mares, “Deterrence Bargaining,” pp. 116-20.
capacity alone did not guarantee that the president would extend repression to the peasantry—it did not, in itself, rule out, for example, political reform or a request for foreign intervention. To understand why these remaining options were eliminated we must turn to the nature of the reform demands and the international situation.

6.5 The Nature of Senderista and Peasant Reform Demands

The foregoing discussion begs the question why in 1987, with the economic reform program in tatters, Garcia did not seek to end the insurgency by granting the Sendero’s demands. The answer to this question is found in the nature of the Sendero’s aims. García was willing to concede the peasant’s moderate demands for economic aid but not Sendero’s goal of radical political change, which would have meant an end to the government. Thus, Sendero’s extreme political agenda was a necessary condition for García’s decision to continue repressing the Senderistas in 1987, and to broaden repression to the peasantry, because it eliminated political reform to co-opt Sendero from his menu of options.

For the peasants, declining living standards were among their foremost concerns. The Ayacucho peasants lived in “a region in a Third World country where poverty is at Fourth World levels.” The Andean highlands were almost entirely

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agricultural—despite the fact that its mountainous terrain is particularly hostile to farming, and there is little arable land.\textsuperscript{343} The peasant existence was, therefore, a meager one: there was a permanent shortage of food and drinkable water. While these rural communities had always struggled to meet their basic needs, their plight worsened in the early 1980s due to drought, soil erosion, and population growth. They experienced, what James Scott has termed, a “subsistence crisis.”\textsuperscript{344} To the extent that the peasants were receptive to Sendero’s agenda, therefore, it was because of its emphasis on economic reform: the Senderistas provided them with social services, offered debt relief, redistributed land, and rid their communities of thieves and corrupt officials. That said, the rural population was less committed to Sendero’s more extremist aims.\textsuperscript{345} In other words, they were unhappy with government policy, but in the main they were not revolutionaries: the Senderistas had “not succeeded in rallying the peasants under the banner of Mao.”\textsuperscript{346} The Sendero cadres, however, sought radical economic and especially political change: their endgame was “to destroy all established civil institutions.”\textsuperscript{347}

\textsuperscript{343} Land is scarcer in Peru than any other Latin American country, except El Salvador. \textit{Ibid}, p. 63.


\textsuperscript{345} Klarén, \textit{Peru}, pp. 248-251.


\textsuperscript{347} Graham, \textit{Peru’s APRA}, p. 156.
Sendero Luminoso, founded in the early 1960s by Abimael Guzmán, a philosophy professor at San Cristóbal de Huamanga University in Ayacucho, espoused a revolutionary ideology, which combined elements of “Gang of Four” Maoism and the writings of Peruvian communist José Mariátegui.\(^\text{348}\) Before Guzmán’s arrival, the Communist Party in Ayacucho “was a sleepy group made up of people who listened to Moscow radio over the short wave and would get together on weekends to drink and praise the latest reported increase in the Soviet Union’s big iron output.”\(^\text{349}\) By the late 1970s, the charismatic professor, known as Dr. Shampoo for his skill in brainwashing students, had built a cadre of militant followers prepared to wage guerilla war against the Peruvian government.\(^\text{350}\)

Unlike similar movements in the region, Sendero never attempted to organize the peasants for non-violent protest with the hope of encouraging the state to undertake political or economic reforms.\(^\text{351}\) Rather, from its inception, it was committed to the destruction of the existing social order. As James Rochlin writes: “The group was not satisfied with obtaining only a quotient of power, or with becoming an important voice among others in political debates. [Sendero] strove for absolute and dictatorial power through state control.”\(^\text{352}\) The Senderistas were also distinguished by their ideological

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\(^\text{349}\) Gorriti, *The Shining Path*, p. 17.


\(^\text{351}\) Mason, *Caught in the Crossfire*, p. 232.

dogmatism: “Such was the importance of ideology to Sendero that it became virtually a religion, a set of unquestionable and immutable doctrinal precepts.” Its ideological rigidity and extremist demands left little room for the government to compromise or negotiate with the insurgents. Indeed, several accounts of the period have observed that the Sendero guerillas would have been a threat to any government given their aims. Carol Graham writes, for example, that Sendero is most often compared with “Cambodia’s Khmer Rouge, which, while perhaps not totally accurate, points to the formidable challenge for any government and society facing a coup of such an extreme nature.”

García, like Belaúnd, never considered adopting a policy of reform to appease Sendero, because of its desire for revolution, propelling the government toward a policy of repression. Indeed, the nature of Sendero’s aims coupled with the extent of the guerilla war were jointly sufficient to compel the government to attempt some kind of militarized response to the insurgency—regardless of the state’s extractive capacity. Furthermore, while he was ultimately unable to address the peasants’ economic needs because of the state’s low extractive capacity, García was willing to consider reform because of their relatively modest aims. That is, the nature of their demands was a necessary condition for García’s initial attempts to co-opt them through economic reform. Therefore, the issue was: what was the government going to do in addition to repressing the guerillas. Was it going to ratchet up the repression to heightened levels, launch a

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354 Graham, *Peru’s APRA*, p. 159. See also Gorriti, *The Shining Path*, pp. 70, 79.
diversionary war, attempt to buy off the peasantry, ask for foreign intervention to help crush the rebels, or finally extend the repression to peasants?

6.6 The International Environment

In the foregoing discussion, it was argued that the combination of domestic unrest, low extractive capacity, and the nature of Sendero’s aims removed the following policies from García’s menu of options: (1) doing nothing; (2) economic reform to co-opt the peasants; (3) repression of greater depth against the guerrillas; (4) diversionary war, and (5) political reforms to co-opt the guerrillas. García had two remaining options, from which he could choose one or possibly both—indiscriminate repression and foreign intervention. The question is, therefore, why García did not follow the Habsburg monarchy’s example from 1849 and ask an ally to help put down the unrest (see Chapter 7). The answer is simply that no state was willing and able to intervene. With one of the two remaining options rendered impossible by the international situation, Garcia’s policy menu was looking increasingly like a menu from a restaurant in communist Russia: it had one option on it, and although it was essentially unattractive, Garcia had little choice but to make his order.

The two states in Latin America that had sufficient capabilities to intervene against Sendero were Argentina and Brazil. Although Peru had provided Argentina

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555 Brazil and Argentina were the only two countries in Latin America that had greater military capabilities than Peru’s. See Reid, Peru, p. 16; and Centeno, Blood and Debt, p. 95. In 1986, Bolivia suspected that Sendero guerillas might have been infiltrating from Peru. In response, it moved troops to the border and engaged in counter-insurgency exercises with the United States in order to prepare for possible action against Senderistas in Bolivia. There is no evidence, however, that Bolivia ever considered offering or even could have provided aid to Peru. See “US and Bolivian troops hold joint exercises,” Christian Science Monitor, 13 May 1987, p. 2; and “Bolivian minister on threat from Peruvian guerrillas,” BBC Monitoring Service 15 January 1987.
with some diplomatic support during the Falklands War, Buenos Aires was unlikely to return the favor by sending ground troops to combat Sendero guerrillas. The president of Argentina, Raul Alfonsín, was not only a member of the Radical Party, but also oversaw a high-profile investigation of the previous juntas’ actions against leftist insurgents during the dirty war. Given that he had been elected on a promise to prosecute the perpetrators of his own country’s brutal counter-insurgency, he was unlikely to aid in Peru’s own “dirty war” against Sendero. Similarly, it was doubtful that Brazil would intervene on behalf of the García government against the Senderistas. Brazil had virtually no history of military cooperation with Peru—indeed, they rarely cooperated on economic issues.

There was, of course, the United States, which had the capability to make a decisive intervention in the war against Sendero. Peru did receive military and economic assistance from the United States during the late 1980s. While this aid was intended for drug enforcement, some funds were diverted to finance the counter-insurgency against


357 Largely as a result of this investigation, three former presidents and several military officers were sent to prison in 1985 and 1986 for their participation in the dirty war.


359 The most aid Brazil gave to Peru was its sale of 20 Tucano planes to fight the Sendero guerrillas and drug traffickers in 1987—and there is no evidence that this exchange was motivated by more than economics. See “Aircraft Purchase from Brazil and USSR,” *BBC Monitoring Service*, 9 June 1987. For a discussion of Peru’s limited relationship with Brazil, see St. John, *Foreign Policy*, p. 204; and Soares de Lima, “Brazils Response,” pp. 141-46.
Sendero.\textsuperscript{360} Washington recognized that Sendero had partnered with the narcotraffickers, and, in order to stem the flow of cocaine into the U.S. from Peru, it had to combat both.\textsuperscript{361} That said, the U.S. government generally disapproved of the tactics Lima used against the guerrillas and would, therefore, have been reluctant to fully participate in its counter-insurgency.\textsuperscript{362} Furthermore, in 1987, the Reagan administration was recovering from the Iran-Contra Scandal (a product, in part, of U.S. intervention in Latin America) and would have had little appetite for putting U.S. ground troops in Peru given the domestic climate. More importantly, García was loath to accept substantial military aid from the United States.\textsuperscript{363} A key tenet of García’s foreign policy was to reduce the U.S. presence in Latin America.\textsuperscript{364} He, for example, openly opposed the United States’ aid to the contras in Nicaragua, stating on several occasions that he would break ties with any government that attempted to oust the Sandinista government.\textsuperscript{365} García also condemned the U.S. invasion of Panama in 1989. Given that the United States was unwilling to intervene against Sendero and García was reluctant to accept assistance from Washington, U.S. foreign intervention in Peru was implausible. Peru was left to fight the guerrillas alone, and this reality ensured that Garcia would play his final card of repressing the peasant supporters of Sendero.

\textsuperscript{360} See Mauceri, “Military Politics,” p. 104.

\textsuperscript{361} Menzel, \textit{Fire in the Andes}, p. 126

\textsuperscript{362} DeGregori, “After the Fall,” p. 213.

\textsuperscript{363} McClintock, \textit{Revolutionary Movements}, pp. 239-43; and Degregori, “After the Fall,” p. 214.

\textsuperscript{364} St. John, \textit{Foreign Policy}, p. 211.

\textsuperscript{365} St. John, \textit{Foreign Policy}, p. 211.
6.7 Discussion

While many leaders would prefer simply repressing domestic opponents to making unwanted political concessions to them, not all leaders possess the resources needed to implement this policy with any hope of success. Therefore, repression is often not a realistic option for low extractive capacity states. Indeed, the inability to mobilize resources from society ruled out a policy of repression for both the Argentine junta in 1982 and the French Monarchy in 1788-9. García’s reaction to Sendero Luminoso in 1987 is, therefore, puzzling. The Peruvian state’s ability to extract revenues from society was extremely limited during his administration, yet García chose to adopt a relatively costly policy of indiscriminate repression to contain the unrest. Thus, the question examined in this chapter was why the president chose a policy that he knew the government could not successfully implement due to inadequate funding. The answer is simply that García had no choice. Despite his misgivings, and to a large extent because of a lack of alternatives, Garcia was pushed towards the use of indiscriminate repression against the insurgents and the rural population from which their support was drawn.366

In this chapter it was argued that the Peruvian state’s low extractive capacity significantly constrained the range of policy responses to unrest from which the government could choose (see Figure 6.2). The lack of ready money ruled out García’s preferred policy of economic reform, as well as repression of greater depth against the Sendero guerillas. It also made a diversionary conflict unlikely. Ecuador, the only state with which García might reasonably have provoked a conflict, was capable of putting up

366 For similar arguments, see Wise, Reinventing the State, p. 172; Degregori, “After the Fall,” 197-98; Sheahan, Searching for a Better Society, p. 142; Crabtree, Peru Under García, p. 112; and Hazleton and Woy-Hazleton, “Terrorism and the Marxist Left,” p. 483.
a strong defense. The combination of low extractive capacity and escalating domestic unrest thus left the president with a choice between requesting foreign intervention and indiscriminate repression. Foreign intervention, however, was also not a viable strategy,

* The rise of Sendero Luminoso
* Poverty
* Government neglect

Active and passive support for the insurgency among the rural peasantry

The Peruvian government’s decision to repress Sendero Luminoso and its moderate peasant base

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Figure 6.2: Policy Alternatives Approach Applied to Peru’s Response to Sendero Luminoso, 1985-1990
because of the absence of an ally willing or able to join the counter-insurgency against Sendero. Given a lack of alternatives, therefore, the García administration adopted a policy of repression against both the Senderistas and their moderate peasant supporters (see Figure 6.3).

