

---

# The Social Foundations of Institutional Order: Reconsidering War and the “Resource Curse” in Third World State Building

Politics & Society  
37(4) 479–520  
© 2009 SAGE Publications  
Reprints and permission: <http://www.sagepub.com/journalsPermissions.nav>  
DOI: 10.1177/0032329209349223  
<http://pas.sagepub.com>



Marcus J. Kurtz<sup>1</sup>

## Abstract

This manuscript departs strongly from conventional accounts that ascribe a central role to war and the threat of war in Third World state building. Similarly, it challenges the conventional wisdom that abundant exportable natural resource wealth is likely to provoke institutional atrophy. Instead, it argues that a set of logically prior conditions—the social relations that govern the principal economic sectors and the pattern or intralite conflict or compromise—launch path-dependent processes that help determine when, and if, either strategic conflict or resource wealth contribute to, or impede, institutional development. The argument is tested in the comparative analysis of the state-building process in two Andean neighbors (Chile and Peru), both of which are situated in similar strategic and natural resource environments but which produced qualitatively different outcomes in terms of state capacity or “strength.”

## Keywords

state building, resource curse, war, political development, Latin America

This article begins with a paradox: despite similar economic structures and geostrategic positions, Chile and Peru have followed, over the past century and a half, decidedly different patterns of political development. Chile has produced surprisingly effective governmental institutions and has preserved and improved them even through periods of economic decline and radical regime change. Peru, by contrast, and despite starting

---

<sup>1</sup>Ohio State University, Columbus, OH, USA

## Corresponding Author:

Marcus J. Kurtz, Department of Political Science, The Ohio State University, 154 N. Oval Mall, 2140 Derby Hall, Columbus, OH 43210-1373, USA  
Email: [kurtz.61@polisci.osu.edu](mailto:kurtz.61@polisci.osu.edu)

the independence era with a firmer institutional foundation, has been characterized by persistently underdeveloped administrative capacity, at times in its history verging on state failure. What can account for this striking divergence?

The question of the causes of state building or atrophy is of course not new. Indeed, explaining the development of effective, penetrating, and high-capacity state institutions is among the most important challenges political scientists have faced in the past fifty years. While there is no consensus about what brings about such political development, few would argue that it is unimportant. Indeed, effective state institutions are likely critical resources if the unavoidable challenges that face most societies—war and internal conflict; economic development; external shocks; class, ethnic, regional, and/or religious cleavages—are to be overcome.

While social scientists are still far from a complete theory (much less a consensus) as to the causal factors that intervene in the development of strong and effective states, there are two that are widely held to be important: war and natural resource wealth. The first considers external threats to be propellants that supersede divisions among competing domestic elites, make substantial increases in revenue extraction politically viable, and open the door to the modernization of military and state institutions and the centralization of authority.<sup>1</sup> The second approach is more recent, and it is negatively framed. It suggests that natural resource wealth is, paradoxically, detrimental to political development. Initially, theorization was cast in strictly economic terms, emphasizing the external costs of access to large natural resource rents,<sup>2</sup> but political scientists have begun to take this further, arguing that resource rents may just as importantly undermine the efficacy of state institutions and induce rent seeking, policy errors, and corruption of all kinds. This political calamity—what has come to be called the “political resource curse”—is said to have even more deleterious consequences than the direct economic effects of natural resource booms.<sup>3</sup> It is notable, however, that neither approach is hegemonic nor sheds much light on the empirical contrast here between Chile and Peru.

This article departs substantially from both prevailing approaches to state building and decay, suggesting that neither has a generalizable or direct causal effect on the development of state institutions.<sup>4</sup> By contrast, I contend that the role of wars and wealth in building states is at best conditional; what really matters is a set of logically prior social and political variables that help to define the path down which political development will proceed. It is where two conditions obtain at the *initiation* of the process of state building—the absence of labor-repressive agriculture and exclusionary but collective elite political dominance—that administrative development, to which military competition and resource wealth both may contribute, is likely. The former condition makes possible the centralization of authority and revenue extraction essential if state building is to proceed, while the latter renders it politically viable by ensuring that fundamental elite interests are not harmed in the process and that the collective benefits (and short-term rents) that development entails are well distributed among the upper classes.

The argument proposes a path-dependent causal process: once a particular trajectory is launched—either improving or undermining public administration—this in turn creates ongoing incentives and opportunities that will further, or further undermine, the efficacy of state institutions over time. If, for example, states initially provide some public goods reasonably efficiently, this can encourage societal (and elite) expectations of public efficacy, can induce coordination around public provision as a solution to collective problems, and may create subsequent pressure to provide public goods of different types. It demonstrates the viability of the collective provision of such public or collective goods to elites, and likely simultaneously provides them with side payments through contracts for goods and services, thus solving some of the coordination and collective action dilemmas that could otherwise impede their delivery. The key question, then, is under what circumstances can a virtuous cycle of political development be initiated? It is to this question that I next turn, seeking to provide a political and sociological explanation that can at the same time incorporate some of the insights from the regnant bellicist and ecological approaches.

Agrarian relations and upper-class political conflict matter critically for our understanding of institutional development. This is because state building requires, at a minimum, the centralization of authority, especially coercive authority. And at the time of the initiation of the modern state-building process, much economic activity, and most of the population, is typically located in the countryside. But where labor-repressive agrarian systems predominate, local control over coercive resources is the *sine qua non* of elite survival. Were central governments (and thus potentially urban actors) to gain monopoly control of the means of violence, effective continued enforcement of rural political control could not be guaranteed, and the economic and social viability of agrarian estates would be threatened. Second, state building requires revenues that are even more-than-usually difficult to obtain from such elites, given servile economies' notoriously low productivity levels. Third, the sorts of large- and long-run investments (in, for example, infrastructure, education, and military professionalization) that central governments must make as part of any state-building effort require that leaders and the elites they represent have relatively lengthy time horizons. That is, they must expect that the results of such efforts will at least eventually benefit them. This can be the case only where either the local upper class has few meaningful political divisions (unlikely) or where elite actors of all major factions are effectively incorporated in the institutions of governance in ways that ensure that no faction can easily become permanently dominant—and thus exclude all others from the ongoing (collective and private) benefits of central governmental activity. Otherwise, elites would have strong incentives to avoid contributing to the state-building effort. Such cooperation is most likely where political competition takes on an iterated character, rather than embodying a zero-sum struggle for immediate dominance; when the former occurs, time horizons can lengthen and cooperation around public goods investment can occur. Rather infelicitously, it is also most probable where nonelite groups (workers, the middle classes, peasants) are excluded from effective political participation. It

may also be the case that precocious democratization impedes the strengthening of governmental institutions.

## Theoretical Terrain: War, Rent, and Politics

The theoretical literatures on conflict as the motor of state building and resource wealth as cause of institutional corrosion have developed in near-complete isolation from each other, even as they seek to explain opposite sides of the same theoretical coin and suffer from similar methodological problems. Probably the most common starting point is to view war and/or the threat of war as a force driving the strengthening of states or even, for that matter, for the emergence of the nation-state as the dominant form of political organization.<sup>5</sup> Military competition in this conception drives increases in the tax capacity of the state and, over the longer term, forces institutional changes that facilitate economic modernization and industrialization.<sup>6</sup> It also ultimately creates state institutions that are robust enough to place demands even on powerful societal actors. Tilly has among the best statements of this perspective, arguing that “preparation for war . . . involves rulers ineluctably in extraction. War builds up an infrastructure of taxation, supply, and administration that itself requires maintenance and often grows faster than the armies and navies that it serves.”<sup>7</sup> What most bellicist accounts are missing, however, is a sufficiently clear statement of the causal mechanism that complements their essentially functionalist theoretical structure.<sup>8</sup> Why do elites necessarily respond to external threat with institution building? Or for those who do not assume effective responses, what explains the path taken?<sup>9</sup>

Without answers to such questions, hypothesis testing is necessarily incomplete, and evidence can be at best only loosely consistent with the war-makes-states account. Indeed, where careful attention is paid to causal mechanisms, further complexities emerge. For example, Cohen et al. have suggested that strategic conflict may be initiated by states in order to build a more powerful foundation for political control over society.<sup>10</sup> This raises two issues: (1) Conflict’s effects may be asymmetrical based on state vulnerability—is it external threat or opportunity for conquest that matters? and (2) Conflict may thus become endogenous; it is purposefully pursued by modernizing, authority-centralizing elites rather than being an (exogenous) spur for elites to modernize.

A quick overview of Middle Eastern and African political economies explains the *prima facie* case that natural resource abundance is related to the creation of “rentier states” and consequent political and institutional calamity. But this conventional wisdom may not be as plausible as it at first appears. The logic of the rentier-state thesis holds that the presence of large mineral rents induces a redirection of public resources to inefficient and costly consumer subsidies, to the creation of “white elephant” industries, and to the construction of patronage and clientelistic networks to sustain elites in power. Due to the availability of “easy money” in the natural resource sector, the very administrative capacity of the state—particularly, that involving the collection of taxes—is undermined, since the generation of “internal” revenues is no longer necessary to fund ongoing activities.

The question is, however, where large resource rents are to be had, must states really fail, or do other possibilities exist? Here again the problem is one of causal mechanisms: we need to know *why* easy wealth necessarily causes political elites to make choices that spur institutional decay. While the best work in this area argues that resource rents tend to reduce reliance on other forms of taxation,<sup>11</sup> it still does not follow that the changing character of revenue sources implies a weakening of institutions through a sudden shift to captured, clientelistic, or patronage-based government. Because there are other realistic choices—still privately profitable to elites—to be made that can lead *eventually* to the construction of higher quality bureaucracies and stronger states, the resource-curse thesis in its usual formulation is open to serious doubt.

However, if virtually all the natural resource-dependent economies of the world are characterized by corruption and predation, is there reason to doubt the rentier-state argument? Unfortunately, there is. First, economic underdevelopment may in some cases cause both resource dependence (by preventing the development of the broader economy) and malgovernance, inducing a misleading correlation. Second, quite a few major resource-exporting political economies ended up producing very strong states characterized by bureaucratic efficacy and probity. Mineral wealth, for example, was and is central to both the Australian and Canadian political economies; it was certainly dominant during the critical period of state building. Massive and sudden oil revenues since the 1970s have not, by most accounts, produced a marked decline in the quality of the English or Norwegian civil services. And ultimately, even the United States at different points in its history was heavily dependent on its enormous natural resource wealth.<sup>12</sup> For these cases, temporal selection problems and errors in conceptualization and measurement have kept them from being properly grouped among the “natural resource” economies.<sup>13</sup>

The literature linking natural resource wealth and political underdevelopment is extensive and nuanced. But at its core, it turns on a simple and compelling idea, summarized by Ross: in such contexts, politicians seize control over the ability to distribute the natural resource windfall and then “divert state assets into patronage, corruption, and pork barrel funding . . . [and] once they hold the ability to reshape resource institutions to their advantage, they may use the opportunity to create additional, allocable rents to meet their patronage and corruption needs.”<sup>14</sup> The implication is that rents, once available, help consolidate political control, which then makes possible the further corruption of the state bureaucracy in a downward spiral of malgovernance, slow growth, cronyism, patronage politics, and institutional decay. The critical implication of this dynamic—though not always explicitly stated—is that where rents are not available, politicians must use other means to maintain support, including modernization of the state and economy or the provision of public goods. Similarly, the hard work of constructing effective institutions of taxation to provide necessary revenue—which must be at least implicitly assumed to occur where resource rents are absent—requires strong penetration of society and, as a consequence, induces citizens to demand accountability, thus improving governance. These claims are eminently functionalist, and here again the implicit causal mechanisms are underspecified; it is unclear why politicians will steal or misuse rents simply because they exist, and it is not obvious

why the absence of wealth induces improvements in performance (or if it does not always, when will it?). Sustained failure would seem all too real an option. And effective use of resources (or self-enrichment through mechanisms that are also public-goods providing) is a possibility as well.<sup>15</sup>

The real-world cases cited earlier suggest that it is by no means necessarily the case that resource revenues will be used in an institutionally destructive fashion. While self-interested elites may use government funds for private gain or the provision of rents for their cronies, they quite frequently do so in ways that simultaneously generate long-run state-building dynamics. Politicians distribute largesse by engaging in, for example, large-scale transportation and communication infrastructure provision, educational expansion, and military modernization. Even if the contracts for such work are awarded to cronies of the government or access to employment in such projects is distributed as patronage, the long-term effects spur political and economic development: roads and rails are laid, schools are built, pupils are educated, telegraphs and telephones unite the national territory, and the coercive face of the state is strengthened. These outcomes then reduce domestic transaction costs, support entrepreneurship, promote national integration, strengthen national defense and even make possible colonial expansion, raise levels of human capital, increase the rate of economic development, and broaden the scope of the central government. This in turn may ultimately create new social groups with vested interests in the modernization of governance—from middle-sector groups and public employees to new entrepreneurial elements that operate in nonresource sectors to reform-minded military officers. Rent seeking thus does not have to be absent for an influx of resource wealth to have salutary long-run effects on state building, if the way in which rents are distributed has the effect of inducing changes favorable to state building as they accumulate over time.