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Domestic Constraints</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Domestic unrest</td>
<td>• The Peruvian government’s low extractive capacity</td>
<td>• No state was either willing or able to intervene</td>
</tr>
<tr>
<td></td>
<td>• Fairly modest demands for reform by rural peasant population and radical demands for revolution by Sendero Luminoso</td>
<td>• No low cost target against which the state could wage a diversionary war</td>
</tr>
</tbody>
</table>

Figure 6.3: Necessary Conditions for Alan García’s Decision to Adopt a Policy of Repression

It is important to note that the Peruvian state also did not possess the resources needed to *successfully* implement a policy of indiscriminate repression—a fact of which García was fully aware in 1987. Belaúnde had attempted this policy with little success,
and García capitalized on the failure of his predecessor’s counter-insurgency strategy in 1985, by campaigning on a promise to defeat Sendero through a two-track policy of economic reform and repression targeted only at the Sendero guerillas. Thus, he resorted to indiscriminate repression in 1987 not because he suddenly believed it would be successful but because he was out of options. As Crabtree writes of the García administration, “the difficulties faced by the authorities in conducting an effective counter-insurgency strategy were forcing them to turn to more desperate tactics.”

This case suggests, therefore, that repression may be the policy of last resort for leaders with no alternatives. When nothing on the menu seems affordable or is likely to work, including repression, then states will simply repress as much as they can. If they face a violent and extremist insurgency, leaders are unlikely to simply accept their fate and wait for the rebels to topple the government. By continuing with a policy of repression—however ineffective—the government can still hope that some unforeseen event will enable the state to prevail or that the passage of time will cause the insurgency to disintegrate. To the extent that this is generally true, it may explain the results of the quantitative analysis, which indicate that there is a strong positive relationship between acute levels of domestic unrest and repression for low extractive capacity states.

367 Crabtree, Peru Under García, p. 205.
CHAPTER 7

INTERNATIONAL INTERVENTION: THE HABSBURG EMPIRE AND THE HUNGARIAN REVOLUTION OF 1848

In the spring of 1848, the multinational Habsburg empire—described by one contemporary as a “gaudy-bird made up of borrowed feathers”—threatened to disintegrate. As successive regions quickly succumbed to revolution, demands for political freedom threatened the survival of the government. Austria’s newly crowned monarch, Emperor Francis Joseph I, and his court were forced to flee the capital city three times in nine months. Of the multiple rebellions against the Habsburg monarchy, the most serious challenge to the territorial integrity of the empire came from the Kingdom of Hungary, which demanded greater autonomy (and ultimately independence) from Vienna. In the end, this conflict was decided on the battlefield, where Hungary was forced to abandon, at least for several decades, its bid for a Magyar nation-state.

Imperial Austria’s victory in Hungary came at the expense of its international prestige, however. In May 1849, when the Hungarian honvéd army advanced to within forty miles of Vienna, Francis Joseph was compelled to appeal to Russia for aid, a

request its conservative tsar, Nicolas I, met with alacrity.\textsuperscript{369} Although the fighting dragged on for several months after Russian regiments moved into Hungary, the forces of revolution faced almost inevitable defeat. Austrian troops reasserted control over the rebellious kingdom and embarked on a campaign of brutal repression, executing or imprisoning revolutionary leaders, military officers, and those who were merely suspected of acts of sedition.\textsuperscript{370}

It is important to begin this chapter by reiterating that leaders are reluctant to suffer the ignominy of admitting that they cannot restore order to their own houses by asking for military intervention from another state. Leaders do not like to end their monopoly on the legitimate use of force by extending this privilege to the army of another country. In 1848, the Habsburgs shared this universal reluctance. Prince Felix Schwarzenberg, Austria’s prime minister, repeatedly made known his aversion to subjecting Austria to the humiliation of intervention: “‘For the Austrian government to appeal to Russia for help would constitute a complete moral defeat, an admission of weakness in the face of Europe.’”\textsuperscript{371} Even after soliciting Nicolas’s aid, the crown attempted to minimize the significance of his contribution by referring to the Russian troops in Hungary as “auxiliary” forces and Habsburg “reserves.”\textsuperscript{372} This reluctance stemmed from the fact that Russian intervention in Hungary clearly implied Austria’s

\textsuperscript{369} Honvéd means “defense” in Hungarian.


subservience to Nicolas, although, in the end, Austria managed under the skillful leadership of Schwarzenberg to maintain its independence from the tsar and preserve its great power status. The question is then why any government—and the Austrian monarchy in particular—would consent to, and even ask for, another state to violate its sovereignty by intervening militarily to solve a domestic political problem.

A partial answer to this question was provided by Schwarzenberg himself: “it can only be justified in case of extremity, that is to say if the existence of the monarchy is at stake.” In other words, states only adopt this strategy if its leaders perceive the domestic challenge to be an existential threat either because of its scope, or because of the extent of the opposition’s demands for change, or both—and, importantly, if all other more attractive alternative responses are not viable. For the weak Austrian monarchy, this was certainly the case. The Habsburgs not only faced a strong and radical domestic opposition, but also, because of the regime’s low extractive capacity, they did not have the resources to choose an alternative policy from their menu of options—most importantly their preferred policy of heightened repression against Hungary.

7.1 The Habsburg Monarchy’s Preferences

Before discussing the factors that precipitated the decision to request Russian military aid in Hungary, it is necessary to identify the Habsburg monarchy’s preferred policy response to the revolution. This is because the logic of policy alternatives only comes into play if either a preferred policy alternative has been eliminated or a

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government has no preference among alternatives and one of them has been eliminated. In other words, the Policy Alternatives Approach can be usefully applied to this case if the monarchy was unable to adopt its preferred policy and, as a result, it chose a substitute from the menu of policy options. Indeed, the evidence clearly suggests that the Habsburg monarchy would have preferred a policy of repression to requesting foreign intervention, and, consequently, it was the unavailability of heightened repression (an other alternatives, such as reform and diversionary conflict) that compelled the regime to ask for Russia’s aid in Hungary.

There is little doubt in this case about what the monarchy’s preferred response to the uprisings through the empire, as especially in Hungary was repression. This is supported by the fact that the Habsburg’s attempted to suppress the rebellion in Hungary as soon as Austria was free to attack. The moment uprisings in Italy were under control, imperial troops moved into the renegade province to “finish off” Hungary. It was only the lack of revenue that prevented Habsburgs from continuing this policy into 1849. If its access to resources had been greater and the unrest in the empire lower, they would have simply intensified their efforts to defeat the honvéd army—and would not have been forced to ask Russia for aid. In the remainder of the chapter, I will discuss what factors caused the Habsburg monarchy to request foreign intervention instead of continuing with its preferred policy of repression.

374 Ibid. pp. 53-4.
7.2 Revolution in the Habsburg Empire

In 1848, the Habsburg monarchy faced internal tensions that endangered the empire. While this chapter focuses on the regime’s response to the rebellion in Hungary, virtually every region in the empire hosted a revolutionary movement. These multiple instances of domestic unrest crucially shaped the government’s decision-making, by not only forcing it to “do something” but also by limiting the range of policies it could adopt in response to the insurgency in Hungary. Specifically, the intensity and scale of the uprisings rendered existing Austrian troops insufficient to repress the Hungarian revolution without substantial outside assistance. Thus, the extent of the unrest in Imperial Austria was a necessary condition for Francis Joseph and Schwarzenberg to request Russian military intervention.375

Opposition to the Habsburg Empire in Hungary, which had been simmering for some time, boiled over in 1848.376 Inspired by a revolutionary uprising in Paris in February, the liberal elite in Hungary launched a program to create a modern, industrialized Hungarian state ruled by an autonomous, democratic government and defended by its own national army.377 Although Hungary would formally remain within

375 Paul Kennedy makes the stronger claim that during the decades in which revolution swept across Europe, most governments only engaged in military action (internally or externally) to “defend the existing sociopolitical order from revolutionary threat—for example, the Austrian army’s crushing of resistance in Piedmont in 1823, the French military’s move into Spain in the same year to restore to King Ferdinand his former powers, and, the most notable of all, the use of Russian troops to suppress the Hungarian revolution of 1848.” The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000 (New York: Random House, 1987), p. 160.

376 For a history of the revolution in Hungary, see Laszlo Deme, The Radical Left in the Hungarian Revolution of 1848 (Boulder: East European Quarterly, 1976).
the empire, these developments clearly represented a profound threat to Imperial Austria. Of all the revolutionary movements in the Habsburg empire, Hungary’s leaders sought the most radical reforms, and they were backed by a large, armed population. Furthermore, if Hungary received its greater autonomy, this could interrupt the flow of much-needed taxes and recruits from the province to the monarchy. Hungary alone, for example, was responsible for paying the interest on a quarter of the monarchy’s debt. The fear was also that the Hungarian unrest would spread in a domino fashion throughout the empire. Consequently, even in the absence of wider unrest, Vienna would have been unable to simply ignore the conflict in Hungary.

It is important, however, to avoid overstating how much of the monarchy’s decision-making in 1848-49 can be explained by the onset of revolution in Hungary. The Austrian government was presented with a menu of options to deal with the conflict in Hungary: they could try to defeat their opponents through heightened repression (their preferred response); they could try to buy them off through reform; or they could request foreign intervention. The unrest in Hungary alone cannot explain why the monarchy sought Russian aid (the key policy choice we are trying to explain).

The monarchy’s decision to supplement its efforts to repress the revolutionaries in Hungary by asking Russia to send troops is partly explained by the scope of the unrest in other regions of the empire. In 1848, the Habsburg empire was “a multitude of

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377 The Hungary Diet was granted some autonomy by the monarchy during this period. It was permitted, for example, to draft a new constitution for Hungary. For further discussion of the evolution of the revolutionaries’ reform program, see below.
Irelands.” Indeed, its domestic challenges were greater than those faced by the other European monarchies, which also had been caught up in the tide of revolution that swept across Europe: “before any restitutio in integrum, the area suffered the most searingly disruptive movements anywhere on the continent—for months the future of a European great power appeared to hang in the balance—and the longest-lasting, since the crisis of state reached its denouement only in 1849, long after the main lines of settlement were clear elsewhere.” In addition to revolution in the lands of the Hungarian Crown, there were rebellions in Austria’s recently acquired Italian provinces, Lombardy and Venetia, as well as in Lower and Upper Austria, Styria, Galicia, Moravia, and Bohemia (see Figure 7.1).

From March to December 1848, the monarchy was distracted by these uprisings, in particular the insurrections in Vienna, Lombardy, and Venetia. The riots in Vienna were (at least perceived to be) an immediate threat to the safety of the emperor. Coupled with the dismissal of Austria’s long-serving chancellor, Prince Clemens Wenzel Metternich in March, they bred an atmosphere of panic and chaos within the court. The Austrian military finally wrested control of the capital city from the revolutionaries after the third uprising in Vienna—known as the October revolution—enabling the royal family to return from exile. Consequently, until stability in the capital city was restored

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380 Olmütz was the court’s destination after its third and final flight from Vienna.
Figure 7.1: The Habsburg Empire, 1848
by the Austrian regular army in October 1848, the monarchy paid relatively little attention to events in distant Budapest.381

Furthermore, in Lombardy and Venetia, nationalists, who hoped to join their provinces with a unified Italian state, were in open revolt against imperial Austria. Indeed, northern Italy was a key battleground for the monarchy: success in putting down the unrest there was “absolutely crucial for the survival of the Monarchy.”382 Northern Italy was the “wealthiest region of an impecunious empire” and, therefore, a vital source of revenue for the crown.383 Consequently, the government was committed to maintaining control over the Italian provinces. This proved to be a significant test for Austria’s military. The large-scale unrest in Lombardy prompted neighboring Piedmont-Sardinia to declare war on Austria.384 After months of intense fighting, the besieged monarchy, which had been ensconced in Innsbruck since fleeing Vienna in mid-May, feared that it would have to surrender control over the provinces. However, the decisive moment of the counter-revolution in Italy came abruptly in July, when the Austrian commander in Italy, Marshall Radetzky, unexpectedly crushed the Piedmont army at Custozza. The government hoped that the resulting armistice would allow troops to be “withdrawn from Italy to restore order elsewhere in the Monarchy,” but this never

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381 When the riots broke out in March 1848, Metternich was “unable to pay for the additional forces necessary to beat back the—until now relatively polite—insurgency.” Beller, Francis Joseph, p. 46.


384 In wresting control of Lombardy from the empire, King Charles Albert sought to increase the influence of his kingdom within a unified Italy.
happened to any significant degree. These troops were needed in the Italian territories to suppress periodic uprisings. Indeed, of the troops that eventually left Italy, many were Hungarian nationals who returned home to join the honvéd army.

When the fateful month of May 1849 arrived and Austria had failed to prevail over Hungarian revolutionaries through a policy of repression, the Habsburgs’ menu of responses included the following options: (1) they could increase the scale of the repression against the Hungarian army; (2) enact the requested reform measures to buy off the revolutionaries; (3) initiate a diversionary conflict; or (4) request foreign military intervention. The uprisings in Vienna, Lombardy, and Venetia contributed to the monarchy’s decision to request foreign military intervention in two ways. First, the extent of the unrest throughout the empire made it more difficult to repress the revolution in Hungary, which pushed Austria towards seeking outside intervention. With Austria’s forces scattered throughout the empire and the regime bogged down in the Italian quagmire, scarce resources were diverted away from its efforts to oppose the liberals in Hungary. As Jean-Paul Bled argues, it was only after Radetzky “brought Lombardy back under control their control…[that] it was possible for Austria to send out the challenge [to Hungary].” The extent of the unrest meant that Austria required considerable new forces in order to win in Hungary through repression, forces that would have to be paid for. As Schwarzenberg wrote in March 1849, his efforts to crush the revolution in

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Hungary unilaterally were “frustrated” and “momentary insufficiency of troops imposed the necessity of foreign assistance.”\textsuperscript{388} Similarly, an Austrian general in Hungary confessed to Schwarzenberg that the imperial army was losing ground because he simply had no reserves with which to increase the offensive against the Magyars: “We dare no longer live in the realm of dreams. The fate of the capital city, and with it that of the monarchy, hangs in the balance…I no longer command the means of rescue. It is only to be found abroad.”\textsuperscript{389} Thus, the primary role of the wider context of domestic unrest in Italy and elsewhere was to reduce the regime’s ability to adopt a policy of heightened repression (i.e., repression of greater \textit{depth} as described in Chapter 6) by limiting the forces at its disposal. If wider unrest had died down by May 1849, then Austria would have selected a massively expanded program of repression as a its major policy response in Hungary, which it could have then accomplished \textit{without} Russia’s aid.

Second, the unrest in Vienna and northern Italy strengthened the opposition in Hungary. The Hungarian revolutionaries were encouraged by the initial successes of the revolutionary movements elsewhere, especially in Italy, causing them to redouble their efforts to pressure the monarchy for reforms. The prolonged fighting in Italy and Vienna also prevented the government from responding promptly to events in Hungary, thus allowing the nationalist movement to gain momentum. These delays enabled the Hungarian revolutionaries to organize and equip the Hungarian national army. Therefore, the scope of the unrest in the Habsburg Empire, by strengthening the

\textsuperscript{388} Rock, “Swarzenberg,” p. 125.

\textsuperscript{389} Quoted in \textit{ibid}, p. 137.
opposition in Hungary, made it more difficult for Austria to choose a policy of repression of greater depth. If one considers the counterfactual in which the wider unrest died down, Vienna might have been able to nip the Hungarian crisis in the bud, at its formative stages, when the nationalist movement was still weak. As Robert Kann contends:

Habsburg armies save for the Italian crisis would probably have been able to put down the Hungarian insurrection so speedily and decisively that Russian intervention would not have become necessary...One consequence of the Italian uprisings was the ineffectiveness of the Austrian campaign in Hungary which eventually made Russian assistance and the concomitant dependence on the tsar inevitable.³⁹⁰

Thus, in this case, the presence of significant internal unrest did not simply pressure the government to adopt any solution to its domestic problems, it made repression far more difficult and was therefore a necessary—although not sufficient—condition for the choice of international intervention in May 1849.³⁹¹

7.3 Imperial Austria’s Low Extractive Capacity

The above discussion suggests that the Austrian monarchy could not send additional forces to Hungary, because they were already occupied repressing uprisings in northern Italy, Vienna, Galicia, Bohemia, and Styria, which partly explains why the regime was inclined to seek foreign assistance. This, however, begs the question of why


³⁹¹ It is not a sufficient condition because, while the domestic unrest prevented Austria from adopting a policy of repression, it does not explain why they refused to grant Hungary’s demand for reform or why diversionary conflict was not an option.
imperial Austria did not simply raise new forces to stamp out the unrest in Hungary. The reason was simply that its extractive capacity was so low that the monarchy was on the verge of bankruptcy. The regime’s inability to extract the resources necessary to pay for additional troops, coupled with the scope of the unrest in the empire, essentially foreclosed the most attractive option of adopting a policy of repression of greater depth. Thus, the regime’s low extractive capacity was a necessary condition for its decision to invite Russian troops into Hungary. Moreover, these factors also largely ruled out the possibility that the regime would have initiated a military conflict with another state for any reason, including to divert domestic attention away from their dissatisfaction with imperial rule.

Despite fairly steady economic growth during the Vormärz—the period before the 1848 uprisings, the Habsburg monarchy’s financial position was dire.392 By 1848, there was little money flowing into the royal treasury. This was in large part due to the fact that the empire’s resources “were left largely untaxed” by the government.393 The Habsburgs’ attempts to extract revenue were significantly hampered by the administrative structure of the empire. In many regions, including Hungary, the government was required to call the local diets to obtain their approval for an increase in taxation; these meetings often created opportunities for local leaders to press for political concessions in return. Even in regions loyal to the crown, the government was reluctant to press for


393 Beller, Francis Joseph, p. 35. See also Sked, Rise and Decline, p. 35; and Evans, “1848-1849,” pp.183-185.
substantial tax increases, fearing that they might undermine support for the empire. Furthermore, Emperor Ferdinand (Francis Joseph’s predecessor) was incapable of leading the empire, being both mentally impaired and prone to illness. This further hampered the regime’s efforts to extract resources, by making it difficult to formulate tax policy for the empire or initiate administrative reform. Without “a central guiding hand, this heavy and archaic machinery revealed itself to be an unsuitable tool for coherent government action.”

Without easy access to tax revenues, royal finances were in a parlous state. To make up for its chronic budgetary shortfalls, the empire had become heavily indebted. Payment of the interest on its debt consumed more than thirty percent of the state’s annual budget. Indeed, by 1847 the uncertainty of the monarchy’s financial situation had prompted foreign creditors to forbid the Habsburgs from issuing additional paper money, further limiting its ability to, for example, increase military expenditures or pay for social programs. These factors prompted Austria’s financial minister to offer this prescient warning regarding the monarchy’s finances in December 1847:

The most important consideration lies in the urgent necessity of giving the financial administration the widest possible scope in its efforts to extricate itself from the embarrassments consequent upon heavy and unforeseen military expenditure…Unfortunately, when this sum [i.e., its reserve fund] is spent there will be nothing left to deal with any new misfortune which may arise…the Austrian government has sacrificed too much to its position abroad and has paid too little heed to conditions at home. I feel it


396 Roberts, Nicolas I, pp. 9-10.
my duty to make the grave statement that we are on the verge of an abyss, and the increasing demands on the Treasury arising out of the measures necessary to combat foreign revolutionary elements have led to increased disturbances within the country. 397

The monarchy’s financial plight became especially visible during Russia’s intervention in Hungary. In return for sending its military into Hungary, the tsar had asked only that Austria pay for the army’s expenses. However, after the intervention commenced, a Austrian official in Hungary reported that he “could not even supply one-tenth of the Russian requirements…the main reason he could not satisfy the Russians’ demands was a shortage of money. As he put it in a letter sent personally to Schwarzenberg, with nothing it was only possible to achieve nothing.” 398

The monarchy’s financial problems, which were acute by the spring of 1849, had a substantial effect on its response to the Hungarian revolution. The state’s inability to extract additional revenues meant that, when the Austrian forces fighting in Hungary were forced into a long retreat in the winter and spring of 1848-49 (one which eventually put Vienna itself in danger), they had no reserves upon which to call. As the honvéd army neared the capital city, General Weldon, the commander of Austrian forces in Hungary, informed Schwarzenberg that they would be unable to repel the Hungarians without an immediate infusion of money. In response, the prime minister confessed that he “could not but sympathize with Weldon” but he “was under fire from the Minister of Finance” and would be unable to help. 399

397 Sked, Rise and Decline, p. 75.

There is a clear consensus among historians that the monarchy’s attempts at repression in Hungary were handicapped by its limited resources. As Steven Beller argues, the “lack of ready money…limited the ability of the Habsburgs to pay the soldiers and officials needed to confirm and expand the power of the centre in places such as Hungary.”\(^{400}\) Similarly, Paul Kennedy contends that the Habsburg army’s “military weakness was due partly to the difficulties of raising taxes in the empire.”\(^{401}\) Finally, A. J. P. Taylor argues: “Unbalanced budgets were the weakest side of the new absolutism. Universal repression, based on the army, had to be paid for…[the] administrators could not bring in enough to meet the rising expenditure.”\(^{402}\) Thus, the Habsburgs’ inability to extract the resources necessary to fund additional troops in Hungary propelled the government towards requesting foreign intervention, by removing the menu option it found most desirable. Simply put, if imperial Austria had had the ability to bolster its troops in Hungary in the spring of 1849, it would never have considered asking Russia to intervene.\(^{403}\)

It is also likely that the regime’s low extractive capacity made the choice of a diversionary war extremely improbable. Putting aside the question of whether the other conditions necessary for the government to consider this option were present (i.e., a low cost, popular target), the government’s inability to generate the revenues for military

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\(^{399}\) Ibid, p. 108.

\(^{400}\) Beller, Francis Joseph, pp. 35-6.

\(^{401}\) Paul Kennedy, The Rise and Fall, pp. 165-66.

\(^{402}\) Taylor, Habsburg Monarchy, pp. 96-7. See also Evans, “1848-1849,” p. 184.

\(^{403}\) Some have argued that the Habsburgs would have won the war anyway but probably not on such favorable terms. See Roberts, Nicolas I, pp. 93-4, 100.
action in Hungary also precluded its ability to fight a war with any of its great power neighbors. If they could not afford to repress the Hungarians, they could not afford to fight the French. If the arrival of the Russian troops as friends was distasteful, the arrival of French troops as an invading force would have been a disaster. Even a brief campaign would have pushed the government into bankruptcy.\textsuperscript{404} One could argue that this did not rule out saber rattling to divert domestic attention away from the inadequacies of the regime. Given the strength of the other European powers and the condition of the Habsburgs’ finances, this was an unacceptably high-risk option; even a war of words could easily spiral out of control and result in a military confrontation. In addition to these factors, as we will see, there was no target with the symbolic potential to rally all of the regime’s opponents around the flag. More likely, reformists would take the opportunity provided by a bellicose foreign policy to further their demands.\textsuperscript{405}

7.4 Louis Kossuth and the Creation of a Hungarian Nation-State

With these two variables—domestic unrest and low extractive capacity—we see that two of the four policy options were eliminated and two remained: foreign

\textsuperscript{404} Palmer, \textit{Twilight of the Habsburgs}, p. 58.