## **The Foundations of the Modern State: Social Relations and Elite Politics**

How then ought we understand political development? Most scholars see state building as a long-term and path-dependent process; long-run outcomes are most profoundly shaped at the outset. What we must focus on, then, are the conditions that shape the developmental trajectories that states face. The critical junctures that set the stage for political development or underdevelopment seem to occur early in the process of economic modernization. In such periods, agriculture is typically the dominant economic sector, and the social relations that govern its operation are thus critical to the possibility of effective state building. It is my contention that where a local elite organizes a labor-repressive agrarian economy, effective political development, even in the face of war or wealth, is unlikely.<sup>16</sup> Similarly, the incorporation of upper-class actors into the national political system is crucial to enabling cooperation in state building and public-goods provision activities, despite whatever other cleavages might divide them.

This theoretical perspective also helps resolve some of the problems that have characterized the regnant bellicist and ecological approaches. That is, I also seek to account

for, first, why, for example, Chile was able to use its immense natural resource wealth (and that which it stole from Peru) to construct comparatively effective government, while similar Peruvian wealth was largely squandered. Second, I seek to explain why near-constant threats of external conflict in Peru were met with regional elite fragmentation, self-serving and disloyal politics, the inability to raise revenues, and the incapacity to create or project an effective national military force. In Chile, persistent conflict and two brief civil wars spurred a political response by elites that secured the creation of a strong national army, the domestic taxation to provide the revenues to project it effectively at great distances, and the earliest and most wide-ranging program of military professionalization on the continent. I turn now to address specifically the manner in which social structures and elite politics come together in the state building process.

### *Social Relations*

Harkening back to Moore, I contend that it is the absence of labor-repressive relations of production that is critical to the long-run development of not regimes but effective governmental institutions.<sup>17</sup> This distinction is emphatically not between capitalist and noncapitalist forms of production, for there are quite a few ways of organizing the economy that do not involve the exchange of land, labor, and capital on markets but that nevertheless do not require labor coercion. The emphasis here is specifically on the mechanism by which labor is recruited and employed in production—is it an inherently coercive process or can workers leave the farms free of any practical or de jure encumbrances? Where rural elites recruit their workforces through servile or semiservile means (through, for example, slavery, formal serfdom or indenture, labor *corvées*, or legally enforced debt peonage), external conflict is unlikely to provoke modernization or state building. Indeed, Rueschemeyer et al. have similarly identified the agrarian upper class—especially the more repressive “feudal” variety—as inimical to democratization, for it, like military service, would threaten their fundamental interests.<sup>18</sup>

Why? Servile systems leave local elites extremely vulnerable to the centralization of authority, as it implies the possibility that national governments may eventually be unable or unwilling to maintain the strict local social control and labor coercion upon which the agrarian political economy (and potentially their physical survival) depends. Even more important, in such contexts, agrarian elites will resist the taxation necessary to support military modernization or even collective defense.<sup>19</sup> Labor-repressive economic systems are of notoriously low productivity (giving elites little margin for added fiscal contribution) and are inauspicious settings for most productivity-enhancing investments. Coerced labor forces rarely efficiently adapt and employ improved technologies, and elites are in any event very unlikely to permit (or pay for) the generalized educational improvement necessary to support such modernization. And finally there is the distributional question: ceding taxation authority and control over coercion to the center would be particularly risky in contexts where urban interests, competing



regions, or other social classes might gain control or influence over them. They might well, after all, form distributive or redistributive coalitions that exclude the agrarian elites, and could thus threaten the rural social order and landlord material welfare.

This last threat is quite plausible, for urban-oriented governments have often moved to incorporate political actors beyond the elite strata as part of a strategy to build the political foundations for industrialization—which would likely provoke economic and social reforms anathema to rural elites, including, most notably, land reforms. Or more likely, since Latin American governments historically have overwhelmingly represented the interests of the powerful, agrarian elites might simply have to contend with efforts designed to promote industrialization at the rural sector's expense—as in the postwar process of import substituting industrialization. Beyond redistributing national income to urban actors, industrialization requires workers, and profitability in nascent industries requires low wages, an urban labor surplus, and cheap food. In servile systems with labor effectively bound to the countryside and to low-productivity agriculture, no such labor force can be recruited, and food prices remain comparatively high. Thus even capitalist industrialization threatens such agrarian systems with radical transformation.

Where labor is not servile—and this must be considered broadly to include any form of tenure, not simply capitalist wage relations, in which a peasant has the practical legal right to leave the farm—the development of a modern army and the centralization of power is not a life-or-death threat for local elites. Such situations would naturally include agrarian social structures characterized by independent family farms or capitalist agribusinesses, but also noncapitalist, traditional large holdings staffed by peasants sharecropping, working for usufruct, or acting as labor service tenants, as long as they had the legal ability to depart should they so choose. Some, but not all, such settings have also been linked to better economic performance and at a minimum greater efficiency in the allocation of labor. Not only are such elites accustomed to paying closer to market prices for labor, but they also have the potential to invest in labor-saving technology should such costs become onerous. And, critically, military service by peasants would not risk the social instability it can bring to servile political economies when peasants, with newly acquired skills in warfare, return.

### *National Elite Politics*

While the character of agrarian class relations are important, they do not alone define the amenability of a polity to successful state-building processes. Equally important are the linkages between the state executive and the upper classes as a whole. The critical factor here is that elites *beyond* the governing faction must have achieved meaningful political incorporation. Where central authorities are at odds with powerful regional or local elites, or where the central state is dependent upon the tax-collecting power of provincial strongmen or holders of venal office, political centralization will be blocked and the expanded resource extraction that drives both state building and human capital formation cannot be imposed; it founders on the short-term self-interest of



uncoordinated elites. But where elites are incorporated—either through cooperation in the form of an “oligarchic democracy” or through imposition in more absolutist bureaucratic settings—their collective interests can be organized within the state, and even difficult choices that have principally longer-term payoffs can be made. This is particularly true when they are made in the context of external challenges that, if unmet, would threaten the collective survival of the elite itself.<sup>20</sup>

What matters is whether the interests of the central state and those of powerful regional or local elites are harmonized or at least not directly threatening to each other.<sup>21</sup> The path typical in Latin America to elite coordination involves a less powerful central state—one in which local elites effectively hold shared sway. This is the case in “oligarchic democracies” where the central state becomes the venue in which the collective interests of the upper classes are defined and articulated, and as such, it can credibly be seen as a provider of collective goods for the elite without simultaneously threatening their independent authority. This is most feasible when contending elite factions and parties are at least somewhat heterogeneous, and thus cross-cutting, in their sectoral and/or geographic composition. They would then form what McAdam, following Gamson, called a “competitive establishment.”<sup>22</sup> However much factions may be at odds with each other, they are united in their desire to avoid the expansion of the political arena. Under such conditions, the time horizons of politicians can lengthen, and policy choices that at once enrich the upper classes but also produce long-run developmental benefits (e.g., expansion of rail infrastructure, education, economic promotion, or industrialization) become more likely.

Of course, this is possible only where the political system is effectively and exclusively dominated by upper-class interests, ensuring that public institutions cannot be used to the detriment of agrarian elites (in a redistributive sense) by middle-class or popular-sector actors. If democratization occurs early and nonelite social classes achieve influence, this interelite cooperation may well break down, and the political and material resources necessary to underwrite state-building efforts will not be forthcoming. An unexplored implication of this article is that there may be an elective affinity between authoritarianism or oligarchic dominance and the selection onto an initial state-building path. It would not, however, preclude subsequent democratization.

## **Research Design: Selection Bias and Structuring Appropriate Comparisons**

Evaluating hypotheses about the origins of long-run, path-dependent historical processes (such as state building) is inherently difficult.<sup>23</sup> The starting point here is the empirical analysis of the factors that condition the ability of states to modernize. To do this, however, we cannot simply compare the contemporary characteristics of states that have succeeded in developing effective public administrations with those that have not. Two types of selection processes render this problematic, one affecting the relationship between war making and political development, the other bedeviling the linkage between resource endowments and rentierism.

## Selection Bias

To properly understand the effect of war making on state building, it is not enough to discover that most effective contemporary nation-states were forged in the crucible of international conflict. What is missing here is the fact that state collapse is a likely outcome of violent international conflict.<sup>24</sup> The consequence is that war or the threat of conflict may be an enabling condition for initiating a process of state formation and strengthening, but not one that should be given direct causal status. War may make states, but it seems to do so only occasionally. Scholars of state formation—by emphasizing the historical development of actually existing states—have fallen into the trap of selection bias by virtue of the fact that the states for which war sparked collapse (or that likely responded to external threats with what Hui calls “self-weakening expedients”) were often dismembered and thus selected out of the contemporary sample.<sup>25</sup> While for those that survived, war appears to have been an important motivator for institutional improvement, to correctly assess its causal weight, one must focus on the universe of states present at the initiation, not *dénouement*, of the state-building process.

The measurement and consequent selection problems underlying resource-curse arguments are substantially more severe. For scholars working in this paradigm, a common strategy is to identify “resource-dependent” countries by the ratio of natural resource exports to GDP in the contemporary era. While at first glance this measure seems reasonable enough, it is not consistent with the concept implied in theory—that access to easily collectible mineral rents promotes bloated, patronage-producing state structures. It is access to easily extractable rents that matters and not access specifically to foreign exchange—for citizens typically can also be bribed, employed, or bought off in domestic currency.

But the denominator is also problematic—why normalize to GDP when the point of the argument is about the amount of natural resource wealth available for political distribution, and not that there is quite a lot of it relative to the size of the overall economy? It is also unclear why large amounts of distributable wealth would be less politically pernicious in a richer versus a poorer country—as long as one makes no assumptions as to the inherent quality of governance in relationship to national income. If these measurement considerations are not taken into account, countries that have potentially very large natural resource sectors, but that do not tend to export them (instead, they consume them domestically), or countries that are quite well-off but also resource intensive, would tend to be coded as “resource scarce” despite having enormous natural resource sectors that produce large, politically allocable rents.<sup>26</sup> Indeed, if we consider the top eleven “least-corrupt” governments as defined by Transparency International, we find that at least five have immense natural resource sectors (see Table 1).

This is only the beginning of the problem, however, for a form of what Schrank has recently described as “temporal selection bias” is also a potential cause of serious error.<sup>27</sup> Where resources contribute positively to economic growth, they are progressively depleted during the course of development, leaving such states apparently

**Table 1.** From Measurement Error to Selection Bias? Per Capita Natural Resource Wealth in Well-governed Countries

Country	Transparency International corruption perception	Primary sector output (per capita)	Food, mineral, and fuel exports (per capita)
Iceland	2	\$6,707	\$6,109
New Zealand	3	\$2,645	\$2,067
Australia	8*	\$2,621	\$1,963
Norway	8*	\$5,694	\$7,876
Canada	11	\$2,066	\$1,697

Source: "Corruption," from Transparency International (2003). Economic data calculated from World Bank (2003).<sup>28</sup>

resource poor later in their developmental trajectory; but wealth did not inhibit growth.<sup>29</sup> Indeed, the same logic applies even if resource wealth is unrelated to economic growth—depletion over time would still induce a false correlation between resource scarcity and development. Moreover, if the measure of resource dependence used is a ratio of resources to GDP, these states would appear to be decreasingly resource dependent even if the resource sectors were not depleted. And if economic and political development are positively correlated, this temporal process will have a tendency to produce strong "false negatives" with respect to the relationship between resource wealth and state efficacy in contemporary-era cross-sectional (or short time series) analyses.<sup>30</sup> Thus, even a better measure of the size of the contemporary resource sector is not enough to permit a valid test of the natural resources–political underdevelopment linkage. It becomes clear that any such design must encompass a long historical sweep, and indications of resource intensity of economic life must be considered at the start rather than at the culmination of the process of political development and state building.

### *Exogeneity and Omitted Variables*

Any parsimonious treatment of a long-run, complex phenomenon such as state building must confront the likelihood that myriad other factors help shape outcomes. The theory presented here is no exception; the goal is to provide an explanation for the broad paths that political development takes. The argument is not, however, that there are no circumstances that might induce state building or decay other than the combination of agrarian relations and elite politics highlighted here. Exogenous shocks (economic, ecological, or health), geographic and demographic structures, or international forces (e.g., aid, occupation, or diffusion) could all be important contributors. That said, where agrarian relations and elite politics are unfavorable, even substantial external pressures will face enormous challenges in driving a sustainable state building project.

By contrast, it would be difficult to contend that the causal factors emphasized here are endogenous. Patterns of agrarian social relations typically long predate efforts at state building and are transformed only rarely, and in socially wrenching ways (from the enclosures in England to the Civil War in the United States to the few revolutionary land reforms in Latin America). Nor is it obvious how elite coordination—so much a product of individual leadership and political bargaining—can easily be reduced to structural features of the state or society. Certainly cultural, ethnic, or regional cleavages can make it difficult, but they are hardly necessary for elites to be politically divided. And of course political and institutional arrangements can sometimes eliminate the salience of such cleavages where they exist.

### *Critical Case Approach: Chile and Peru*

The approach to hypothesis testing here is comparative historical in method, utilizing a cross-time, most-similar-systems design. The justifications for such an approach are both theoretical and practical. In the first case, arguments about the relationships of war, wealth, and politics to state building are cast here (and by most other scholars) in path-dependent terms. This precludes at least simple large- $N$  cross-sectional research designs, insofar as putative causes and effects are hypothesized to be connected only given the outcomes of prior events, which are of necessity not recorded in contemporary data.<sup>31</sup> In principle, given data sets of long historical sweep, it might be possible to adequately model theories of this kind in large- $N$  quantitative data. But in the absence of such data, efforts to test such theory in cross-sectional (or short time series) data would be nonsensical—they would either so oversimplify the theory in the effort to make it empirically tractable as to vitiate the hypothesis tests themselves or be heavily biased with respect to key claims.

My approach involves the comparison of the long-run political development of Peru and Chile. These Andean neighbors have taken decidedly different roads in the process of state building, leading to antipodal outcomes. Despite initial advantages deriving from its role as the colonial seat of government, its greater wealth, and the comparatively higher level of military and administrative infrastructure created by the Spanish, Peru has come to be characterized by ineffective governance, high levels of corruption and clientelism, and the underprovision of basic public goods. Indeed, in the nineteenth century, many would debate whether it was even wholly accurate to call Peru a national state. Chile, by contrast, began as a poor colonial backwater that experienced little institutional development under Spanish rule. Nevertheless, in the nineteenth and twentieth centuries, it built a far more wide-ranging, effective, and efficient public sector than either its Latin American neighbors or most other countries at comparable levels of development.

The comparison is carefully structured to address my central hypotheses as well as to shed light on the conventional bellicist and ecological explanations. To begin, in both Chile and Peru, serious external conflicts characterized much of their histories through the nineteenth century process of state formation—and indeed, the threat was in some sense identical since Chile and Peru were each other's principal military

rivals.<sup>32</sup> In terms of terrain, military technology, and human capital, they were quite similar, and their competition took place in precisely the same geographic and geostrategic environment. Second, on the resource wealth side, both economies for almost their entire histories have been overwhelmingly dependent on mineral exports—and usually the same mineral exports. Both were major silver producers during the colonial era, which in the Peruvian case was followed by the dominance of extremely profitable guano and then, later, nitrate and copper exports. In the Chilean case, silver and copper gave way to nitrates, which were followed by a return to the copper production, which to this day dominates Chile's export profile and contributes mightily through the massive state-run copper producer to the national purse. What makes this a critical case is that the proceeds of the very same resources at almost precisely the same time—especially nitrates—provoked little progress in modernizing the Peruvian state, while they supported many key aspects of Chilean political development. This variation is all the more surprising, however, since this is not only a similarity in terms of resource dependence; it was in fact reliance on the very same nitrate fields. At the height of their profitability, the Peruvian nitrate mines of the Arica and Tacna regions were lost to Chile when they were occupied (and later partially annexed) after the Chilean victory in the War of the Pacific (1879–83). If neither resources nor strategic conflict drove Chilean modernization or Peruvian institutional atrophy, we must next use the comparison to elucidate what did, in fact, make or unmake their state apparatuses.

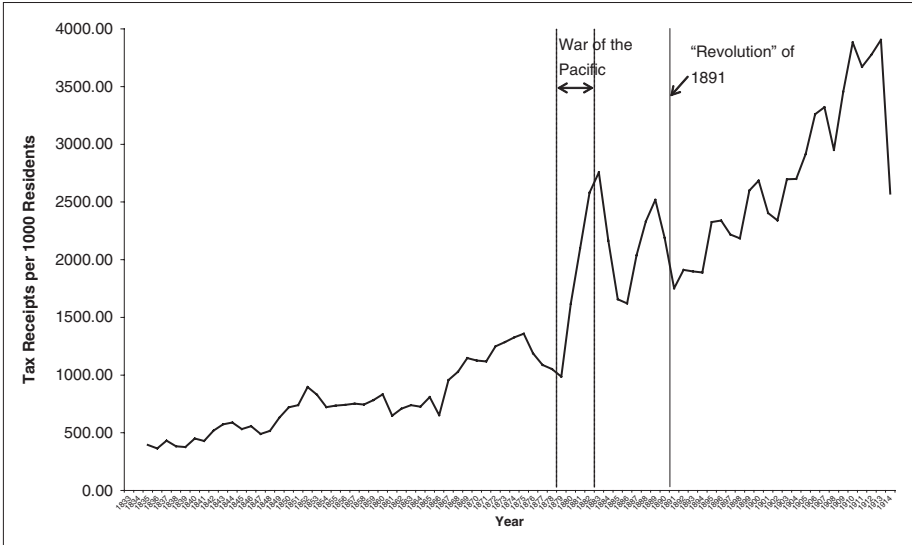
It must of course be added that the historical comparison is undergirded by a set of important fundamental similarities. Both countries were Spanish colonies (and both were administered out of the Viceroyalty of Lima); they began the era of independence in similarly impoverished conditions; they share a geopolitical, institutional, and cultural heritage; and they were almost identically situated in the international division of labor.

## **State Building and Atrophy in Chile And Peru**

To claim that the capacity of the Chilean state has long dwarfed that of Peru implies that we can measure the relative level of administrative development across these two polities. Directly measuring state administrative capacity is a difficult task; it is much more so than, for example, measuring levels of economic development. In this article, I take as an indicator of state capacity and the penetration of public power objective measures of the difficult task that virtually all states must pursue: taxation for the provision of basic public goods. While states have discretion over a wide range of policy choices, all require tax resources. And at the levels of development examined here, levels of taxation are reasonable indicators of the state's capacity rather than simply policy preferences.<sup>33</sup>

### *The Outcomes*

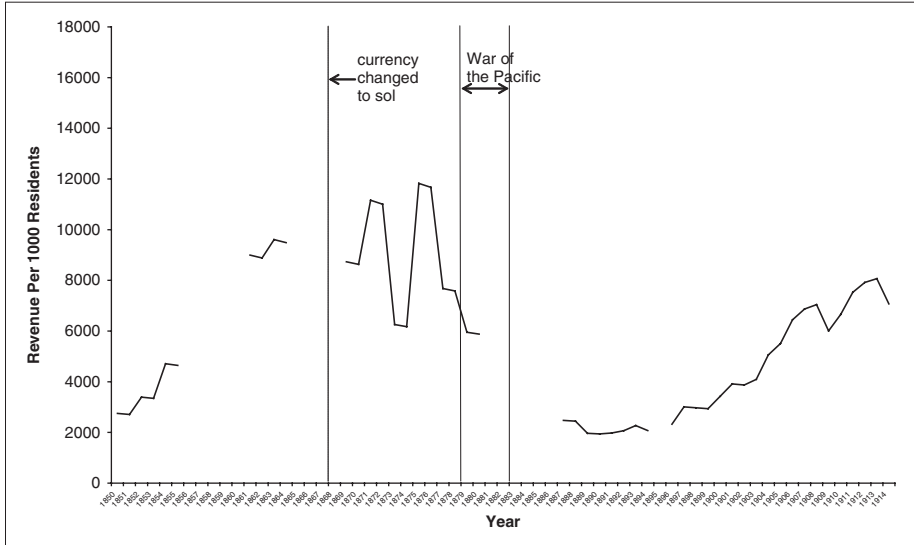
The data in Figures 1 and 2 show the development of marked differences in the capacities of the Peruvian and Chilean states to collect revenues in the critical era between independence and the First World War. Particularly in less developed contexts, taxation



**Figure 1.** Ordinary tax revenues (constant £ of 1833) in Chile per one thousand residents, 1833–1914

capacity is a commonly accepted indicator of the efficacy and penetration of national institutions—indeed, domestic revenue extraction is *the* key indicator of state strength in bellicist and ecological accounts of political development.<sup>34</sup> While the data are not easily compared as to levels for the nineteenth century, the trend is quite clear (see Figure 1). With some plateaus early in the Republican history of Chile, per capita *real* tax receipts increased considerably. From roughly the 1850s until the global depression of the late 1870s, real tax income per head roughly doubled. Then, after a dip associated with the depression, they resume an upward trajectory—now even more steeply—in part due to the acquisition of very valuable and easily taxed nitrate fields from Peru in the War of the Pacific (1879–83). Indeed, even a civil war in 1891 produced only a brief downturn in revenue collection followed by a return to growth, until the collapse of global trade attendant upon the start of the First World War undermined Chilean tax receipts. It should be added that these data are underestimates: they exclude important direct taxes (on income and wealth) that were turned over to municipalities after the War of the Pacific and thus ceased to be included in national accounts while still being collected. Indeed, the very existence early on of hard-to-collect direct taxes is itself an indication of the comparatively high quality of Chilean public administration that contrasts sharply with a Peruvian state still reliant on such primitive revenue tools as tax farms.

By contrast, the Peruvian case is a tale of collapse (see Figure 2). Indeed, the comparative absence even of data on public revenues itself suggests a much-less-developed Peruvian administrative capacity. Between 1833 and 1846, the Peruvian treasury did



**Figure 2.** Government revenue per thousand, 1950–1914 (current pesos to 1868, current soles 1869–1914)

not even manage to record basic information on either revenues or expenditures.<sup>35</sup> While state revenues briefly improved during the era of the guano and nitrate booms,<sup>36</sup> once these territories were seized by the Chileans in the War of the Pacific, public revenues suffered a catastrophic decline. Indeed, throughout much of this era, the Peruvian state resorted to monetary emission (printing paper money unsupported by gold or silver reserves), tax farming, and usurious loans in a largely unsuccessful effort to fund the basics of national government. Thus, during the 1880s and 1890s, tax receipts averaged little more than a quarter of their prewar levels. It is important, as well, to keep in mind that these data have not been adjusted for inflation, as no nineteenth century price index is available for Peru. Thus it is entirely likely that the increase in tax revenues after roughly the turn of the century reflects price inflation as much as real increases in government receipts. By contrast, the Chilean data are in constant pounds sterling of 1833, and thus Chile's long-run increase in revenue—roughly a real quadrupling on a per capita basis between the 1850s and 1910s—reflects sharp real increases in the ability of the state to tax its citizens.

It is thus clear that Peru and Chile were on decidedly different trajectories of political development—at least as measured by the ability of the state to extract taxes from its citizens. It is also the case that they taxed at vastly different levels. Using the first year for which comparable exchange rate data are available, 1901, Peruvian tax receipts per one thousand residents amounted to roughly £392, while the equivalent number for Chile in that year was £2,327.<sup>37</sup> The difference carries forward to the present—the tax capacity of the Chilean state (taxes as a share of its now much-larger per



capita GDP), even given its widely heralded commitment to neoliberal minimalism since the mid 1970s—is roughly double that of its Peruvian neighbor. And the ultimate outcome is a matter of consensus among scholars of the region.<sup>38</sup>

### *Peru: From Colonial Center to State Failure*

Peru's colonial history suggests that it should have had a well-developed administrative and coercive infrastructure (for its time).<sup>39</sup> The Viceroyalty of Peru was a locus of Spanish control in lower South America, and its coercive infrastructure had to cope with the possibility of insurrection among the largest indigenous population south of the Mayan regions of Central America. Certainly by comparison with a backwater such as Santiago de Chile, Peru had decidedly more advanced colonial-era political and military institutions. While the Spanish colonists in Peru had effectively subjugated the once-mighty Inca Empire, in Chile, they invested so few resources that they had not even succeeded in suppressing the comparatively small indigenous populations in the south—instead they conceded to the Mapuche Indians effective independence in part of the area between Santiago and Concepción. Similarly, while the absence of major wars is an oft-cited explanation of the generally low level of administrative capacity in Latin America as a whole, it is a poor explanation of the relative incapacity of the Peruvian state compared with its regional neighbors. Peru after independence was among the Latin American countries most consistently threatened by international military conflict, alternatively with Chile, Colombia, Spain, and Ecuador. This conflict could and did implicate the lives and fortunes of its elites, yet it did not impel their cooperation around the formation of either an effective state or even basic military preparedness or modernization.

What, then, accounts for the persistent backwardness of the Peruvian state? The political effects of a servile rural political economy were crucial from the formation of the republic onward. Indeed, the very question of independence from Spain had deeply divided the Creole elite of Peru, and ultimately liberation was not won by Peruvians but rather imposed from without by Bolívar, O'Higgins, and San Martín. Historians have pointed out that much of the reluctance of Peruvian Creole elites, although they stood to govern Peru after independence, to join the continentwide move to independence was founded on the fears that the revolutionary movement utilized indigenous images, symbols, and even soldiers. The participation of armed Indians—and the consequent possibility of postindependence rebellion against local repressive structures—was sufficient to drive many Peruvian elites to the royalist cause.<sup>40</sup>

Postindependence Peru thus remained deeply fragmented by race and class, distinctions that were at the very heart of the system of taxation and social organization. But even the omnipresent threat of indigenous insurrection was insufficient to promote cooperation among members of the Creole elite, which was also profoundly divided along regional lines. The resultant conflict and instability was so severe that Peru was unable to form any form of lasting national administration until the midnineteenth century, and it reinforced the importance of local control over coercive institutions.