\textsuperscript{405} It is also probable that the imperial government’s inability to raise new revenues would have ruled out substantial economic reforms to co-opt its opposition and subdue the unrest. However, none of the reform movements in the Habsburg Empire were driven by economic concerns, including those in Hungary. Even the reformers who wanted the monarchy to abolish the feudal system saw this as a way to increase the political freedom of the peasantry and not to improve their standard of living. When Karl Marx visited Vienna in the summer of 1848, for example, he was disappointed by the general lack of class-consciousness and interest in economic reform. He criticized the Viennese liberals for being “distrusted, disarmed, and disorganized, hardly emerging from the intellectual bondage of the old regime.” Quoted in Sked, \textit{Rise and Decline}, p. 82. See also Priscilla Robertson, \textit{Revolutions of 1848: A Social History} (Princeton, NJ: Princeton University Press, 1952), pp. 227-28, 234.
intervention and reform. While the scale of the social upheaval in the empire coupled with the monarchy’s low extractive capacity explain the government’s decision to abandon its hopes to unilaterally suppress the Hungarian revolution, they cannot explain why, in May 1849, the government refused to consider conceding to Hungarian revolutionary leader Louis Kossuth’s demands. To answer this question requires that one look more closely at the Hungarian revolutionaries’ reform agenda. The leaders of the reform movement, who began by requesting modest amendments to Hungary’s relationship with the crown, became increasingly radical, such that by May 1849 they had declared Hungary’s independence from Austria. Thus, the court was faced with two choices: it could either (1) allow Hungary’s independence in exchange for the end of the rebellion, an act which was tantamount to the destruction of the empire; or (2) choose the policy of last resort—foreign military intervention. In the end, they “feared Russia much, but they feared liberal opinions more; as the least of two evils, conquest was preferred to conciliation, and the intervention of Russia was asked.”406 Austrian leaders in 1849 looked at a menu that contained a single option.

On March 3, 1848, Kossuth delivered a fiery speech to the members of the Hungarian Diet, demanding a separate ministry for Hungary and a constitutional government for the empire. Inspired by Kossuth’s clarion call, the citizens of Vienna took to the streets and demanded the creation of a constitutional monarchy and a popularly elected Reichstag. Although the Austrian court was opposed to the liberal reform movement, the widespread rioting in Vienna convinced them that appeasing the

demonstrators would ensure their survival in the short run, while not ruling out the possibility of reversing course later when their position was stronger.\textsuperscript{407} Thus, Ferdinand granted their requests and committed the monarchy to drafting a constitution for the empire.\textsuperscript{408} In addition, Hungary was allowed greater autonomy in the management of its affairs, but only on the “condition that it continued to contribute to the monarchy’s military activities, remained loyal in its diplomatic policy, and did not attempt to achieve economic emancipation.”\textsuperscript{409} It is important to note that, while these reforms curbed the power of the monarchy, they did not necessarily presage an end to Habsburg rule. Indeed, the revolution was explicitly not directed at the emperor or the empire.\textsuperscript{410} This is illustrated by the fact that, when Ferdinand fled to Innsbruck during the March uprising in Vienna, 80,000 citizens signed a petition to hurry his return to the city. The reformers were “ashamed that their Emperor had not been happy in his revolutionized capital.”\textsuperscript{411}

The monarchy’s attitude towards the unrest in Hungary changed, however, when Kossuth’s demands for reform escalated. Once the fighting died down in Northern Italy and the monarchy could afford to turn its attention (if not its army) towards Hungary, the

\textsuperscript{407} After granting the reforms, the royal family pretended to take an afternoon drive and fled to Innsbruck.


\textsuperscript{409} Bled, \textit{Franz Joseph}, p. 44.

\textsuperscript{410} See Taylor, \textit{Habsburg Monarchy}, p. 51; Sked, \textit{Decline and Fall}, pp. 54-56, 92; and Grenville, \textit{Europe Reshaped}, pp. 36-37.

\textsuperscript{411} Robertson, \textit{Revolutions}, p. 224.
monarchy quietly and then openly encouraged Croatia to resist the creation of an autonomous Hungary. The monarchy also began to revoke its earlier political concessions to Hungary. Reflecting on his successful efforts to roll back the liberal reforms forced on the monarchy in 1848, Francis Joseph wrote to his mother: “We have thrown all that constitutional stuff overboard, and Austria has only one Master.”

Croatia’s invasion and the crown’s new hard-line attitude towards political reform galvanized public opinion in Hungary and increased support for the radical revolutionaries. With the extremists now firmly in control of the government, Hungary recalled its troops from Italy, issued its own currency, declared its independence from Austria, and sought diplomatic and even military support from Britain and the United States.

To end the civil war with Hungary through reform in 1849 would have meant accepting an independent Hungary with an independent currency and an independent foreign policy; and it is unsurprising that Austria refused “for to do so would have been to pronounce her own death sentence.” Moreover, at the height of the civil war, which the revolutionaries were winning, there was no moderate faction of any significance in Hungary, which the monarchy could buy off with limited (and more palatable) reforms in

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413 Ironically, it was Austria’s policy in the fall of 1848 that radicalized the reformers’ demands in Hungary. It was then that the monarchy retracted earlier concessions to Hungary, because its military was thought to be gaining an edge over the revolutionaries.

414 Towards the end of the conflict with Austria, the Hungarian leadership even sought to annex their fledgling nation to the Ottoman Empire or bequeath the Hungarian crown to a Russian grand duke. See Robertson, *Revolutions*.

order to isolate the extremists. Note that this is essentially what the Peruvian government under Alan García sought to do in 1985—it attempted to weaken the Sendero Luminoso by co-opting its moderate peasant supporters through a program of economic reform. Thus, when it appeared that Austria might suffer a defeat in Hungary, the monarchy pleaded with Russia for military aid.\textsuperscript{416}

This suggests that the nature of the opposition’s demands for reform was a necessary condition for the decision to request foreign intervention. In other words, if Hungary had tempered its demands in May 1849, then the monarchy might have adopted a pragmatic attitude and granted their request (probably with the hope of overturning the reforms in the future). The Habsburgs had demonstrated that they were not opposed to reform, especially when making temporary concessions was politically expedient (especially if the only alternative was foreign intervention): they gave into Hungary’s more moderate demands in March 1848 and would do so again in 1867 with the creation of the Dual Monarchy. But in May 1849, granting Hungary’s radical reform demands was not an option. As András Gero contends, “the advice of anyone arguing for more concessions to Hungary rather than calling in the Russians was bound to fall upon deaf ears.”\textsuperscript{417} That said, the pressure to find some sort of compromise in 1849 probably would have been greater if Austria had been unable to find a state willing to intervene to restore the monarchy. But, fortunately for the Habsburgs, their powerful neighbor to the east was eager to stifle the unrest in Hungary.

\textsuperscript{416} The Hungarian army chased Jellacic’s troops to Vienna, where they were finally forced back by Austrian forces. The success of the imperial army was short-lived, however. Soon, the honvéd army controlled most of Hungary.

\textsuperscript{417} Gero, Emperor Francis Joseph, p. 51.
Two questions remain unanswered. The first is why was the monarchy unable to use force against a unifying, symbolic target, similar to the Falkland Islands for Argentines. The answer to this question is simple: such a target did not exist. “As luck would have it,” Beller notes, “the demography of Central Europe and the accidents of dynastic acquisition and loss conspired to make the Habsburg Monarchy a state without a demographically dominant national linguistic or ethnic group.”\(^{418}\) Because the Habsburg Empire encompassed multiple nations and religious groups, few, if any, targets would have had sufficiently wide appeal to divert the attention of all of insurgent groups. Moreover, many of its constituent nationalities were long-standing rivals: there was enmity between Magyars and Germans, Croats and Magyars, and Czechs and Germans. Currying favor with one often meant alienating the other.\(^{419}\) On the one hand, therefore, the monarchy was perfectly situated to adopt a divide-and-rule strategy, which it did with some success in Hungary (by allowing Croatia to invade in 1848), but, on the other, the diversity of the empire made fashioning a coherent state policy difficult—largely ruling out the diversionary use of force.

Second, why did the monarchy choose to ask Russia for aid and would foreign intervention have been an option for Austria if Russia had not been willing to put down the revolution in Hungary? Thus far, we have seen that three of the four menu options were not viable in May 1849: diversionary conflict, reform, and repression of greater

\(^{418}\) Beller, *Francis Joseph*, p. 38.

\(^{419}\) Simply finding a target that would have increased Hungary’s support for the monarchy would have been difficult, because it was the most diverse region in the entire empire. See Roberts, *Nicolas I*, p. 77.
depth. But, in order for the monarchy to choose foreign intervention, it had to be a plausible policy response. Otherwise, the regime would probably have continued its losing strategy of repression until it had been defeated in Hungary—which essentially was the Peruvian government’s fate against Sendero Luminoso during Alan García’s presidency (see Chapter 6). A rare convergence of factors made foreign intervention possible in this case: (1) there was a neighboring state that was willing to aid the government against the insurgents, (2) the intervening state’s intentions were relatively benevolent, expecting limited gains from the intervention, and (3) international opinion supported (or at least did not oppose) the intervention.

In the spring of 1849, two allies offered to assist Austria with the counterrevolution in Hungary: Prussia and Russia. Schwarzenberg rejected Prussia’s offer, because, in exchange for assistance, Austria would have been required to abandon its position in the German Confederation. Given that increasing its influence in Germany was a significant foreign policy goal, the monarchy had “no alternative but to turn to Russia.” While foreign intervention was clearly a humiliation for the Austrian monarchy, Russia was perhaps the ideal candidate to provide assistance: Nicolas did not request substantial concessions in return, aside from the (optimistic) belief that Austria would pay for the Russian troops’ provisions while in Hungary. After all, if the Austrians could write a check for the expenses of the Russian army, why would they not just fund their own invasion force? In a letter to Windischgrätz, Schwarzenberg wrote

\[\text{Ibid. p. 92.}\]
that, although he was “opposed to foreign assistance,” Russia was “an intimate and friendly allied source,” which had “amicable intentions.”

Russia was willing to intervene because it was strongly committed to combating the forces of revolution and because it had every interest in ensuring that the Habsburg Empire remained intact. Just as the United States feared communist revolution after 1945 and intervened to prop up friendly regimes, Nicolas was convinced that nationalist revolution was “a universal menace with which compromise was impossible.” The tsar particularly feared that the unrest in Galicia (Austrian Poland) and Hungary would spread to Russian Poland. The tsar wrote in April 1849 that the “rascals in Hungary [are] not only the enemies of Austria but also the enemies of order and tranquility in the entire world, the personification of villains, scoundrels, and destroyers, whom we must destroy for the sake of our own tranquility.” Schwarzenberg adeptly played upon these concerns in his letters to Nicolas, calling on Russia to destroy the “rendezvous of the lost child of all ill causes…and, above all, the eternal Polish conspirators enrolled under the banner of Kossuth.” He reported to Nicolas that thousands of volunteers from Russian-controlled Poland were flooding into Hungary to aid the revolutionaries. Thus, Nicholas saw Austria as “an essential barrier against the spread of western liberalism to


422 For a discussion of Russia’s motivations for aiding Austria, see Elisabeth Andics, Das Bündnis Habsburg-Romanow: Vorgeschichte Der Zaristischen Intervention in Ungarn Im Jahre 1849 (Budapest: Akadémiai Kaidó, 1963).

423 Bridge, Habsburg Monarchy, p. 32.

424 Quoted in Palmer, Twilight of the Habsburgs, p. 53.

the borders of his empire” and considered restoring Habsburg control over the empire to be consistent with Russia’s national interest.\footnote{Bridge, \textit{Habsburg Monarchy}, p. 45.} Also, Russia did not want Austria to fight a long-drawn out war in Hungary, because it would undermine the Habsburgs’ position in the German Confederation, strengthening Prussia.\footnote{Roberts, \textit{Nicolas I}, p. 82.}

Russia and Austria expected that the loudest objections to military intervention in Hungary would come from the liberal governments in Britain and especially republican France. Although Britain and France predictably found the prospect of Russian intervention in Hungary to be distasteful, they did not actively oppose it. France offered only mild protests, since it had just intervened in Rome to restore the Pope. Also, Russia was able to win France’s support by recognizing the new revolutionary government in Paris (which the tsar did, ironically, on the day his troops marched into Hungary). Although British public opinion was on Kossuth’s side, Lord Palmerston, Britain’s Foreign Secretary, believed that the disintegration of the Habsburg Empire would disrupt the European balance of power, particularly because Austria was a bulwark against Russian expansionism.\footnote{Roberts, \textit{Nicolas I}, p. 114. See also Grenville, \textit{Europe Reshaped}, pp. 72-75.} As a result, Palmerston instructed the British chargé d’affaires in Russia to express no formal opinion on the intervention but, in order to minimize the disruption to Europe, to urge Nicolas to “finish with them [the Hungarian forces] quickly.”\footnote{Bona, \textit{Hungarian Revolution}, p. 378.} These factors help to explain the “unexpectedly calm reaction of Paris and

\footnote{Bridge, \textit{Habsburg Monarchy}, p. 45.}
London to Russia. Of course, international factors made foreign intervention possible but not in themselves probable.