Between 1821 and 1845, fifty-three governments, ten congresses, and as many as seven constitutional documents claimed—but did not have—effective political authority.<sup>41</sup> In the first half of the nineteenth century, fragmentation, state weakness, and patrimonialism carried the day as deeply divided, rent-seeking elites confronted a state unable to resist their pressures or impose its will.<sup>42</sup> This conflict culminated in the 1841–45 civil war, which reduced what little remained of Peruvian public administration to an “inherently predatory” state.<sup>43</sup>

The end of the civil conflict, and the rise to power of a more lasting *caudillo*, Ramón Castilla, in 1845 (president from 1845 to 1851 and from 1855 to 1862) brought with it the first real effort at state (re-) building. Castilla had the singular fortune of coming to power during a period of historically unprecedented wealth: the guano boom.<sup>44</sup> Indeed, guano made Peru the world’s only source of nonanimal fertilizer for much of the last half of the nineteenth century, and the Peruvian state managed to retain an unprecedented 60 to 70 percent of the proceeds as its profit.<sup>45</sup> This sudden influx of wealth finally made it possible for Castilla to co-opt southern elites, stamp out regionalist rebellions, and establish a more effective national military. Even a measure of elite cooperation was purchased as Castilla used guano proceeds to redeem otherwise near-worthless government bonds, which had been acquired at a small fraction of their face value by many members of the upper classes.<sup>46</sup> Some were also paid to agrarian elites as (often fraudulently overstated) compensation for manumission in 1854.<sup>47</sup> Guano wealth thus underwrote the expansion of the Peruvian state, whose budget ballooned eightfold in the span of twenty-five years. According to Peloso, nearly half of the guano revenues went into the expansion the military and civilian personnel of the central state; much of the rest was effectively transferred to domestic and foreign bondholders.<sup>48</sup> Resource wealth thus contributed to ending internal conflict, but was in large measure dissipated as rents rather than invested in institutional development. That said, it still marked an administrative improvement relative to the era of greater natural resource scarcity.

Peruvian political stability and governance, however, had been mortared with the proceeds from guano exports, and when these declined in the early 1870s, so did the reach of the central state.<sup>49</sup> The timing was unfortunate, as it was at just this moment that the external military conflict with Chile was heating up. A bellicist perspective on this conflict would suggest that faced with the threat of war with Chile, the Peruvian elite might accept some centralization of authority or increase in taxation to pay the substantial costs associated with building a military effective enough to repel or deter the Chileans. Even the threat of war, however, was not enough to make possible the creation of an effective revenue system for the Peruvian state; the loss of guano revenues was not compensated for by the imposition of effective domestic direct or indirect taxation.<sup>50</sup> Importantly, the issue was not just the ability to collect taxes but rather the explicit unwillingness of elites in the Peruvian legislature to levy new taxes, even for the national defense. Whether they would have been able to collect them, had they been levied, remains an open question. Instead, Peru resorted to massive monetary emission, more than quadrupling the paper money supply in a matter of months at the onset of the war.<sup>51</sup>

Far from provoking political modernization, the War of the Pacific (1879–83) fought between the Bolivian and Peruvian alliance against the Chilean invaders produced an institutional collapse. Instead of unifying Peruvians around the defense of the nation, the war “generated not only . . . confrontation between the ruling class and the subordinate classes as a whole, but also ethnic confrontation.”<sup>52</sup> The Peruvian elite in fact continued its refusal to approve tax levies to defend itself even as the Chileans actually invaded.<sup>53</sup> The war laid bare the fundamental social problem rooted in the countryside that made Peruvian political modernization impossible: the continued reliance on an enormous, and rebellious, semiservile labor force—the indigenous population of the Sierra and indentured Chinese laborers on the coastal plantations. Indeed, class and racial politics very quickly overwhelmed “national” loyalty as the Chilean invasion arrived. That is, elites were generally far more concerned that peasants remain under control than they were with contributing to the national defense against the Chilean invaders. The mayor of Lima himself openly hoped for a prompt Chilean occupation of the city out of fear that subalterns might rise in rebellion.<sup>54</sup> Moreover, as a few Peruvian patriots, such as Cáceres, attempted to engage the Chileans in a guerilla conflict in 1882–83, the agrarian upper class not only largely refused to support the effort but actively collaborated with the Chilean occupiers because of Cáceres’ reliance on armed peasant *montoneras* (guerillas).<sup>55</sup>

Elites were reluctant to resist the Chilean invaders, as doing so would require joining with and arming the (long-restive) local peasantry. It was thus the semiservile social structure of highland Peru that prevented the Chilean invasion from propelling a nationalist response among elites that might otherwise have made them willing to pay taxes toward their collective defense and permit the centralization of power that would have helped to create an even moderately competent military. But given a choice between nationalist fears of Chileans and class fears of an armed, mobilized peasantry, many of the Peruvian elites gave in to the latter, even at the cost of collaboration in their own nation’s occupation.<sup>56</sup> The point is not, however, that Peru was handicapped because it had a precapitalist agrarian system. The Chilean rural economy was by all accounts also extremely inefficient and clearly run along precapitalist lines. But Chilean peasants were free to abandon their estates should they so choose. And agrarian elites could thus support the construction of mass armies without risking social unrest, personal security, or economic catastrophe.<sup>57</sup> The difference is, however, that a labor-repressive agrarian structure, such as Peru’s, is an unsuitable social basis on which to recruit a mass army. But even one as traditional and economically unproductive as the Chilean can, by contrast, serve as such a foundation, since the military apparatus is not simultaneously extensively used in a repressive capacity to maintain agrarian social control; indeed, it can even be a first step in a process of social mobility through which peasants move to higher-status urban occupations. In Peru, neither were landlords willing to entrust local social control to soon-to-be-mobilized peasant troops, nor could they part with the labor that a *levée en masse* would have entailed or the political and military empowerment it would have required. Fears of rebellion in Peru were well founded: at least four major popular insurrections occurred in the nineteenth century—in 1834,

1854, 1865, and 1895<sup>58</sup>—and two more occurred with great intensity in 1915–16 and 1920–23.<sup>59</sup>

An explanation for Peruvian elites' insistence on maintaining local control over the coercive apparatus, even at the expense of national sovereignty itself, requires an examination of exactly how force was essential to the operation of the agrarian economy. While unfree labor was essential in both major agrarian political economies of Peru (the highland "Sierra" grain producers and sheep ranchers and the lowland coastal plantations), it was very differently organized. It is also important to note that unfree relations were confined not only to the agrarian economy (which was, of course, at the time the most important), but they also characterized much of the mining sector well into the twentieth century.

Coastal plantation agriculture is the clearest example of reliance on classic servile labor. These (often sugar) plantations initially relied on African slave labor until manumission in 1854, which was followed by the importation of Chinese indentured servants under similarly exploitative conditions until 1874.<sup>60</sup> When the supply of indentured labor ended shortly before the War of the Pacific, planters shifted not to wage labor but rather to an interregional system of debt peonage (*enganche*).<sup>61</sup> In this way they were able to draw on the labor surplus in the indigenous highland region rather than pay the comparatively high wages that would have been required either to attract it voluntarily or to recruit foreign workers.

The *enganche* system, variations of which were widely used in Latin America, involves the advance of cash by planters or their middlemen that binds the recipient to a term of labor (in Peru, formally from three months to two years), during which, in theory, the debt and interest will be repaid. Of course, these terms serve as minima, as a wide variety of tools were used to increase their length or raise the debt level. Owners, for example, would pay in scrip redeemable only at (exorbitant) company stores and would further extend credit in these facilities, they could falsify the debt records of the often-illiterate indigenous labor force, and they would take advantage of misfortunes to encourage ill-advised further advances of cash.

The linkage between the *enganche* system and the local control of coercion becomes more transparent when one recognizes that the labor recruiters (*enganchadores*) were themselves typically local political authorities in the highland communities from which workers were recruited. For these highland officials, landlords, and even clergymen, personal profit was intimately tied to their local control over the proximate Indian communities; without this control, not only could Indians not be induced to accept the advances, but also they would flee their servitude with great frequency, for the fundamentally exploitative character of this system of labor relations was quite apparent. As Klarén puts it, this system, especially early on, "was based far more on a mix of physical force and moral persuasion than on money incentives."<sup>62</sup>

Coercion was also essential to highland agriculture, even though there existed in this region a local labor surplus (in contrast to the coasts, to which workers were literally forcibly transported). Here semiservile labor relations were less about labor recruitment alone or just the potential monetary expense of free wage labor. Instead, the

violence inherent in Sierra agriculture was about controlling a restive population and, more importantly, protecting the very property rights of the landlords themselves. Highland landlords were effectively in perpetual conflict with surrounding Indian communities over the boundaries between their properties, for not only were their estates established as a consequence of the colonial seizure of Inca lands, but in subsequent years, encroachment on formally inalienable community lands became commonplace—and was subject to frequent counterattacks.

Unlike Chile's Central Valley, however, Spain's conquest of Peru did not eradicate the indigenous population or its independent communities, though impoverish them it did. And it was the survival of these communities, down to the present day, that made the ongoing violent conflicts over the control over land both possible and inevitable. Whenever landlord coercive resources were at a nadir, they were immediately faced with the likelihood of violent efforts by Indians to reclaim their lands and reassert their rights—indeed, exactly such zero-sum conflicts over the control over productive land has long been identified as a structurally conducive to endemic rebellion.<sup>63</sup> And these conflicts were a threat not simply to the livelihoods of Sierra *gamonales* (traditional highland landlords) but also to their lives.

Economic development, ironically, only made matters worse, for the opening of the Southern Railway vastly increased the potential profitability of highland farms and ranches. But for it to pave the way for the definitive introduction of wage labor, it would have first required the further extensive dispossession of Indian lands and, more importantly, a definitive end to any collective capacity to resist. As is, of course, made clear by the civil war in highland Peru as late as the 1990s, in the almost two centuries after independence, neither the foundation for indigenous grievances nor their capacity to rebel in pursuit of redress has been removed. In the interim, any nonservile labor alternative would only have increased the resources available to Indian communities (through the payment of more substantial wages) and with it their capacity to engage local elites in a struggle over ownership of the land itself. This of course sapped the willingness of these landlords to permit the centralization of force in the hands of a remote national army, and it made them even more reticent to tolerate the participation of indigenous Peruvians in the military defense of the fatherland, for they saw themselves as the likely next targets of the military skills and equipment indigenous peasants would acquire by doing so.

This reticence contributed to defeat in the War of the Pacific, which brought with it a critical territorial loss for Peru—the nitrate fields of the Atacama Desert, which had replaced guano as the world's principal source of fertilizer and inputs for munitions—as Chile occupied the southern provinces of Arica and Tacna, as well as Iquique from Bolivia. Some have contended that the response of Peruvian elites to defeat by the Chileans should be an effort to reconstitute the state and professionalize the public administration.<sup>64</sup> But national unity and political modernization were the last things on the mind of the Peruvian elite after the departure of Chilean troops in 1884. Instead, these collaborationist elites insisted that in exchange for their support, General Cáceres, who had led the guerrilla resistance to occupation, use his forces to repress the very

Indian peasants who had been his principal allies throughout the struggle against the Chilean invaders. With this he complied, in effect reestablishing both basic social control and the labor-repressive agrarian social structure that had prevailed since colonization.<sup>65</sup> It is possible that an opportunity to redirect Peru onto a path of more effective state building was lost in this “choice.”

The institutionally stunted path that Peruvian political development took then continued into the period after the end War of the Pacific in 1884 through roughly the end of the First World War (an era known in Peru as the “Aristocratic Republic”). While temporally largely coterminous with the Chilean oligarchy-dominated “Parliamentary Republic,” the internal politics of this period in Peru were quite different. While Klarén has shown that this was a period in which a coherent oligarchical stratum finally emerged—forged out of an alliance among Lima businessmen, the export economy, and the landlords of the Sierra—unlike Chile, the political system was unable to mediate intraelite divisions through the emergent party system.<sup>66</sup> The political alliance between the gamonales (traditional landlords) of the Sierra and the sugar and cotton agro-exporters of the coastal region ensured that nothing would be done to undermine the reliance on semiservile labor.<sup>67</sup> Thus economic underdevelopment persisted. Burga and Flores report that even as late as 1946, agricultural employment relations had not yet even been monetized in most of Peru—a market economy was thus still to be constructed.<sup>68</sup> Partly as a consequence, economic underdevelopment persisted. The ultimate effect was that neither economic development nor state building was likely to ensue, for both would have required a more powerful and centralized form of political authority than either agrarian elite group could tolerate.<sup>69</sup> However much some urban elites might have preferred this, in contrast to Chile, agrarian interests were not as tied to urban ones by economic or kinship linkages, and a power-centralizing compromise was never seriously on the political agenda.