7.6 Discussion

Although foreign intervention may enable a government to overcome an otherwise insuperable rebellion, it is nevertheless an inherently unattractive policy. States that appeal to a third party for aid against a domestic threat risk trading much of their sovereignty, prestige, and legitimacy for survival. Thus, it was hypothesized in Chapter 2—and the results of the quantitative analysis confirmed this—that low extractive capacity states, whose limited access to revenues may constrain the menu of options from which they can choose, are more likely to adopt this policy than are states that can readily mobilize resources from society. The conclusions of this chapter are consistent with these findings: the Austrian government’s low extractive capacity was an important factor—a necessary condition—for explaining the Habsburgs’ decision to ask Russia to intervene in Hungary.

The combination of the monarchy’s struggle to extract revenues and the widespread unrest in the empire prevented Francis Joseph from adopting two policies in response to the Hungarian revolution in 1849: repression and diversionary war (see Figure 7.2). His preferred policy of heightened repression of the Hungarian honvéd army was not an option, because (1) many of the monarchy’s troops had been deployed to contain rebellions in other key regions of the empire and (2) the state was unable to mobilize the resources necessary to pay for reinforcements to send to Hungary. In this

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430 Goldfrank, Origins, p. 66.
case, therefore, wider unrest not only ruled out the option of “doing nothing,” but it also made repression of the Hungarian revolution more difficult, pushing the government towards a policy of foreign intervention. The dual role of unrest in this case may be

Figure 7.2: The Policy Alternatives Approach Applied to the Habsburg Monarchy’s Response to Hungary, 1849
product of the fact that, unlike the other states examined in this study, the Habsburg Empire had a large standing army with the ability to put down a small to moderate amount of unrest with relative ease. If the unrest had been confined to Hungary, the Habsburgs would probably have swiftly regained control over the province; that is, its low extractive capacity would probably not have interfered with its efforts to repress the uprising. Thus, a high level of unrest throughout the empire was necessary before the monarchy’s inability to mobilize resources became a factor—that is, before its low extractive capacity made repression of the revolution in Hungary virtually impossible. A low extractive capacity state with a smaller army would probably have been compelled to abandon a policy of repression at a much lower level of unrest. The Belaúnde administration in Peru, for example, attempted a policy of repression during the early stages of the Sendero uprising when the unrest was perceived to be relatively limited in scope (see Chapter 6). However, it was not long before Sendero gathered enough strength to exhaust the state’s revenues, forcing the government to reconsider its counter-insurgency strategy.

A diversionary use of force was also unlikely in 1849, because, given the wider unrest, the monarchy had a sufficient capability to initiate a conflict only with a very weak state—or even one that would be unable to respond. Austria, however, was encircled by great powers, any of which, in all likelihood, would have been able to defeat the imperial army in a war. As a result, the Habsburg monarchy was faced with a choice between granting the revolutionaries’ demand for Hungarian independence and requesting foreign intervention. Given that the secession of Hungary was perceived to be
equivalent to the dissolution of the empire, the monarchy turned to its remaining policy option: foreign intervention. Fortunately for the monarchy, Russia was willing and able to send its military to fight the insurrection in Hungary.

This case suggests that low extractive capacity states will choose foreign intervention from their menu of options only under four conditions. The combination of (1) unrest and (2) a lack of resources must prevent the state from doing the repressive dirty work itself. In addition, there must be (3) a strong and probably contiguous ally willing to help and (4) an understanding on the part of the intervening state that it will not be proportionately recompensed for its aid (see Figure 7.3). If the intervening state expects a substantial quid pro quo for its help, the embattled government will probably reject their offer. Therefore, it is likely that foreign intervention will only occur if the intervening state feels that the preservation of the embattled government is in their national interest. During the Cold War, for example, the United States was willing to provide military assistance to defend governments facing communist insurgencies for ideological reasons—without demanding much in return. In 1849, the Tsar saw dominoes falling towards Russia – but they were the dominoes of liberal and nationalist revolution rather than of communism.
### Motivation
- Domestic unrest in Hungary, northern Italy, Vienna, Galicia, Styria, and Moravia

### Domestic Constraints
- Monarchy’s low extractive capacity
- Hungary’s demands for radical political reform

### Opportunity
- Ally willing and able to intervene
- No unifying, symbolic target
- Absence of opposition from great powers

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Figure 7.3: Necessary conditions for the Habsburg Monarchy’s request for Russian intervention, 1849
In the case of *Silver Blaze*, Sherlock Holmes is asked to investigate the mysterious disappearance of a racehorse from its stable and the murder of the horse’s trainer, John Straker. Inspector Gregory, following the conventional method of detection, looked for direct evidence for the cause of the disappearance of the horse. Gregory was certain that Fitzroy Simpson was guilty, because he had bet heavily against Silver Blaze and therefore stood to gain from the crime. But Holmes solved the case through lateral thinking: he discovered that the guard dog in the stables had not barked on the night of the crime. This *non-event* was the critical piece of evidence, for it led Holmes to consider why the dog had not barked. As Holmes explained: "Before deciding [who was culpable] I had grasped the significance of the silence of the dog, for one true inference invariably suggests others...Obviously the midnight visitor was someone whom the dog knew well."\(^{431}\) It was this deduction that led Holmes to solve the crime. The thief was in fact the trainer John Straker himself, who had stolen the horse to maim it, before being killed by Silver Blaze.

Without claiming the analytical skills of Holmes, a similar kind of elementary logic drives the argument in this analysis. Like Inspector Gregory, most traditional studies of government responses to domestic unrest look for evidence of the direct causes of an event, such as an increase in the number of protests and riots prior to a government’s decision to provoke an international crisis. Undoubtedly these direct causes are important. But the insight offered by Holmes is that we can discover additional evidence by investigating what does not happen and why it does not happen. In the same way that Holmes deduced the criminal’s identity by determining why the guard dog had not barked, the cause of a state’s response to domestic unrest can be derived from what does not occur and why it does not occur—that is, from what policies a government does not adopt in response to internal instability and why they were not chosen.

This is the logic behind the Policy Alternatives Approach. This method holds that in many cases it may be useful to think of leaders choosing their policy response to domestic unrest from a menu of alternatives, some of which are available and some of which have been removed. If the leader would have preferred a policy that was eliminated, then whatever variables served to make this alternative impracticable can be considered necessary conditions for the final decision that was made. Thus, we should look not just at the direct causes of a government’s decision, but also at the often equally important indirect causes, which is to say, those variables that prevented alternative policies from being pursued.

The implications of the Policy Alternatives Approach are striking. It enables us to broaden the scope of how we study government decision-making in order to discover
new causal variables that may be crucially important but would otherwise be overlooked. Applying this approach to the question of government responses to social unrest unearthed the central importance of state extractive capacity, which helps to explain why a leader’s preferred response to unrest may not be available, and thus in large part explains why an alternative policy is chosen.

In the case of Argentina’s invasion of the Falkland Islands, for example, the regime’s low extractive capacity prevented the Argentine junta from adopting two of its preferred policy responses: economic reform and repression. The crucial role played by this variable would not have been apparent if one simply considered the most visible, direct causes of the war in 1982, (i.e. asking the Inspector Gregory-esque question “who stood to benefit from the conflict and why”). Indeed, no existing study of the junta’s decision to invade the Falklands recognizes the importance of low state extractive capacity, and this includes the two major analyses of the case in political science.

The Policy Alternatives Approach not only provides more accurate explanations of four classic cases of government responses to internal instability, but it also produces general insights into state behavior, including improvements to the diversionary theory of conflict. In this chapter, I will (1) draw together the implications of the quantitative analysis and case studies for understanding how states respond to domestic unrest. I will also (2) offer suggestions for further research, and (3) discuss the policy implications of this study.
8.1 Explaining State Responses to Domestic Unrest

Before discussing the specific circumstances in which states tend to employ each of the policy responses, two general insights can be drawn from the research.

First, the quantitative analysis and the in-depth case studies demonstrate the utility of the Policy Alternatives Approach. By constructing a model in which diversionary conflict was only one of several policy options that leaders can choose, the statistical analysis—unlike many other quantitative studies of the diversionary war hypothesis—revealed a significant relationship between domestic unrest and the initiation of an interstate conflict. The statistical model produced a strong result, and our confidence in this result is reinforced by the case studies. The historical evidence suggests that leaders did, in fact, choose their response to domestic unrest from a menu of several, at least theoretically available, options, and that the choice of any single policy was influenced by the plausibility of the alternative (often preferred) responses. The French monarchy’s decision to enact significant reform measures in 1788 and 1789 was profoundly shaped by the unavailability of repression as a response to its domestic problems. The Habsburg monarchy would not have invited Russian intervention in Hungary if the regime had the ability to put down the revolution unilaterally. The Argentine junta would not have resorted to a diversionary conflict if it had been able to implement political and economic reforms and suppress the unrest. Finally, the García administration in Peru would not have engaged in a campaign of indiscriminate violence against the peasants and Senderistas if a mixed strategy of economic reform and heightened repression of the Sendero guerillas had been a viable option.
Second, both the quantitative and qualitative analyses support the argument that, whether leaders reform, repress, initiate international conflicts, or request foreign intervention, state extractive capacity dramatically influences their response to domestic unrest. In Chapter 3, it was shown that a state’s ability to extract societal resources significantly shapes its policy choices during periods of social instability. In response to escalating domestic unrest, low extractive capacity states are more likely than states with abundant resources to adopt less costly (but often highly unattractive or risky) policies, such as enacting political reforms, initiating interstate conflicts short of war, and requesting foreign intervention. This is intuitive: in the face of demonstrators heading towards the palace, regimes without resources will cede political power, throw the conflict dice, or beg a neighbor to provide a whiff of grapeshot. Governments with high extractive capacity, on the other hand, are more inclined to enact expensive repression or wage wars. The analysis also revealed that governments, regardless of their capacity to extract resources, are virtually certain to adopt repressive measures as internal unrest reaches acute levels.

The Policy Alternatives Approach requires two main elements: (1) a set of leader’s preferences and (2) a set of environmental constraints. Policy choices result from the interaction between preferences and environment. If you alter an actor’s preferences, while holding constant environmental constraints, there may be dramatic shifts in policy outcomes. For example, if we plucked Louis XVI from revolutionary France and placed the monarch in the Peruvian presidency in 1985, the government’s response to Sendero Luminoso would likely have been very different, due to the alteration in the leader’s preferences. Alan García was committed to addressing the
extreme poverty that made Sendero’s ideology appealing to the peasantry. Louis XVI is unlikely to have responded similarly, given his penchant for repressing the peasantry and bourgeoisie.

Furthermore, altering a leader’s preferences strongly influences whether particular environmental variables assume causal importance in a given case. Some variables—such as whether there is an ally willing and able to help repress a regime’s domestic opponents—are critically important in some cases and irrelevant in others, depending on the government’s preferences. If a government was able to choose a policy it preferred to foreign intervention, then whether external variables allowed for request foreign intervention is inconsequential. The fact that preferences can shape policy choices indicates that idiosyncratic personality factors can prove decisive in responses to domestic unrest. Is generalization therefore all but impossible?

There are two possible ways of dealing with this problem. First, we could assume that all governments have the same set of preferences, and thereby produce deductive insights into how varying environmental conditions influence state responses to domestic unrest. But what are these universal preferences?

The statistical and case study analyses suggest certain patterns regarding state preferences. The statistical analysis reveals the relative likelihood that certain policies will be chosen, and demonstrates the infrequency of foreign intervention and the frequency of repression (see Table 8.1). Of course, this data only tells us what governments did do, not what they wanted to do, and is thus a problematic guide to preferences. Nevertheless, the statistical results suggest a general rule that states are attracted to repression and loathed to invite international intervention. The case studies
<table>
<thead>
<tr>
<th>Policy Chosen</th>
<th>Frequency</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate conflict</td>
<td>329</td>
<td>15.9%</td>
</tr>
<tr>
<td>Interstate war</td>
<td>30</td>
<td>1.0%</td>
</tr>
<tr>
<td>Repression</td>
<td>1,428</td>
<td>69.1%</td>
</tr>
<tr>
<td>Reform</td>
<td>844</td>
<td>40.8%</td>
</tr>
<tr>
<td>Foreign intervention</td>
<td>61</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

*N=2067*

* Data drawn from the quantitative analysis in Chapter 3.

Table 8.1: Frequencies of Policies Chosen, 1960-1982

also support this finding. For example, in all four cases, foreign intervention was a policy of last resort, and there are obvious reasons why (i.e., the potential loss of sovereignty and legitimacy involved). The cases also reveal that, at least for the three non-democracies (France, Argentina, and Austria) and for the weak democracy (Peru), repression was a default response to unrest. This is probably also a generalizable finding: repression has the advantage that it can reduce internal instability without necessitating political concessions, risky war, or the costs of foreign intervention.

However, locating a proclivity towards repression, and distaste for foreign intervention does not mean that we can produce an accurate rule about state preferences towards the four policy options. The truth is that there is no simple guide to preferences for states of all regime types at all points in history. As discussed in Chapter 2,
democracies often have radically different preferences than non-democracies, and the same state can dramatically alter its preferences over time. In each of the case studies, for example, the governments had different preferred strategies for combating their domestic problems. Therefore, beyond a few tendencies regarding repression and foreign intervention, we cannot generate a firm set of rules about how policies are ranked.

However, there is a second way to generalize about how states respond to unrest, which is neither purely idiosyncratic, nor built on the shaky foundations of a supposed general law of preferences. One can imagine that the leader has no preference among the four policy alternatives. It is the *tabula rasa* model of state responses to unrest—regimes start with a blank slate of preferences and follow environmental cues towards one menu option rather than another. This allows for a baseline of predicted state behavior when preferences are absent. Adding in leaders’ preferences then produces deviations from this baseline *tabula rasa* model.

The case studies suggest that, in addition to state extractive capacity and the level of domestic unrest, several further environmental conditions tend to push states towards one response rather than another, notably: (1) the nature of the opposition groups’ demands (i.e., are they political or economic? moderate or extreme?); (2) the presence or absence of an ally willing to intervene to help put down the unrest; and (3) the presence or absence of a low cost, symbolic target for the use of force. Holding preferences constant, changes in these variables will affect which policy a government selects from the menu of alternatives (see Table 8.2). Here I discuss the causal pathways by which low state extractive capacity (and other key variables) can propel governments towards specific policy responses. Since we are offering broad generalizations (with the *tabula*
rasa assumption in place), it is typically inappropriate to use the language of necessary and sufficient. Instead, the conditions increase or decrease the likelihood of specific responses, producing probabilistic claims.

<table>
<thead>
<tr>
<th>Policy Alternative</th>
<th>Level of Domestic Unrest</th>
<th>State Extractive Capacity</th>
<th>Nature of Demands for Reform</th>
<th>Low Cost, Symbolic Target</th>
<th>Ally Willing and Able to Intervene</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIVERSIONARY CONFLICT</td>
<td>Escalating domestic unrest</td>
<td>Low</td>
<td>Extreme political or economic</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>DIVERSIONARY WAR</td>
<td>Escalating domestic unrest</td>
<td>High</td>
<td>Extreme political or economic</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>POLITICAL REFORM</td>
<td>Escalating domestic unrest</td>
<td>Low</td>
<td>Moderate political</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>ECONOMIC REFORM</td>
<td>Escalating domestic unrest</td>
<td>High</td>
<td>Economic</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>REPRESSION</td>
<td>Limited domestic unrest</td>
<td>Low</td>
<td>Extreme political or economic</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>FOREIGN INTERVENTION</td>
<td>Escalating domestic unrest</td>
<td>Low</td>
<td>Extreme political or economic</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 8.2: Conditions Under Which Each Policy Alternative is Most Likely
8.2 When do states initiate diversionary conflicts?

Given the obvious risks of using force and the fact that the rally phenomenon is merely hoped for rather than assured, diversionary conflict is likely to be an unpalatable response to social unrest for most regimes. Diversionary uses of force have often failed to ameliorate difficulties at home; indeed they have often made these problems much worse. When Russia, for example, lost to Japan in 1905 in a war partly sparked by the desire to increase popular support for the tsar, the country subsequently descended into internal turmoil. If international conflict is a potentially expensive and risky undertaking, why would states seek to divert attention from domestic issues by using force abroad?

This analysis suggests that a government, assuming it has no policy preferences, will probably initiate a diversionary conflict when: (1) there is escalating domestic unrest; (2) the state has a limited ability to mobilize societal resources; (3) the opposition’s demands for political change, if granted, would threaten the survival of the government; (4) there is a suitable target in the international environment; and (5) there is no ally willing or able to intervene on behalf of the government. Each of these five conditions encourages diversionary conflict; when all five conditions are present, it makes diversionary conflict a likely policy response.

A domestic uprising affects the decision to initiate a diversionary conflict largely through the direct causal path of propelling the government to act to save itself by rallying opinion. Thinking in terms of a menu of available options broadens our understanding of the causal role played by domestic unrest, however. The presence of opposition at home can also have an indirect effect on the decision to initiate a diversionary conflict, by ruling out alternative policies. If the unrest is widespread (as in
Argentina in 1982) or if the dissatisfied segments of society are capable of organized violence (e.g., the Hungarian honvéd army in 1849 and Sendero Luminoso in 1985-1990), the scale of discontent may eliminate alternatives such as repression and thereby propel the government towards using force through a circuitous causal path.

Two additional domestic-level variables may also affect whether a government initiates diversionary conflict: (1) the low extractive capacity of the state and (2) the nature of the opposition’s demands for reform. These variables sometimes operate indirectly, influencing whether reform and repression are viable options, and thereby shaping the likelihood of diversionary conflict. A lack of governmental resources may essentially preclude a strategy of repression or economic reform to ameliorate domestic unrest. And if the reform demands are sufficiently extreme, calling for example, for the end of the regime, leaders will typically be unwilling to sign their own suicide note.

Importantly, these variables have not been included in existing studies of the relationship between domestic and international conflict, in particular, they have not been cited as reasons why states may choose diversion over reform or repression. Dassel and Reinhart include a measure of domestic unrest in their model of diversionary conflict, which indicates whether the government’s opposition questions “the rules of the game.” They find that, when presented with this type of unrest, a diversionary conflict is more likely. They do not, however, argue that a radical opposition makes diversionary conflict more likely because it rules out the possibility of enacting political reforms. “Domestic Strife,” pp. 56-85.
Finally, if there is an opportunity to initiate a diversionary conflict in the international environment and no opportunity to request foreign intervention, governments will be pushed towards foreign adventure as a solution to domestic unrest. If the state is resource-poor, a Falkland Islands-style invasion of an undefended but symbolic territory may be more attractive than a costly Pearl Harbor-style initiation of total war. Thus, for governments with a limited ability to mobilize societal resources, an opportunity for diversionary conflict has the following characteristics: (1) military action against an external target must be unlikely to lead to costly conflict; and (2) the target must have symbolic value for a significant section of the domestic population. The Argentine government invaded the Falklands Islands, in part because it did not anticipate a response from Britain (or any other country) and it was an extremely popular target. Conversely, it was the absence of a low cost target that ruled out diversionary conflict for Louis XVI, the Habsburg monarchy, and the Peruvian government. France and Austria were surrounded by great powers, and Ecuador, Peru’s primary rival, had both the will and the ability to resist a Peruvian invasion. The extent to which “opportunity” shapes leaders’ responses to domestic is a product of a state’s extractive capacity: the lower the state’s extractive capacity, the less likely it will find a suitable (i.e., sufficiently cheap) opportunity.

While the idea of “opportunity” is not a new one in international relations, no study of the diversionary war hypothesis has paid sufficient attention to the fact that states that are unable to readily extract resources from society—countries, remember, that are most likely to initiate diversionary conflicts—can only use force against very weak adversaries. Indeed, this conclusion is contrary to claims often made in the literature on
diversionary conflict. In several studies of the diversionary theory of war, it has been argued that the presence of an opportunity in the international environment is not a necessary condition for a diversionary conflict, because such opportunities can be manufactured with relative ease. Kurt Dassel, for example, contends that states are fairly adept at provoking an external threat as needed for domestic political reasons: “Pretexts for aggression can usually be found. Even in a country such as the United States, with its free press and numerous civilian experts on military and foreign policy, there is a reflexive tendency to support the state when it uses force abroad.” While Dassel may be correct in arguing that many or even most states can find some justification for the use of force abroad, resource-poor states can only provoke a diversionary conflict with a bona fide low cost target. If such a target is not available, then diversionary action is simply not a viable option.

Bennett and Nordstrom’s study of the relationship between declining economic conditions and the use of force in enduring rivalries is one of a handful of studies that incorporates the idea of opportunity into the diversionary theory of war. They chose to examine rivalries because this “may be a set of dyads in which diversionary behavior is frequently a plausible policy option.” While a rivalry might increase the probability that a high extractive capacity state will initiate a diversionary conflict, it may have little or no effect on the behavior of impoverished states. A low extractive capacity state

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434 Bennett and Nordstrom, “Foreign Policy Substitutability,” p. 38, n. 4. Karl DeRouen includes a measure of crises per quarter in order to control for whether there were opportunities to use force. See “Presidents and the Diversionary Use of Force.”
would still be unable to fight a substantive diversionary conflict—unless its adversary was virtually incapable of putting up a defense (in which case it was not much of a rival).

In the example of Alan García’s response to Sendero Luminoso, the government could have easily justified the use of force against Ecuador, Peru’s longstanding rival. However, the president chose not to initiate a diversionary conflict in large part because Ecuador was not a sufficiently low cost target.

The conditions promoting a diversionary conflict may vary when one reintroduces leaders’ preferences into the model. While some factors are likely to consistently shape the decisions of low extractive capacity states (i.e., the presence of a low cost target and domestic unrest), others may become irrelevant. For example, if a low extractive capacity state’s preferred response to domestic unrest is, in fact, a diversionary conflict, then the presence of social instability and the existence of a suitable target will enable the government to choose this policy. On the other hand, if leaders prefer to address internal unrest through a program of political reform, then the following conditions are likely to push them instead towards a diversionary conflict: (1) rising domestic unrest; (2) the presence of a low cost, symbolic target; and (3) a domestic opposition that demands extreme political reforms, which, if granted, would threaten the end of the regime.

8.3 When do states enact reforms?

Considering Louis XVI’s decision to adopt a program of political reform to co-opt his opposition in 1788 and 1789 in conjunction with cases in which alternate responses were chosen suggests several factors that may push states towards adopting a policy of reform. These are variations, of course, on the same factors that may cause a country to
initiate a diversionary conflict. Assuming that the state has no preferences among the
alternatives, the following conditions would propel leaders of low extractive capacity
governments towards selecting reform from the menu of options: (1) rising domestic
unrest; (2) low state extractive capacity; (3) moderate demands for political reform; in
addition to the absence of an opportunity in the international system to (4) initiate a
diversionary conflict or (5) request foreign intervention.

Thus, three of the conditions are the same as those that will promote a
diversionary conflict: the state is facing significant domestic unrest, its ability to mobilize
resources is limited, and there is no third party to whom the government can appeal for
aid. A fourth factor facilitating reform is when there is no target weak enough for an
impoverished state to safely challenge with a diversionary action. On the other hand,
satisfying the opposition’s demands involves neither extreme political change nor costly
economic reforms. Any of these factors make reform more likely, and when they are all
present, reform is a very likely response to domestic unrest.

In 1787-89, the French nobility (and later the third estate) sought mainly political
reforms, which the monarchy could afford to grant because of their relatively low
economic cost. This does not mean, however, that they were costless in other respects;
the reforms clearly limited the power of the monarchy.435 While Louis XVI was reluctant
to limit his powers, he did not believe that calling the Estates General, for example,
would lead to the dissolution of the monarchy. We can compare here the willingness of
the French government to contemplate adopting a policy of political reform in 1788 and

1789 with the reluctance of the Habsburg monarchy to consider the revolutionaries’ request for Hungarian independence in 1849, García’s refusal to concede to Sendero’s demand for a Marxist revolution, and the Argentine junta’s rejection of the public’s call for democratization. In each of the cases in which a policy of political reform was not adopted, the leaders believed that granting the opposition’s demands would endanger the government and/or the political system. The willingness to adopt a program of political reform, therefore, depends on the magnitude of the reform demands.