The inability to incorporate competing elites in a stable and authority-centralizing “oligarchic democracy” during the Aristocratic Republic, which we will see that the Chileans managed during the same period, prevented the creation of political institutions in Peru capable of pursuing even the collective interests of the upper classes, much less anything approximating a national interest. The effects are hard to overstate—indeed, until 1895, the state did not even have a meaningful revenue bureaucracy, relying instead on various forms of tax farming.<sup>70</sup> Seemingly the only alternative to overcome elite division so as to modernize governmental institutions would have required a more absolutist form of political centralization. In practice, the first substantial moves toward the creation of forward-looking, truly national policy occurred with the centralization of political authority in the hands of President Augusto Leguía (1908–12, 1919–30), who seized power in a coup immediately upon having achieved his second electoral victory. Leguía undertook to transform Peruvian institutions, beginning by closing the congress, imposing a new authority-centralizing constitution, and creating a militarized national police, the Guardia Civil.<sup>71</sup>

The eleven years of Leguía’s second period of rule marked a serious effort at political development, albeit under increasingly authoritarian auspices. They also demonstrate



its limits in such sociopolitically inhospitable terrain. On one hand, after his election in 1919, political opponents were driven from the political field and a subservient legislature was created. Moreover, in terms of political and economic development, contemporary observers were struck by his efforts at the modernization and expansion of the military, the creation of a national reserve bank, and extensive investments in agricultural, transportation, and mineral infrastructure.<sup>72</sup> The stop that authoritarianism put to open divisions among political elites (or at least the ability to publicly voice them) made some political development possible; between 1919 and 1927, state revenues quadrupled (from a low base), while the number of public employees expanded sixfold over the decade of the 1920s.<sup>73</sup> Notably, this was accomplished *without* the spur of a major external security threat.

On the other hand, a transformation of Peruvian social structure that might have sustained political modernization was not undertaken; no effective effort was made to bring free labor relations to the countryside (not to mention agrarian reform). Nor was the temporary sublimation of elite divisions under an authoritarian regime stable, for Leguía's rule was personalistic rather than institutionalizing, and thus central authority could not survive his loss of power when the Great Depression swamped the Peruvian economy. Ultimately, Leguía neither definitively undermined the economic position of the agrarian oligarchy nor was able to render it politically subordinate along the lines of the (successful) continental European absolutist states. In the political liberalization after his fall, moreover, compulsory and secret balloting for all literate males ages 21 and above were introduced.<sup>74</sup> This laudable but precocious political liberalization brought about some incorporation of nonelite actors into Peruvian national politics, further reducing the likelihood that rural elites would cede power to a center that now contained important nonelite political actors.

Peru quickly returned to its patrimonial, ineffective, and economically liberal pattern of administration and path of political development—the state's share of national income hovered in the vicinity of an unusually low 10 percent well into the 1950s, when a second attempt at meaningful modernization was, belatedly, initiated.<sup>75</sup> By contrast, as early as 1944, Chile was already able to tax 18 percent of its GDP, the figure rising to 30 percent if taxes to semiautonomous agencies are included in the total.<sup>76</sup> The effects of long-term tax scarcity on the capacity of the Peruvian national government were catastrophic. Even as of the 1950s, the creation of a basic meritocratic civil service was not yet a reality; the possibility was only just entering serious political debate. Administratively, the central government lacked technical competence, paid its employees little, did not coordinate among its agencies, and was governed by excessive and contradictory rules.<sup>77</sup>

In the end, it was the revolutionary military government of the 1960s and 1970s that initiated the most substantial state-building process that Peru had ever experienced. The armed forces—which had begun the process of professionalization under French tutelage early in the twentieth century, long before any other part of the state—managed to initiate a definitive break from the past and at least open the door to a process of meaningful state building.<sup>78</sup> Critically, at least a partial land reform broke



the back of the coastal plantation oligarchy and set the stage for the formation of improved national institutions. But time also matters: these reforms occurred well after the middle and working classes had entered politics in an important way, rendering all the more difficult the interelite compromises necessary for fully effective, and sustained, state building. And the Peruvian state remains among the continental laggards in this regard.

### *Why Is the Chilean State So Effective?*

Chile, over the course of the nineteenth and twentieth centuries, moved squarely down the path of comparatively early and effective state building. But viewed from the perspective of its birth in the independence struggle from Spain, this hardly seems a likely outcome. Indeed, on a variety of dimensions, one might have expected Chile to take a different—and more common—path toward persistent internal conflict, administrative ineffectiveness, and territorial disunity. Instead, the Chilean state, even in the nineteenth century, was able to levy serious domestic taxes, field effective armies at great distances from its capital and sources of supply, provide critical public goods and infrastructure, and achieve both territorial unification and administrative control down to the local level. By contrast, Peru squandered the immense resources it acquired as the monopoly supplier of artificial fertilizers, was unable to gain the cooperation of its own upper classes either in support of national self-defense or for the construction of an effective bureaucracy that could provide essential public goods, achieved administrative penetration into local areas only very late, and to this day has developed a very limited capacity for economic governance, taxation, or the promotion of development.

Not only does Chile stand out in comparison to its Andean neighbor; it is also generally considered to have long been a continental outlier with respect to the effectiveness of its public administration, the efficiency and professionalism of its military, and its ability to govern its economy.<sup>79</sup> For all the consensus that exists as to the comparatively high quality of the Chilean public administration, conventional theoretical treatments of the origins of such capacity are decidedly unpropitious starting points for explaining it. On one hand, Chile has been since independence highly dependent on natural resource exports for the overwhelming majority of its foreign exchange, a substantial portion of economic activity, and large percentages of its public revenue. On the other hand, at least in the nineteenth century, Chile was involved in strategic conflicts with Spain, Bolivia, Peru, and Argentina that might have spurred its elite to cooperate in a modernizing effort driven by the need for collective survival. But if this is the case—and we saw earlier that the parallel threat had, if anything, negative effects in Peru—there is no explanation for why the development and modernization of the Chilean public administration continued apace (if not became more rapid) in the twentieth century when such military threats were almost completely superseded. Moreover, in most of these conflicts, the Chileans were the aggressors, not those threatened.

A story of cumulative advantages, favorable international position, or neocolonial parasitism on its immediate neighbors is also not of much help. Chile entered the era

of independence on decidedly shaky pilings. A backwater during the colonial era, it had developed neither a highly structured and effective bureaucracy nor the accompanying coercive institutions that characterized the Viceroyalty of Peru, centered in Lima. With brief exceptions—before the opening of the transcontinental railroad in the United States or the completion of the Panama Canal—Chile has also been far removed from the centers of global commerce, and thus from any diffusion of innovation that extensive trade might have implied.

Why could, and did, Chilean elites, who were as politically divided as many others in Latin America over, for example, the role of the church, the powers of the presidency, the gold standard, or the centralization of authority, initiate the creation of an effective central state in the postindependence era that began a virtuous cycle of administrative development? Indeed, the Chilean state was not even born as a territorially unified entity; for fifty years after independence, its southern provinces were cut off from the core of the state by an unconquered and well-defended Indian nation that spanned the breadth of the country.

The factor that opened the door to political development—though itself not sufficient—was the absence of a labor-repressive agrarian social structure. Importantly, I do not mean by this either that Chilean agriculture was characterized by large capitalist farms employing wage laborers or that small family farmers dominated the rural economy. It was a world of enormous estates worked on precapitalist terms by labor service tenants, called *inquilinos*, linked through traditional relations of asymmetrical reciprocity to their landlords.<sup>80</sup> In the first half of the nineteenth century, these peasants were of Creole or mestizo origin, as few indigenous survived the colonial era in central Chile. In the second half of the century, their numbers were augmented by new immigrants from Spain, the Basque lands, and secondarily, Prussia/Germany. The critical point, however, was that these were voluntary tenancies—peasants could legally and practically leave at will. And indeed, even the traditional hacienda system in Chile always had a substantial migratory and seasonal component (*afuerinos*) that provided supplemental labor during harvest periods.<sup>81</sup> To be sure, this set of productive relations did not facilitate agricultural modernization in the way either capitalist or small-farmer systems would, but it was consonant with substantial improvements in the efficacy of the central government.

The postindependence Chilean agrarian political economy was as unusual as it was consequential. The system that developed—and ultimately persisted until the agrarian reforms of the 1960s and 1970s—involved the construction of a nonservile but simultaneously largely noncapitalist set of productive relations. That Chilean agriculture was based on free labor is surprising; that it did so without transformation into a wage labor system is remarkable. There are certainly other examples of nonservile labor systems in Latin America, notably, the agrarian capitalism of Argentina and Uruguay. But Chile had neither the fundamental labor scarcity that characterized these countries nor the substantial comparative advantage in ranching and later grain production that allowed them to pay attractive wages, even relative to those prevailing in continental Europe. Critically, the Chilean countryside also, despite immense

landholding inequality and surplus population, lacked the endemic conflict that characterized that of Peru (and countless other Latin American societies).<sup>82</sup>

To understand how such a fundamental inequality in land ownership was combined with free labor and comparative social peace, one must examine the evolution of the system of labor service tenancy (*inquilinaje*) upon which it was founded. After independence, Chilean rural elites were exceedingly land rich but, given weak comparative advantages and poor transportation infrastructure, were generally quite cash poor.<sup>83</sup> And unlike Argentina and Uruguay, labor was generally not particularly scarce. These two facts worked against the establishment of wage labor relations, as landlords were neither easily able to pay substantial cash sums nor required to do so in order to attract workers. Importantly, and again in contrast to Peru, while there was a labor surplus in Chile, it was not in large measure resident in independent long-standing peasant communities; indeed, much of Chilean village life was actually internal to the large farms (*haciendas*). The exception, of course, was the indigenous-controlled south, but this ceased to be exceptional after the conquest of the 1880s and the subsequent expropriation and forced resettlement of the remaining Mapuche Indians onto reservations (*reducciones*). The consequence, however, of this general settlement pattern is that it did not set up a long-standing, persistent land conflict: communities and haciendas were not perennially at odds over control over land. That battle, alas, had long since been decided: the haciendas already controlled almost all the valuable land. Spanish conquest had effectively eradicated the (sparse) indigenous population (and with it its villages), and thus there was no community that could hold on into the independence era courtesy (in part) of the limited protections that the colonial state had provided Indian communities elsewhere. But this early extreme violence set the stage for a rural society that lacked the land conflicts that drove persistent rebellion in Peru; it was highly inegalitarian *and* substantively pacified.

The system that emerged out of this somewhat unusual confluence of initial conditions combined with a political economy that principally produced grain. The important point here is that this sort of production requires relatively low year-round labor inputs but substantial increases in the harvest season. This was well matched to the principal hacienda crop—wheat—which requires substantial labor only at harvest. The *inquilinaje* system accommodated these conditions quite well. First, it settled a year-round permanent labor force on the haciendas by means of a payment through usufruct. Each tenant was granted the right to farm—for himself, on his own time—two pieces of land. One was larger and oriented toward basic grain production (for peasants, often more-labor-intensive crops, such as beans, rice, potatoes, and lentils), while the other was smaller (*cerco*) and provided a space on which to build a dwelling as well as to grow fruits and vegetables. In return, the tenant (*inquilino*) was required to provide 270 days of labor on the hacienda, during which meals were provided. Seasonal spikes in labor demand were met through two different mechanisms. First, the *inquilinos* would make available the labor of family members (called *voluntarios*) in exchange for food on days worked and a modest cash stipend. In addition to this, a second source of labor relied on an outside “floating” labor pool, the *afuerinos* (literally, “outsiders”). These

were a combination of impoverished migratory laborers (*peones*) and owners of nearby microfarms (*minifundistas*) that were not extensive enough to occupy all of the owners' time or to provide for subsistence needs.

The result was a system that was, at its core, a closed hacienda community. As Kay points out, the system was as much cultural as it was economic—the haciendas frequently had their own schools, churches, and stores (*pulperías*).<sup>84</sup> And the ties of asymmetrical reciprocity (with landlords undertaking, for example, minimal social insurance functions in cases of illness or death) underwrote a system where “loyalty to estate and landlord were repaid by security of tenure.”<sup>85</sup> Critical to this was the social (and life-chances) distinction between *inquilino* and *afuerino*. However difficult the lot of the former was, it paled in comparison to the hardships and societal disapprobation that were the lot of the latter. And of course it introduced a social cleavage among hacienda employees that made cooperation to better their collective lots nearly impossible; this cleavage remained a persistent problem, even into the period of mid- to late-twentieth-century agrarian reform.

The critical consequence was that Chilean landlords did not require direct local control over the coercive apparatus of the state to maintain their physical security or even to underwrite their economic security. The Chilean countryside simply never experienced anything like the endemic unrest that characterized the Peruvian Sierra and coast.<sup>86</sup> Nor did the economic well-being of the agricultural sector impose insuperable limits on policies to promote economic advancement in urban or mining areas. This was a diverse agrarian elite, which by 1891 often had its foundational wealth from precisely these two nonagrarian sectors.<sup>87</sup> Indeed, its diversity was also its strength from the perspective of state building. There were no marked social or economic barriers to entry into agriculture for newly wealthy elites operating in other sectors of the economy. Instead, agrarian property ownership quickly became the gateway to entry into upper-class social circles.<sup>88</sup> It also paved the way for participation in national parliamentary politics, for it brought with it clientelistic influence over the votes of hacienda peasants in a system of typically quite restricted suffrage—and by the late nineteenth century, electoral registries also came under the control of the wealthiest local taxpayers, quite often a local landlord.<sup>89</sup> Partly as a result, all major national political factions had economically heterogeneous, but elite, political bases that included agrarians. Nonelite parties could gain little meaningful entrée until well after the start of the twentieth century.

The absence of labor-repressive agriculture is, however, at its core only a necessary condition for effective state building. Merely that agrarian elites need not fear insurrection if they cede control over local coercive assets does not imply they will do so. To take this next step requires that two conditions be met. First, there must be a compelling collective elite interest in strengthening the central state, and second, doing so can reasonably be understood as nonthreatening to the fundamental material interests of nearly all politically relevant fragments of the upper class. If, by contrast, the central state is seen as the tool of one particular faction (be it geographic, social, or sectoral), then efforts at political centralization will likely detonate intense factional and civil

conflict, as we saw in the Peruvian case, that can impede even collectively rational administrative modernization.

The foundations of elite support for the state-building effort can be found in the construction of what the Chileans call the “Portalian state” era from the 1830s through 1891. This was a political compromise among elites that underwrote the construction of what might be called an “oligarchic republic,” a political system in which all major components of the upper classes have effective political representation and in which none can seriously contend for perpetual dominance.<sup>90</sup> The Portalian political system was founded on a strongly presidential basis but included one critical restraint: no president could be elected to more than two five-year terms.<sup>91</sup> And in any event, even a strong presidency was always confronted with quite public political opposition from the legislature, where representatives of other political factions could and did express their views and prepare for the next presidential contest. Still, the mere establishment of such a regime out of the postindependence political chaos was an accomplishment, one typically accounted for by the consolidation of the political dominance of the Creole landowning oligarchy,<sup>92</sup> elite fears of persistent military anarchy and popular mobilization,<sup>93</sup> and the emergent “national” traditions and upper-class unity that were born in the struggle for independence.<sup>94</sup>

The critical point is not that the oligarchy spoke with a single voice in the Portalian era (it did not) but rather that it created a system in which its internal conflicts could be managed in a way that did not lead to the destruction of the administrative structure of the state. Part of this was founded on the near-complete exclusion of nonoligarchical political forces from a substantial role in politics, at least until the 1920s, by which time the institutions of a powerful central state had already been firmly established. Of course, the initial elite compromise that came out of the independence effort was not enough to establish the long-term cooperation necessary to build an effective state. With time, clashes among the particular interests of different factions of the upper classes, at times crystallizing around ideological concerns over the role of the church in society or the direction of development, would lead to brief insurrections (in the 1850s and again in 1891), but in each case, the vanquished elites were quickly reintegrated into normal politics.

Institutionally, the foundations of interelite compromise were further facilitated by the establishment of a single-term presidency in 1871 and by the subjugation of the executive to the Parliament after the “revolution” of 1891.<sup>95</sup> The former heightened the iterative character of elite politics by ensuring that the defeat of any particular faction’s presidential candidate was only a temporary defeat and that new leadership would be selected within a five-year period. In practice, alternation among factions did occur with some regularity. And of course, as the transition from one leader to another in accordance with the constitutional schedule continued over time, it helped to make the commitments embedded in the constitution credible and binding. Similarly, even when political conflicts became severe enough to provoke brief armed rebellions, it was typically the case that the defeated side would be quickly reabsorbed into the political system.<sup>96</sup> Most notably, even after the most severe civil conflict, the deposition of

President Balmaceda and the installation of the Parliamentary Republic in 1891, political divisions were quickly overcome. The supporters of Balmaceda, while initially sentenced to fifteen years exile and the forfeiture of their properties, were quickly amnestied, reentering politics through the Liberal Democratic party in 1892 and becoming the second-largest political force in the legislature by 1894.<sup>97</sup>

There was a social foundation to this interelite compromise as well. As noted earlier, while the Chilean upper class may have had its foundational wealth in distinct sectors (e.g., mining, industry/commerce, or landholding), there were few if any barriers to entry into other sectors. Indeed, it became the norm rather than the exception for those of great urban or mineral wealth to then acquire substantial agricultural holdings. Indeed, these dynamics were so strong that Zeitlin and Ratcliff contend that ultimately “the ownership of land and capital is indissoluble.”<sup>98</sup> And threats to the fundamental interests of major elite segments could thus not be generated from within the broader elite itself. Nor was Chile characterized by the comparatively strong regional differentiation of Peru (much less that of Argentina or Brazil). While the south had for a time a somewhat distinct sociopolitical identity from the (overwhelmingly hegemonic) central valley, the comparatively similar economic profiles of regional elites, coupled with cooperation-inducing institutions, prevented the emergence of the sorts of overlapping regional-cum-sectoral-cum-policy cleavages that undermined Peruvian compromise. And of course, repetition of cooperation in the institutionalized transfer of power among elite factions or parties only strengthened the coordinating power of the oligarchic-democratic equilibrium.

Thus, the structure of agrarian social relations and the *collective* hegemony (despite internal differences) of the oligarchic elite were the critical conditions that made the construction of a powerful state possible in Chile. But possibility is not necessity, and it is only when these foundational conditions interacted with the strategic arena that a process of real state building was initiated.

*Wars of expansion and the Chilean state.* In the usual telling, it is the potential for international conflict that drives state building, as it forces states to construct centralized mass armies to deter or defend themselves against potential aggressors. This in turn necessitates an expansion in the capacity to tax that substantially deepens the penetration of the state into society and its capacity for domestic political control and economic monitoring. While strategic conflict played a role in the construction of an effective Chilean state, it is a role quite different from that usually attributed to it.

It was the construction of an elite consensus in Chile around the desirability of initiating wars of conquest—from which the dominant classes expected to benefit—that turned military conflict into a critical component of the process by which an effective administration was constructed. Successive conflicts—with the Araucanian Indians to the south, with Spain, and repeatedly with Peru and Bolivia—were both *initiated* by the Chilean state and used to justify the expansion of public powers, the creation of an effective standing army, the imposition of substantial new tax burdens, and the creation of major public infrastructure. The former two brought new expanses of land into the hands of agrarian elites and regional strategic dominance, respectively, while the last



led to the annexation of the enormously valuable nitrate fields of the Atacama Desert. These wars represented not external threats but strategic opportunities—investments in war—through which Chilean elites could and did enrich themselves and their country. These were wars that were sometimes costly if they absorbed too much agrarian labor, but these were costs that were handsomely repaid to the families of these same elites when new lands and nitrate profits became available. And, of course, even in the most severe conflicts, military recruitment focused on the *de facto* impressment of peons and *afuerinos*, only very late seriously affecting the core *inquilino* labor forces of the *haciendas*.<sup>99</sup>

State expansion was thus not a response to an anarchic environment, *contra bellist* expectations. Indeed, given the technological constraints on its neighbors in the mid- to late nineteenth century, Chile was, as Blakemore has called it, effectively an “island nation.”<sup>100</sup> Hemmed in by the Andes to the east, the massive and scarcely populated Atacama Desert to the north, and the Pacific Ocean to the west, none of Chile’s neighbors had the logistical capacity to launch a serious attack on Chilean interests. Indeed, Argentina, Chile’s only wealthier neighbor, had by the very late nineteenth century only barely managed to settle its internal question of national territorial unification. Finally, while the Araucanian Indians in the south had long proved adept at avoiding conquest, they were in no position to do more than defend their remote southern territories.

Rather than being defensive, Chile’s wars in the nineteenth century were instead wars of aggression. They were more or less explicitly aimed at pursuing regional strategic hegemony and/or seizing the valuable territories of its neighbors. The former was the case in the war against the Peru-Bolivian Confederation (1836–39), which, while victorious, cost the founder of the Chilean state, Diego Portales, his life in an assassination.<sup>101</sup> Similarly, the naval war with Spain (1864–66) gave Chile effective regional dominance over the only meaningful North and South American cross-continental transportation and trade route until the opening of the transcontinental railway and the Panama Canal: naval shipment through the Straits of Magellan.

These wars demonstrated two critical capacities. First, the Chilean elite was capable of taxing itself to the extent necessary to prosecute successfully these military endeavors, even at great logistical reach. Indeed, in the conflict with the Peru-Bolivian Confederation, the Chileans defeated the numerically superior armies of more populous foes on hostile terrain. Second, the Chilean state was capable of raising a mass army able to travel great distances and willing to suffer substantial losses in service of a nascent state—that is, it could conscript, train, and transport its soldiers using revenues taxed from its elites, without engendering their opposition even as it drew labor away from the *hacienda* economy or provided peasants with military skills. This point should not be understated. The initial independence struggle and these successive conflicts are widely seen as defining moments in Chilean history through which a sense of national identity, *bellicist* pride, and allegiance to an independent state was born and deepened.<sup>102</sup> These mechanisms reinforced the path-dependent trajectory on which political development had been launched.



Indeed, in marked contrast to what bellicist theories of state formation would expect, having by the late 1860s removed any serious threats to its national security, the Chilean state did not recede into the background. Instead, the oligarchic elites who dominated politics had come to understand that a strong state could be used to serve their material interests, and they were capable of cooperation, despite substantial divisions over some of the questions of the day, to maintain the capacity for the effective projection of force and to impose the necessary tax burdens on themselves to finance this effort. It was in the two great conquests of the late nineteenth century that this dynamic—state building as an investment—most notably came to the fore: the (second) defeat of the Peruvian-Bolivian alliance in the War of the Pacific and the decisive subjugation of the Araucanian Indians.

The War of the Pacific came at a time of economic crisis for Chile. Beset by the global depression of the late 1870s, the agricultural and mineral exports that had hitherto underwritten the economy teetered on the verge of collapse. This was coupled with a sharp increase in interest rates, capital outflow, and a severe debt burden that threatened fiscal stability.<sup>103</sup> It was in this context that the War of the Pacific exploded—and was fought, not coincidentally, for control of the vast nitrate reserves then part of Bolivia and southern Peru.<sup>104</sup>

Initially, Peru, Bolivia, and Chile were militarily unprepared for the brutal conflict that was to ensue after the Chilean-Bolivian treaty dispute over nitrate taxation exploded into open warfare.<sup>105</sup> Indeed, in numerical terms, the two sides were comparatively evenly matched, and in many the ways, the Peruvians ought to have had the advantage, given that they were defending their home territory while the Chileans were thousands of kilometers from their bases of supply and reliant on potentially quite tenuous nineteenth century logistical support. Nevertheless, as we saw, the Peruvian elites were unwilling to provide the resources to defend their nation and in some instances found collusion with the invading Chileans preferable to the military mobilization of the subject Indian populations of their land holdings. The contrast with the behavior of the Chileans was dramatic. Figure 1 shows the dramatic increases in domestic taxation that were imposed in order to pay the enormous costs of rearming and prosecuting a war at long distance—in the span of a year or two, the Chilean state's tax take increased by nearly 150 percent. Nor were these revenues simply extracted from the toiling masses (who in any event lacked the resources to prosecute the war). Indeed, by 1879, serious income, capital-gains, and inheritance taxes were imposed, imposts that would be paid only by well-off individuals.<sup>106</sup> Notably, these taxes were applied not in times of plenty but rather during an economic crisis when elites' ability to pay them was at a nadir.

But material resources are not enough to prevail, and to prevail so decisively, in a well-matched military conflict. At the same time, ordinary Chileans could be effectively recruited to fight a war abroad—*prima facie* evidence both of the sort of national identification and patriotic sentiment that war making requires and of a superior administrative capacity. Indeed, many observers, both at the time and in more recent scholarship, have directly attributed the Chilean success in the War of the Pacific to the

vastly more solid and penetrating public administration and the organizational advantages that this produced in the arena of war.<sup>107</sup>

Victory in the war brought massive wealth to the Chilean republic in the form of control over nitrate-rich territories in the north. From the perspective of most resource-curse scholarship, however, this bonanza should have proven to be a disaster in terms of subsequent state building and political development. Certainly the resources involved were of a magnitude similar to, for example, the twentieth century oil booms, and it came relatively early in the state-building process. Taxes on nitrate and iodine (a by-product of nitrate processing) exports alone represented 5.52 percent of ordinary revenue in 1880 but exploded to 52.06 percent by 1890.<sup>108</sup> Not only did overall customs receipts surge massively, but they became overwhelmingly important in the national budget until the trade collapse attendant upon the First World War.