The French case also suggests that a government is more likely to adopt a policy of political reform if doing so simultaneously addresses two problems: the escalating unrest and the state’s low extractive capacity. The French monarchy’s decision to adopt a policy of reform in 1788 and 1789 suggests that one can distinguish between “positive-sum” and “zero-sum” reforms. Zero-sum reforms produce political gains for the regime’s opponents, while curbing the power of the government. Positive-sum reforms are those, such as the French monarchy’s decision to call the Estates General, which offer the prospect of dampening the unrest by satisfying grievances and also of enhancing the government’s ability to extract revenues. In 1787, the French regime looked across the Channel to England and saw that representative institutions can be effective means of raising money for the regime.\textsuperscript{436} Indeed, one can expect that leaders will weigh the following factors when deciding whether to adopt a program of reform in response to

\textsuperscript{436} This positive sum strategy is likely to work only for certain types of low extractive capacity states, however. As mentioned in Chapter 3, states may be unable to extract revenues for a range of reasons, including administrative inefficiency, domestic norms about the proper size of the state, the emergence of powerful groups within society who resist the authority of the state, and the popularity of the government in power. Creating representative institutions may have a positive effect on revenue if the source of the government’s low extractive capacity is its popularity or legitimacy (which the institution might hope to improve) rather than a norm of limited central government (which the institution might not alter).
domestic unrest: (1) how much will the reforms cost in terms of the loss of political power to an internal competitor; (2) to what degree will the unrest subside if the government grants the opposition’s demands; and (3) how much will granting the opposition’s demands improve the state’s extractive capacity. If granting the opposition’s demands for political reform (assuming they are moderate) will substantially improve the state’s extractive capacity while only slightly reducing the unrest, the government will probably be willing to reform. Similarly, if enacting political reforms will all but eliminate the domestic unrest but only somewhat increase the state’s extractive capacity, the government may adopt a policy of reform. If, however, one considers a situation in which the demands for reform are more extreme, then leaders will have to carefully assess the costs and benefits. If handing over a significant degree of political power to a domestic adversary drastically increases the state’s extractive capacity and decreases the unrest, then it may be an acceptable bargain; the loss of sovereignty will be outweighed by the gains in stability and extraction.437

Interestingly, while reform has historically been a crucial means of improving extractive capacity, the alternative policy options of repression, diversionary conflict, and foreign intervention may also act as mechanisms by which the state can increase its resources. Much has been written, for example, about the role that waging war has historically played in enhancing a state’s extractive capacity, for example, by increasing

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437 Note that this was also true of zero-sum reforms, which may reduce opposition to the crown but do not increase the state’s ability to mobilize resources. Political reforms enacted solely to reduce domestic unrest will only be a viable strategy to the extent that the political cost of granting the reforms does not outweigh the gains in societal stability that may be achieved. If they do, then the state will also be inclined to choose an alternate strategy.
the public’s tolerance of higher rates of taxation.\textsuperscript{438} Thus, one can imagine that the government may engage in saber-rattling to both silence the government’s critics and to increase the state’s extractive capacity—as long as there is an expectation of little resistance.\textsuperscript{439} Similarly, repression may be a means by which the state can lessen social unrest and extract greater revenues from society. In Zaire, for example, Mobutu adopted a repressive strategy to suppress social discontent \textit{and} to collect “taxes” in the early 1970s.\textsuperscript{440} Despite the fact that it was a wealthy country, the Zairian state had a “weak, inefficient massively corrupt financial structure, especially its revenue collection system.”\textsuperscript{441} As a result, the military acted as “an instrument of internal order and extraction,” accomplishing both tasks through theft, forced labor, kidnappings, extortion, and pillaging crops.\textsuperscript{442} Finally, of course, a request for foreign intervention is really little


\textsuperscript{439} See Christensen, \textit{Useful Adversaries}, ch. 2.


\textsuperscript{441} Callaghy, \textit{The State-Society Struggle}, p. 195.

more than a government’s attempt to extract revenues from an external source, which allows the state to repress an uprising by proxy.

That said, of all of the positive sum strategies, political reform is perhaps the most effective way for a cash-strapped state to gain access to revenues because: (1) rather than producing a one time windfall, it creates structures to increase revenues well into the future; (2) the policy of political reform is cheap and does not require a major initial investment of resources in order to accrue later gains; and (3) unlike repression it does not cause widespread destruction and damage the national economy, reducing the pool of resources from which the state can extract revenues.443

When one reintroduces preferences into the discussion of when states enact political reforms in response to domestic unrest, the combination of factors likely to cause governments to select this policy varies, sometimes dramatically. The argument that states are pushed towards reform if repression, for example, is not an option depends on governmental attitudes towards repression. For leaders of democratic states, repression may not be considered a justifiable response to many (though not all) types of unrest. Thus, they may choose reform because of their belief in negotiating a solution to political conflict rather than because repression, for example, was not available. If this is true, then the ability of the state to pursue this strategy depends only on the extremism of the reform demands—a leader who in principle prefers reform to repression may baulk at revolutionary changes to society.

443 Margaret Levi argues, for example, that one “major limitation on rule is revenue, the income of government…Most rulers, throughout most of history, have had to make concessions to economically powerful actors in turn for their support. On Rule and Revenue (Berkley: University of California Press, 1988), pp. 2, 21.
If the state prefers, however, to repress its opposition, then the following conditions may make political reform a more likely choice: (1) high levels of domestic unrest; (2) low state extractive capacity; (3) and moderate reform demands, especially ones that, if granted, would increase the state’s ability to mobilize resources. This combination of factors can rule out repression while increasing the attractiveness of a policy of reform. If the regime is extremely reluctant to grant its opponents’ demands, then the following two conditions may push the government towards enacting reform measures: the absence of an opportunity in the international environment to (4) initiate a diversionary conflict and (5) request foreign intervention. This is because giving into domestic opposition groups may be so abhorrent that the state would rather cede sovereignty to another state by requesting foreign intervention or initiating a risky diversionary conflict. In other words, these will become important variables if the government ranks the options on the policy menu roughly in the following order: (1) repression, (2) diversionary conflict, (3) foreign intervention, and (4) political reform.

8.4 When do states adopt a policy of repression?

The cases suggest that states may adopt a policy of repression in two situations. First, states may choose a policy of repression if it is the only viable option on the policy menu because (1) the unrest is sufficiently low that the state has the resources to repress it; (2) the opposition’s reform demands are either economic or radical in scope; and there is no opportunity for (3) foreign intervention or a (4) diversionary conflict in the international environment. Second, states may choose repression if they do not have any viable options and therefore adopt repressive measures as an alternative to doing nothing.
If state revenues exceed the amount needed to put down unrest, then it becomes more likely that the government will choose a policy of repression. The implication is that, when confronted with limited unrest, even a state with very low extractive capacity may be able to marshal sufficient resources to fund a small force to put down the uprising. Such a policy becomes even more likely if the opposition’s demands are for either significant economic reform (which the state cannot afford) or for radical political change (which the state will not accept). Furthermore, the combination of low state extractive capacity plus the absence of a low-cost, symbolic target rules out a policy of diversionary conflict, and the absence of an ally willing and able to help the state put down the unrest rules out a request for foreign intervention. This explains President Belaúnde’s response to Sendero Luminoso in the early 1980s. Given that the unrest was confined to the rural regions of Peru, he was able to repress the insurgents—*even though the state’s resources were limited*. This is also consistent with the results of the quantitative analysis. Resource-poor states are just as or more likely to choose a policy of repression at low levels of domestic unrest.

When one moves away from the baseline model and considers various possible rankings of state preferences, the variables that influence government decision-making change. Some leaders may choose a policy of repression regardless of the state’s extractive capacity—or even because of the state’s low extractive capacity. If a government prefers repression and has the requisite capacity, then it will choose this policy regardless of whether the other options are available. In this is the case, then the presence of a small to moderate amounts of domestic unrest may in itself make repression virtually certain.
A preference for repression may also explain why a state would choose a policy of repression if it does not have the resources necessary to successfully implement it (i.e., when the unrest becomes widespread or the regime’s opponents are well armed), such as García’s decision to adopt a policy of indiscriminate repression against both the Sendero guerillas and their moderate peasant supporters in 1987. The explanation is that, in the face of a substantial internal threat, a state that is unable to adopt any of the policy alternatives—including repression—may nevertheless choose to adopt repressive measures because this policy is believed to be better than doing nothing. This may explain the puzzling finding in Chapter 3, that both low and high extractive capacity states are very likely to choose repression when facing acute levels of domestic unrest. When the regime’s opponents appear likely to topple the regime, then repression will be chosen in spite of the state’s limited access to resources.

Thus, states with a preference for repression are likely to repress either (1) when it believe it might work (e.g., Peru under Belaúnde) or (2) when nothing including repression looks likely to work (e.g., Peru under García). And such states are likely to repression only when (1) repression will not work and (2) there is a viable alternative (e.g., the Argentine junta in 1982, the Habsburg Empire in 1849, and the French monarchy in 1788 and 1789). Consider Table 8.3, which summarizes the findings of the case studies. An “X” means that the policy was a viable option for that government, and an empty square means that the policy was not a plausible response to the domestic unrest. In the cases examined here, repression was chosen when the state believed it had the capabilities to put down the unrest and also when no policies were viable.
However, democratic leaders in low extractive capacity states, for example, may have strong preference against this option and a predisposition to enact reforms to resolve domestic disputes. Under the right conditions, however, they may also resort to repressive internal policing to control domestic unrest, such as when the government’s

### Viable Policy Responses

<table>
<thead>
<tr>
<th>Case</th>
<th>Reform</th>
<th>Repression</th>
<th>Diversionary Use of Force</th>
<th>Foreign Intervention</th>
<th>Policy Chosen</th>
</tr>
</thead>
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<tr>
<td>French Monarchy, 1787-89</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Reform</td>
</tr>
<tr>
<td>Habsburg Empire, 1848</td>
<td>X</td>
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<td></td>
<td></td>
<td>Reform</td>
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<tr>
<td>Peru under Belaúnde, 1980-83</td>
<td></td>
<td>X</td>
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<tr>
<td>Argentina, 1982</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>Diversionary Use of Force</td>
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<tr>
<td>Habsburg Empire, 1849</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>Foreign Intervention</td>
</tr>
<tr>
<td>Peru under García, 1987</td>
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<td>Repression</td>
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</tbody>
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Table 8.3: Summary of State Responses to Domestic Unrest

opposition is gaining strength and it seeks radical or revolutionary reforms. If the aversion to using violence against its citizenry is very strong, then the inability to initiate a diversionary conflict may also be necessary to push the government towards repression. That is, if the government prefers reform and diversionary conflict to repression.

8.5 When do states request foreign intervention?

Assuming that a government has no preferred tactic for controlling domestic unrest, the following conditions may encourage a government to choose foreign intervention from the menu of alternatives: (1) the presence of significant domestic unrest; (2) the inability to adopt a policy of repression (and, perhaps, also economic reform) due to the state’s low extractive capacity; (3) the inability to adopt a policy of political reform due to the extremist nature for the opposition’s aims; (4) the absence of a low cost, symbolic target; and (5) the presence of an opportunity for foreign intervention in the international environment.

Crucially, states are more likely to request foreign intervention if there is an opportunity to do so in the international environment, involving the presence of a state that: (1) is willing and able to commit ground troops to quell the unrest, and (2) does not expect an unacceptably high reward for aiding its embattled ally. If, for example, the candidate intervening state fears that the unrest may spillover into its own territory or inspire a dangerous revolutionary movement at home, it may ask for little compensation in return for providing troops. If the intervening state demands considerable recompense for aiding the government (e.g., gaining control over valuable territory), then foreign
intervention may no longer be preferable to, for example, enacting expansive reforms or repression, even if the latter is unlikely to be successful.

To illustrate the importance of “opportunity,” one has only to compare the fate of the Habsburg monarchy in 1849 with that of the Peruvian government in 1987. While there are a number of important differences between these two cases, both the Habsburg and the Peruvian governments faced domestic uprisings that were believed to be significant threats to the survival of their regimes and neither had the capabilities to defeat them on their own. Both were unable to enact sufficient political or economic reforms, or to initiate a diversionary conflict. Thus, an important factor in explaining the difference in outcome in these two cases is the presence (or absence) of an opportunity for foreign intervention. The lack of a foreign ally willing to aid the Peruvian government meant that García was forced to adopt a policy of indiscriminate repression—a policy that he knew was unlikely to work. If Russia had been unwilling or unable to send troops to suppress the rebellion in Hungary in 1849, the Hapsburg monarchy would probably have acted in a similar manner to Peru, with ineffective repression viewed as better than doing nothing.