But this allegedly easy money had different effects than it had in Peru, and they confound the expectations of resource-curse theories. In the first place, the revenues themselves are evidence of a process of administrative modernization, as such revenues had to be extracted from powerful foreign-owned mineral multinationals and upper-class Chileans. These are hardly the easiest of targets for taxation, as they are both politically and economically difficult to levy imposts upon; yet the Chilean state did so at high and expanding levels.<sup>109</sup> Nor did it spell the end of the Chilean state's ability to level serious internal taxes or the administrative capacity that this requires. Instead, these receipts (especially inheritance, agricultural, and income taxes) were turned over to municipal control and thus are not recorded in the national accounts data—though they were levied nonetheless.<sup>110</sup>

Most interestingly, the marked increase in revenues available to the Chilean state were in large measure invested in the provision of public goods, the modernization of the military, and the expansion of public services. It is likely the fact that such public goods provision not only frequently improved the profitability of Chilean enterprise but also was privately profitable for elites through the contracting, purchase arrangements, and employment it implied. What exactly were nitrate proceeds spent on? Cariola and Sunkel point out that in 1880, the Chilean state directly employed some three thousand workers, a number that had expanded to thirteen thousand by 1900 and more than twenty-seven thousand by 1919. During this period, a national uniformed police service was built, mail and telegraph service was extended, and water, sewer, paving, and lighting services were brought to Chile's cities. The two most critical accomplishments of this period, however, were the massive expansion of public education: from some twenty thousand students in public schools in 1869 to better than five hundred thousand in 1925.<sup>111</sup> The consequence was an expansion in literacy rates from 28.9 percent in 1885 to over 50 percent by 1910.<sup>112</sup> This expanded state capacity only in the long term came back to haunt the elite that laid its foundations, first during the state-led industrial modernization initiated by the Popular Front governments (1938–52) and later by Salvador Allende's (1970–73) brief socialist transformation that ultimately broke the back of the landowning oligarchy. But it also provided the administrative capacity that facilitated the subsequent market-oriented turn in economic

policy under both authoritarian (Pinochet, 1973–89) and democratic (Concertación, 1989–) auspices.

## Conclusion

This article has sought to make two principal contributions, one theoretical and the other methodological. I have proposed a political and sociological theory of state building that emphasizes the absence of labor-repressive agriculture and a collective, but exclusionary, elite political hegemony. Both conditions are necessary if state building is to proceed. Without the former, agrarian elites, typically the dominant political force at the initiation of state building, cannot tolerate the centralization of coercive authority. Without the latter, elites would lack an incentive to cooperate across whatever other issues may divide them to strengthen the state. Centralizing authority could lead to the creation of institutions subsequently capable of constraining them (or taxing them to the benefit of others). Only where elites can be assured that their interests will remain (collectively) dominant will the benefits of such institutional development be worth the costs.

The second point is a methodological one: while most scholars believe that state building is a long-term process, and many believe it involves path dependencies, failure to account for these temporal dynamics has produced some potentially misleading findings vis-à-vis regnant bellicist and ecological theories of state development. In both cases, the passage of time—and the selection effects that it induces—has produced apparent correlations between conflict or resource wealth and institutional outcomes that become far less compelling when an appropriate universe of cases is examined. Path dependence is crucial: war destroys states; it also removes them from contemporary samples. Natural resource wealth, where it provokes development over time, either redirects such resources away from the external sector or consumes them. Either way, resource-rich countries that develop their economies (and public administrations) appear to be inappropriately resource poor in contemporary data sets. To take time seriously in the examination of state building, one must thus consider the relevant causal variables at the *initiation* of the state-building process.<sup>113</sup> Until we have a global sample of the appropriate historical data to test this, however, our views of the dominant ecological and bellicist lines of argument must be tentative.

The empirical scope of this article has necessarily been restricted to state building in two carefully matched Andean cases, and as such, any claims to external validity are at best speculative. That said, there is reason to believe that the sociopolitical approach to state building presented here has potential reach far beyond the Latin American region. Recent work by the historian Robin Einhorn has, for example, demonstrated the centrality of agrarian social relations—in this case, American chattel slavery—to the quality of U.S. state-level governments and their capacity to tax.<sup>114</sup> Similarly, a focus on social relations may well have some bearing on remaining questions even in the well-developed literature on European state building. Consider for a moment the paradigmatic case of Prussia, often seen as “the” quintessential strong state. Within the span of the nineteenth century, it went from a comparatively weak entity dependent on cash

transfers from the (allegedly weak) English state to survive in its difficult geostrategic position to one leading the continent in the modernization of its military and the expansion of the state institutions into society and one capable of successful war against its powerful French neighbor. What had changed? From the perspective presented here, it would be important to examine whether the end of unfree labor (serfdom) roughly midcentury was a fundamental condition making possible Prussian state building. Similarly, recent historical findings that the English state had surprisingly high capacity to tax and mobilize its citizenry might well be related to very early end of unfree agrarian labor coupled perhaps with the elite cooperation-inducing character of Parliament.<sup>115</sup> The point here is, of course, not that the theory presented here explains American or European state building. But it does suggest that the causal variables uncovered here might well be worth examining in such contexts.

### Acknowledgments

I would like to thank the many people and groups that have commented on earlier versions of this article, specifically, Sarah Brooks; Andrew Schrank; Ken Shadlen; Hillel Soifer; Alex Wendt; Kurt Weyland; the Comparative Politics Workshop at the University of Texas, Austin; the Research in International Politics seminar series at Ohio State; the Georgia Tech Development Speakers Series; and panelists and participants at the 2006 annual meeting of the American Political Science Association. The author thanks the Mershon Center at Ohio State University for their generous support for the research underlying this article.

### Declaration of Conflicting Interests

The author declared no conflicts of interest with respect to the authorship and/or publication of this article.

### Funding

The author received no financial support for the research and/or authorship of this article.

### Notes

1. Classic statements of this perspective for Europe include Otto Hintze, in Felix Gilbert, ed., *The Historical Essays of Otto Hintze* (New York: Oxford University Press, 1975); Charles Tilly, *Coercion, Capital, and European States, AD 990–1992* (Oxford, UK: Blackwell, 1992). Attempts to generalize the “war-makes-states” approach to other regions include Miguel Centeno, *Blood and Debt: War and the Nation State in Latin America* (University Park, PA: Pennsylvania State University Press, 2002); Fernando López-Alves, “The Transatlantic Bridge: Mirrors, Charles Tilly, and State Formation in the River Plate,” in *The Other Mirror: Grand Theory through the Lens of Latin America*, ed. Miguel Centeno and Fernando López-Alves (Princeton, NJ: Princeton University Press, 2001), 153–76; and Victoria Hui, *War and State Formation in Ancient China and Early Modern Europe* (New York: Cambridge University Press, 2005); and Hui, “Toward a Dynamic Theory of International Politics: Insights from Comparing Ancient China and Early Modern Europe,” *International Organization* 58, no. 1 (2004): 175–205.

2. See Francesco Giavazzi, Jeff R. Sheen, and Charles Wyplosz, "The Real Exchange Rate and the Fiscal Aspects of a Natural Resource Discovery," *Oxford Economic Papers* 40, no. 3 (1988): 427–50.
3. See, for example, Michael D. Shafer, *Winners and Losers: How Sectors Shape the Developmental Prospects of States* (Ithaca, NY: Cornell University Press, 1994); Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997); Michael Ross, "How Do Natural Resources Influence Civil War? Evidence from 13 Cases," unpublished Manuscript, Department of Political Science, University of California, Los Angeles; Karl, "Does Oil Hinder Democracy?" *World Politics* 53, no. 3 (2001): 325–61; Karl, "The Political Economy of the Resource Curse," *World Politics* 51, no. 2 (1999): 297–322; Carlos Leite and Jens Weidmann, "Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth" (working paper of the International Monetary Fund WP/99/85, 1999); and Nathan Jensen and Leonard Wantchekon, "Resource Wealth and Political Regimes in Africa," *Comparative Political Studies* 37, no. 7 (2004): 816–41.
4. That is not to claim, however, that these factors are necessarily irrelevant or that there is no observable correlation between military conflict or natural resource wealth and the efficacy and autonomy of state institutions. Rather, underspecified causal mechanisms and selection effects in empirical analysis have produced misleading findings as to the causal status of war and wealth. Two other very notable departures from the convention wisdoms are those of Hillel Soifer, author of "Authority over Distance: Explaining Variation in State Infrastructural Power in Latin America" (PhD diss., Harvard University, 2006), who is developing an excellent, principally institutionalist, approach to explaining state building in Chile and Peru; and Hendrik Spruyt, author of *The Sovereign State and Its Competitors* (Princeton, NJ: Princeton University Press, 1994), who emphasizes the expansion of trade in explaining European state formation.
5. This argument begins with Hintze, *The Historical Essays*, 189, 199; but see also Tilly, *Capital, Coercion*; Centeno, *Blood and Debt*; and Hui, *War and State Formation*.
6. *Ibid.*, Tilly, 201.
7. Tilly, *Capital, Coercion*, 20.
8. This to differing degrees characterizes, for example, Bruce Porter, *War and the Rise of the Nation State: The Military Foundations of Modern Politics* (New York: Free Press, 1994); Tilly, *Capital, Coercion*; Jeffrey Herbst, *States and Power in Africa: Comparative Lessons in Authority and Control* (Princeton, NJ: Princeton University Press, 2000); and Centeno, *Blood and Debt*.
9. Hui, "Toward a Dynamic Theory," is a notable exception. Hui directly considers the positive and negative long-run institutional consequences of the way in which elites choose to respond to strategic threats.
10. Youssef Cohen, Brian R. Brown, and A. F. K. Organski, "The Paradoxical Nature of State Making: The Violent Creation of Order," *American Political Science Review* 75, no. 4 (1981): 901–910.
11. See Thad Dunning, *Crude Democracy: Natural Resource Wealth and Political Regimes* (New York: Cambridge University Press, 2008).

12. Indeed, with respect to the last, Andrew Schrank has demonstrated that the effects of resource abundance in the United States were critically shaped not by the resources themselves but rather by the social property relationships in which they were situated in different states. Schrank, "Reconsidering the Resource Curse: Selection Bias, Measurement Error, and Omitted Variables" (unpublished manuscript, Yale University, New Haven, CT, 2004).
13. Selection and measurement problems are not the only issues, for empirical comparisons have also been frequently misapplied. If the claim to be investigated is that natural resource rents induce the creation of "rent-seeking societies" and corrupt bureaucracies, then this can have meaning only if this outcome is more likely in their presence than in their absence. But it is precisely this comparison that is seldom properly addressed—are developing countries that *lack* natural resources any less likely to suffer endemic corruption and clientelism? After all, given their (*ceteris paribus*) lower reservation wages, engaging in such activities is less costly. Would anyone be surprised that Haiti, Paraguay, and Kyrgyzstan have ineffective states despite the fact they are "blessed" with an absence of massive exported natural resource wealth? Are they institutionally better off than Ecuador, Bolivia, or Kazakhstan, which have such wealth?
14. Michael Ross, *Timber Booms and Institutional Breakdown in Southeast Asia* (Cambridge, UK: Cambridge University Press, 2001), 35–37.
15. Where resource-curse scholars try to fill in the causal mechanisms in their account, they come to strikingly opposed conclusions over whether an abundance of resource wealth produces an excessively strong society or state. Some argue that such wealth produces a set of social actors—especially, entrepreneurs in the export sector—that capture public institutions, render the state incapable of pursuing a coherent "national interest," and make it wholly dependent on the success of the mineral sector (Shafer, *Winners and Losers*; Karl, *Paradox of Plenty*). Others suggest that it is typically the state and not society that is too strong, arguing that the availability of vast sums permits politicians to displace private-sector elites, or make them dependent on public distribution, while the high sunk costs associated with natural resource (especially mineral) extraction can weaken business in relationship to the state over time. These twin causal mechanisms that underlie resource-curse arguments are thus diametrically opposed. Either the access to rents empowers the incorporating state or it empowers the rent-seeking society. The antinomic character of the posited causal mechanisms suggests that resource-curse theory is closer to shorthand for an observed correlation than to a causal relationship. We will see later that this observed correlation may itself be deceptive.
16. Such an elite could be a settler population, a traditional feudal aristocracy, or simply a locally dominant upper class. The notion that rural social relations importantly condition long-term political outcomes is not new, being central to Barrington Moore's discussion of regime dynamics in *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966) and Robert Brenner's explanation of European economic development; see Brenner, "Agrarian Class Structure and Economic Development in Pre-industrial Europe," in *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-industrial Europe*, ed. T. H. Aston and C. H. E. Philpin (Cambridge, UK: Cambridge University Press, 1985). The emphasis here on the role that

- free versus unfree labor has in the development of state institutions is inspired directly from the recent path-breaking work of Schrank, "Reconsidering the Resource Curse," which focuses on the role of social structure and resource wealth in U.S. economic development.
17. Moore, *Social Origins*.
  18. Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).
  19. This extreme tax aversion is found even in a context as different as the United States, where Robin Einhorn has shown that taxation was lower where slavery was important; Einhorn, *American Taxation, American Slavery* (Chicago: University of Chicago Press, 2008), 7. Moreover, in comparing slave with free states, she also argues flatly, "American [state] governments were more aristocratic, weaker, and less competent where slavery was a major institution in the economy and society."
  20. My argument does not imply that state building is impossible (or even less likely) in federal systems, for the existence of subnational political units does not itself imply that local elites are not simultaneously effectively incorporated in the overarching national political system. The key question is whether regional interests are meaningfully included in national political institutions in ways that do not permanently benefit or marginalize one elite subgroup or region. While one could hypothesize that federal systems might be more prone to intractable conflicts among competing (regional) elite groups because they reify regional differences, this remains an interesting empirical question that should be addressed.
  21. An absolutist road to political development would do so by making status as a member of a local elite dependent upon administrative appointment, salaried employment, or military service, as defined by the central state. In such contexts, the center has discretion over who has access to such employment—positions are neither purchased nor held as individual property nor inherited—and the resources supporting the positions (and thus status and power) comes from the center.
  22. Doug McAdam, *Political Process and the Development of Black Insurgency, 1930–1970* (Chicago: University of Chicago Press, 1982), 38–39; William Gramson, "Stable Unrepresentation in American Society," *American Behavioral Scientist* 12, no. 2 (1968): 15–21.
  23. See Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton, NJ: Princeton University Press, 1991), chap. 1.
  24. Tanisha Fazal, "State Death in the International System," *International Organization* 58, no. 2 (2004): 311–44.
  25. Hui, "Toward a Dynamic Theory."
  26. Schrank, "Reconsidering the Resource Curse."
  27. *Ibid.*
  28. Transparency International: [www.transparency.org](http://www.transparency.org), accessed 2004. World Bank, World Development Indicators, 2003 CD-ROM.
  29. For example, the recent closure of the last coal mine in France should not suggest to us that France developed economically because it is resource poor, but rather that development is at least in part the cause of its contemporary relative resource scarcity.