These conditions for a foreign intervention “opportunity” are likely to be infrequently met. Instead of rushing to help embattled leaders, states sometimes view turmoil in a neighboring country as an opportunity to exploit, choosing to aid the rebels. There are also many examples of rebel groups that engineer a foreign intervention against the state, such as the Rwandan Patriotic Front’s successful efforts in the early 1990s to
elicit Uganda’s aid in its war against the Rwandan government. Nearby countries may be dangerous rivals rather than good neighbors and may encourage, what Geoffrey Blainey terms, a “death-watch” war—that is, fomenting an internal struggle to weaken a neighboring state before invading.

Introducing state preferences into the discussion of when states are likely to request foreign intervention may not substantially alter the conditions needed to compel most states to choose this policy option. As discussed earlier, one of the strongest generalizations one can make about state preferences and domestic unrest is that regime would prefer almost anything to foreign intervention. Foreign intervention is unpopular because it often results in a loss of domestic legitimacy and international prestige. Furthermore, in exchange for providing aid, the intervening state may request compensation, such as greater influence over the beleaguered state’s foreign and domestic policy.

Adding in this preference to the tabula rasa model makes foreign intervention even less likely. All the other options must be unavailable for this policy to be adopted, and foreign intervention must be possible. However, for states that are unable to extract revenues from their own societies—and importantly have no viable alternatives—requesting foreign intervention may be the only way to end the rising social unrest, essentially by extracting additional resources from an external source.

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Although it is a safe assumption that states are loathed to request foreign intervention, there may be some regimes that prefer this policy to reform. Indeed, in some exceptional cases, a highly reactionary regime could prefer foreign intervention to conceding any of their opposition’s demands. In the event that a leader ranks foreign intervention above political reform, the nature of the opposition’s demands for reform are unlikely to influence the government’s decision.

8.6 Suggestions for Further Research

There are seven avenues for further research, each of which pushes the project in a new direction. First, one could apply the Policy Alternatives Approach to additional historical cases of low extractive capacity states experiencing domestic unrest. Because the insights discussed here are generated from a relatively small number of cases, one’s confidence in the generalizability of these findings will strengthen as the sample of cases is broadened. Furthermore, because all of the cases included in this study are either non-democratic or newly democratized states, one should also consider cases of impoverished, but strongly democratic governments, to determine what factors constrain their decisions and whether preferred responses to unrest differ substantially from non-democratic states.

Second, since the goal of the case studies in this research was limited to understanding the behavior of low extractive capacity governments—and how a lack of resources shapes the policy menu—one could next examine how high extractive capacity states respond to domestic unrest. For these governments, access to revenues permits them to adopt costly policies, such as economic reform and large-scale repression. Given
they have greater freedom of action, it is likely preferences will be the key variable and therefore idiosyncratic factors will play a greater role in determining leaders’ responses to domestic unrest. As a result, the behavior of high extractive capacity states will be more difficult to predict. However, there may be some factors, such as the nature of the opposition’s reform demands, which may rule out preferred policies even for wealthy countries, and thus facilitate the use of the Policy Alternatives Approach.

Third, the case studies revealed that the policy menu often includes subtle variations of the four basic policy responses outlined in Chapter 2 (repression, reform, diversionary conflict and foreign intervention). For example, there is an important distinction that has already been highlighted between adopting (1) political reforms and (2) economic reforms. Lumping political and economic reform together under the broad heading of “reform” is useful for purposes of parsimony, but it may cause one to miss an important variable that could explain why reform was, or was not, chosen. Because of their lack of resources, low extractive capacity governments are often unable to enact costly economic reforms but they can typically afford political reforms (although, for other reasons, they may choose not to).

In none of the cases, for example, was economic reform a viable option. With García’s response to Sendero Luminoso, the Peruvian state’s limited ability to extract revenues from society made it impossible for the government to adopt its preferred strategy of combining significant economic reform with heightened repression of the Sendero guerillas. Similarly, in Argentina, the junta

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447 Although he focuses exclusively on the choice between reform and repression, David Mason offers a similar conclusion based on his study of state efforts to pass land reforms in Latin America: “Reform programs require resources. The state has to be able to raise sufficient revenues to finance any programs designed to relieve poverty and provide new economic opportunities to marginalized non-elites...A state that lacks the capacity to diffuse opposition challenges through structural reforms is left with repression as its only alternative for dealing with this challenge.” Caught in the Crossfire, p. 140.
was unable to grant demands for economic reform or repress the social unrest due to its low extractive capacity, at least one of which it probably would have preferred to an invasion of the Falkland Islands. Future analyses should therefore distinguish between economic and political reform as policy options. We should find that low extractive capacity countries are less likely to enact economic reforms than are wealthy governments.

Fourth, the measure of state extractive capacity used in this study nicely captures the idea that a capacity to extract revenues will affect the range of policy options available to states. That said, it is also likely that potential extractive capacity may influence a state’s decision-making. Countries such as the United States essentially have low extractive capacity by societal and governmental choice and are able to dramatically increase their ability to extract revenues from society if and when hostilities break out, for example, after Pearl Harbor. For these governments, the knowledge that they can, at least in some situations, transform themselves into high extractive capacity states will likely shape their decision-making. This could explain, for example, why the United States’ policy choices have more in common with other high extractive capacity states, such as Germany, than with low extractive capacity states, like Mexico. Thus, one could develop a measure that gauges a state’s potential to extract resources in extremis. One candidate measure would be to use a government’s ability to expand its extractive capacity during previous crises (domestic or international). If its extractive capacity escalated during previous crises, then a state should be more inclined towards expensive options such as costly wars, in the knowledge that the money can be found once hostilities are underway.

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Fifth, future quantitative studies of the diversionary war hypothesis should include the variables that were identified as important influences on government responses to domestic unrest in this study. In particular, models of state responses to domestic unrest should include measures of the nature of the reform demands (e.g., whether they are moderate) and whether there is an opportunity in the international system for a diversionary use of force (e.g., does the state have a very weak neighbor?) or foreign intervention (e.g., does the state have an alliance with a powerful state?).

Sixth, a logical question follows from this study: which of the four policies is most likely to bring an end to the unrest? Statesmen have been warned that initiating a diversionary conflict in response to domestic unrest is a foolhardy strategy that is, in the long term, almost doomed to failure. Tempted statesmen might consider the fate of Galtieri. Yet no study has systematically compared the effectiveness of diversionary conflict with its alternatives in combating civil strife.

Seven, the Policy Alternatives Approach can be used to explain government decision-making in a wide range of cases beyond domestic unrest. The approach has utility whenever leaders consider multiple strategies to achieve a domestic or foreign policy goal, and environmental constraints prevent them from pursuing their preferred policy, causing them instead to select an alternative. For example, if a leader hopes to encourage development by reducing barriers to trade but faces strong opposition from business elites, the logic of policy alternatives could explain why he instead confiscates the holdings of multinational corporations or increases sovereign borrowing.
8.7 Implications for Policymakers

As we have seen, there are two ways that observers can try to understand leaders’ decision-making. The first method is the traditional, Inspector Gregory approach, in which one searches for direct causes that are visibly connected to the chosen policy. The second approach—the Policy Alternatives Approach—is to recognize that the true causes of a government’s decision may be found in understanding why an alternative policy was not chosen. Just as the logic of policy alternatives approach broadens the scope of how we study decision-making, it may also increase the range of available strategies leaders can employ to influence the policies of other governments.

The Policy Alternatives Approach suggests that leaders should avoid an excessive focus on the most directly related causes of their adversary’s policy choices and look instead for additional indirect causes. Fully understanding adversaries’ preferences and the factors that push them towards choosing one policy from the menu of options rather than another may provide leaders with more subtle opportunities by which to influence decision-making. In a restaurant in which a patron is about to order the fish, an outcome one opposes, one can make the patron disinclined to choose the fish by announcing that it has been poisoned (as Inspector Gregory might suggest). But if one recognizes that the patron would prefer the chicken but cannot afford it, one can alter his choice by slipping him sufficient money (the Policy Alternatives Approach). Understanding that actors choose from an at least theoretically available menu of options, therefore, serves to increase the range of policies available to manipulate their selection.
Most accounts of the events leading up to the Falklands War typically argue that London could have discouraged Argentina’s invasion by signaling its resolve. This may be true, but the British would have benefited from using the Policy Alternatives Approach to evaluate Argentine decision-making in the Falklands. Such an analysis may have revealed the additional causes of the diversionary war: the state’s low extractive capacity and domestic unrest. If the British government, for example, could have increased the resources available to the Argentine state (e.g., by encouraging states or foreign creditors to forgive some of Argentina’s debt), then the junta would probably not have resorted to a diversionary war. It is true that the military government would probably have used these additional resources in an unsavory manner to repress the public, but the diversionary conflict ended up costing Britain significant blood and treasure. Thus, if the British had been aware of the menu from which the junta was choosing and the constraints the regime faced, they might have been able to push them towards a policy other than invasion.

The Policy Alternatives Approach also opens new avenues for the United States to manipulate the foreign policy of other states. If the United States had used the logic of policy alternatives to evaluate Peru’s decision-making in response to the rise of Sendero Luminoso in the 1980s, President Reagan might have realized that the Peruvian government’s lack of resources ruled out its preferred strategy of economic reform to co-opt the peasantry and heightened repression of the Sendero insurgents—a policy that was actually more in line with U.S. interests. The United States’ primary foreign policy goals in Peru were to prevent the Marxist insurgents from deposing the government and to

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448 See Falkland Islands Review.
stanch the flow of Peruvian cocaine into the U.S. If Reagan had improved García’s access to revenues during the first years of his presidency, the Peruvian government would have been able to implement a robust economic reform program, which in turn might have reduced peasant support for Sendero (significantly weakening the insurgency) and made growing coca a less attractive occupation (reducing Peru’s coca exports). Furthermore, García’s efforts to combat the Senderista guerillas would probably have been more successful. Thus, if the United States had recognized that the Peruvian government’s low extractive capacity was partly responsible for its decision to adopt a policy of indiscriminate repression, it might have been able to push the government towards a more desirable policy response by increasing its resources.

More recently, the United States has been the target of increasingly hostile rhetoric from Venezuela’s president, Hugo Chávez. The traditional approach would recommend a combination of carrots and sticks to discourage Chávez from actively opposing U.S. interests in the region, such as threatening sanctions if Venezuelan oil exports to the U.S. are interrupted. Using the Policy Alternatives Approach, however, one would note that Chávez’s preferred strategy to maintain support for his regime is a combination of extravagant social spending, repressive legislation, and a form of internal scapegoating. At the heart of Chavismo lies a strategy of provoking hard-line responses from opposition parties by threatening to adopt radical policies. Opposition extremism in turn rallies the regime’s supporters around Chávez. As Javier Corrales argues, the opposition has become a reliable “monster to rail against.”

Chávez won a crushing victory in the 2004 referendum, but this triumph proved to be a mixed blessing. The opposition movement collapsed, removing Chávez’s principle scapegoat. This prompted the president to search for a new adversary: the United States. By accusing the U.S. of having imperialist designs on Venezuela, Chávez hopes to “unite and distract his large coalition” in what is essentially a “low risk, high-return policy for gaining support.”

Recognizing that anti-Americanism is not Chávez’s first preference to increase internal cohesion, suggests an opportunity for the U.S. to manipulate Venezuela’s foreign policy. The key to improving the United States’ relationship with Venezuela may lie with the president’s domestic opposition. While Machiavellian, if the U.S. can remobilize the opposition parties, Chávez would likely pursue his preferred course of action: to focus his rhetoric on domestic enemies. The result would be a decrease in anti-Americanism from the regime—and even perhaps, in the end, Chávez’s ouster.

Thus, by following the logic of policy alternatives, scholars and policymakers can avoid treating history simply as, in E. H. Carr’s words, “a record of what people did, not of what they failed to do” and instead see the full range of options available to decision-makers and uncover the often hidden causes that shape their choices.


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———. “Peru: Atypical External Behavior.” In *Foreign Policy and Regionalism in the