30. We could note, for example, that the United Kingdom was a very important coal and copper producer early in its development; Germany had large coal and copper reserves that helped make it the industrial powerhouse it is today. Indeed, the United States has a deep history of resource-induced development; see Gavin Wright and Jesse Czelusta, "Mineral Resources and Economic Development" (paper prepared for the Conference on Sector Reform in Latin America, Stanford Center for International Development, 2003); and Wright and Czelusta, "Exorcizing the Resource Curse: Minerals as a Knowledge Industry, Past and Present" (unpublished manuscript, Stanford University, Palo Alto, CA, 2002).
31. In contexts where causal dynamics involve critical junctures, cause and ultimate effect are often widely separate in time, and indeed, the "cause" may no longer be present at the time at which the effect is observable.
32. Indeed, Peru and Chile (the former joined by Bolivia) fought two major wars in the nineteenth century, in the 1830s and in 1879–83.
33. Obviously, these measures become problematic at much higher levels of development, where the tax take is more of a policy choice than an indicator of the state's extractive capacity per se.
34. See Tilly, *Coercion, Capital*; and Kiren Chaudhry, "Economic Liberalization and the Lineages of the Rentier State," *Comparative Politics* 27, no.1 (1994): 1–25.
35. Javier Tantaleán, *Política Económico-financiera y la Formación del Estado: Siglo XIX* (Lima, Peru: Centro de Estudios para el Desarrollo y la Participación, 1983), 48.
36. Until the invention of artificial nitrate fixation during the First World War, guano from the Chincha islands off Peru and nitrates mined from the Atacama Desert were the only cost-effective source of nitrates for use in artificial fertilizers and munitions.
37. Peruvian government revenue data are from Brian Mitchell, *International Historical Statistics: The Americas, 1750–2000* (New York: Palgrave MacMillan, 2003), 693, and are converted to pounds sterling with the exchange rate reported for 1901 by Global Financial Data, *A Global History of Currencies*, compiled by Brian Taylor. Data are accessible at <http://www.globalfindata.com/gh/index.html> (accessed June 22, 2005). Chilean data are from Dirección de Contabilidad, *Resumen de la Hacienda Pública de Chile desde 1833 hasta 1914* (London: Spottiswoode, 1914).
38. See Centeno, *Blood and Debt*.
39. Tantaleán, *Política Económico-financiera*.
40. John Fisher, "La formación de estado peruano (1808–1824) y Simón Bolívar," in *Problemas de la formación del estado y de la nación en Hispanoamérica*, ed. Inge Buisson, Günther Kahle, Hans-Joachim König, and Horst Pietschmann (Cologne, Germany: Böhlau Verlag, 1984), 467–77.
41. Heraclio Bonilla, "Continuidad y cambio en la organización política de estado en el Perú independiente," in *Problemas de la formación del estado y de la nación en Hispanoamérica* (see note 39).
42. Alfonso Quiroz, "Financial Leadership and the Formation of Peruvian Elite Groups," *Journal of Latin American Studies* 20, no. 1 (1988): 49–81.
43. Paul Gootenberg, *Between Silver and Guano: Commercial Policy and the State in Post-independence Peru* (Princeton, NJ: Princeton University Press, 1989), 112.

44. Guano, the centuries-old accumulation of nitrates in bird excrement on the Chincha islands, was rapidly controlled by the Peruvian state. As it was concentrated on a few offshore islands and extremely easy to extract and commercialize, even a state as administratively deficient as Peru retained effective control over the rents that resulted. See Ronald Berg and Frederick Weaver, "Toward a Reinterpretation of Political Change during the First Century of Independence," *Journal of Interamerican Studies and World Affairs* 20, no. 1 (1978): 72–73.
45. Shane Hunt, "Growth and Guano in Nineteenth Century Peru," in *The Latin American Economies: Growth and the Export Sector 1880–1930*, ed. Roberto Cortés Conde and Shane Hunt (New York: Holmes and Meier, 1985), 270–72.
46. *Ibid.*
47. Gootenberg, *Between Silver and Guano*, 81, 124.
48. Jorge Basadre, *La multitud, la ciudad, y el campo en la historia del Perú*, 2nd ed. (Lima, Peru: Editorial Huascarán, 1947), 236; Hunt, "Growth and Guano," 275.
49. Vincent Peloso, "Liberals, Electoral Reform, and the Popular Vote in Mid-Nineteenth-Century Peru," in *Liberals, Politics, and Power: State Formation in Nineteenth-Century Latin America*, ed. Vincent Peloso and Barbara Tenenbaum (Athens: University of Georgia Press, 1996), 194.
50. Berg and Weaver, "Toward a Reinterpretation," 76.
51. Indeed, what direct taxes had existed were largely abolished during the guano boom, and those taxes that were reinstated were typically extremely regressive capitation taxes on the indigenous population. So onerous was this burden that it sparked open rebellion; Berg and Weaver, "Toward a Reinterpretation," 71. At the same time, the very mechanisms used to collect taxes were primitive in the extreme: tax farming was not abolished until the 1890s, and even the abolition of the Indian head tax in this era was replaced by a no-less-burdensome salt tax. See Peter Klarén, *Peru: Society and Nationhood in the Andes* (New York: Oxford University Press, 2000), 205.
52. Ernesto Yepes del Castillo, *Perú 1820–1920: ¿Un siglo de desarrollo capitalista?* 2nd ed. (Lima, Peru: Signo Universitario, 1981), 100.
53. Heraclio Bonilla, "The Indian Peasantry and 'Peru' during the War with Chile," in *Resistance, Rebellion, and Consciousness in the Andean Peasant World: 18th to Twentieth Centuries*, ed. Steve Stern (Madison: University of Wisconsin Press, 1978), 106.
54. Peter Werlich, *Peru: A Short History* (Carbondale: Southern Illinois University Press, 1978), 115.
55. Heraclio Bonilla, "The War of the Pacific and the National and Colonial Problem in Peru," *Past and Present* 81 (November 1978): 101.
56. Florencia Mallon, "Nationalist and Antistate Coalitions in the War of the Pacific: Junín and Cajamarca, 1879–1902," in *Resistance, Rebellion, and Consciousness*, 232–279 (see note 51); Bonilla, "The Indian Peasantry."
57. Gavin Smith, *Livelihood and Resistance: Peasants and the Politics of Land in Peru* (Berkeley: University of California Press, 1989), 71.
58. Basadre, *La multitud*, 215.
59. Manuel Burga and Alberto Flores Galindo, *Apogeo y crisis de la república aristocrática: Oligarquía, aprismo, y comunismo en el Perú, 1895–1932* (Lima, Peru: Ediciones Rikchay Peru, 1979), 8.

60. Yepes del Castillo, *Perú*, 186; and Albert Berry, "International Trade, Government, and Income Distribution in Peru since 1870," *Latin American Research Review* 25, no. 2 (1990): 41.
61. Peter Klarén, "The Social and Economic Consequences of Modernization in the Peruvian Sugar Industry, 1870–1930," in *Land and Labour in Latin America: Essays on the Development of Agrarian Capitalism in the Nineteenth and Twentieth Centuries*, ed. Kenneth Duncan and Ian Routledge (New York: Cambridge University Press, 1977), 241–42.
62. Klarén, "Social and Economic Consequences," 243.
63. See, most importantly, Jeffery M. Paige, *Agrarian Revolution: Social Movements and Export Agriculture in the Underdeveloped World* (New York: Free Press, 1975); and Paige, *Coffee and Power: Revolution and the Rise of Democracy in Central America* (Cambridge, MA: Harvard University Press, 1997).
64. Quiroz, "Financial Leadership," 76.
65. Indeed, those guerrilla leaders under Cáceres control paid with their lives for their patriotism; they were publicly executed on his orders in June of 1884. See Bonilla, "War of the Pacific," 114.
66. Klarén, *Peru*, 213–15.
67. Yepes del Castillo, *Perú*, 186; Berry, "International Trade," 41.
68. Burga and Flores, *Apogeo y crisis*, 27.
69. Rosemary Thorp and Geoffrey Bertram have documented Peru's exceedingly slow long-run growth rate, estimating it at roughly 1 percent a year between 1890 and 1975; see Thorp and Bertram, *Peru, 1890–1977* (New York: Columbia University Press, 1978), 321. Berry has pointed out the uncharacteristically small size of the Peruvian state into the 1940s, even after the substantial expansion of the second Leguía government (1919–30); Berry, "International Trade," 53.
70. Yepes del Castillo, *Perú*, 177.
71. On the last, see Brian Loveman, *For la Patria: Politics and the Armed Forces in Latin America* (Wilmington, DE: Scholarly Resources, 1999), 89.
72. Graham Stuart, "The Administration of President Leguía of Peru," *American Political Science Review* 22, no. 2 (1928): 416–20.
73. Collier and Collier, *Shaping the Political Arena*, 139.
74. Jorge Basadre, "Para un esquema histórico sobre las elecciones peruanas: La ruptura del consenso legal (1919–1929) y la aparente transformación radical en el sistema (1931)," *Revista de Derecho y Ciencias Políticas* 40, nos. 1–3 (January–December, 1976): 138.
75. Berry, "International Trade," 53.
76. Hernán Ramírez Necochea, *Balmaceda y la Contrarrevolución de 1891* (Santiago, Chile: Editorial Universitaria, 1969), 35.
77. Rudolf Gómez, *The Peruvian Administrative System* (Boulder: University of Colorado, Boulder Bureau of Governmental Research, 1969), 37, 40, 52, 55. Local government was, even by this comparison, was even more stunningly underdeveloped. Not only were these governmental units uncooperative with the central authorities—as late as 1964, only 85 of 1,728 municipalities filed budget documents as required—but most effectively provided no real services.

78. Abraham Lowenthal, "The Peruvian Experiment Reconsidered," in *The Peruvian Experiment Reconsidered*, ed. Cynthia McClintock and Abraham Lowenthal (Princeton, NJ: Princeton University Press 1983), 419.
79. Centeno, *Blood and Debt*, chap. 1. It should be pointed out that this capacity is quite independent of developmental strategy. The Chilean state was quite capable of undertaking state-led developmental efforts at least since the presidency of Balmaceda (1886–91) and most extensively in the era of import-substituting industrialization initiated under the Popular Front governments (1938–52), and these efforts continued until the fall of Salvador Allende in 1973. At the same time, effective arms-length market regulating institutions were created during the neoliberal turn initiated by the military government of General Pinochet (1973–89), which were markedly strengthened in the posttransitions Christian Democratic and Social Democratic governments of the Concertación (1989–2007).
80. Arnold Bauer, *Chilean Rural Society: From the Spanish Conquest to 1930* (Cambridge, UK: Cambridge University Press, 1975), 80–81.
81. Harold Blakemore, "From the War of the Pacific to 1930," in *Chile since Independence*, ed. Leslie Bethell (New York: Cambridge University Press, 1993), 45.
82. On land inequality, see Comité Interamericano de Desarrollo Agrícola, *Chile: Tenencia de la Tierra y Desarrollo Socio-económico del sector agrícola* (Santiago, Chile: CEPAL/IICA/FAO/OEA/BID, 1966); on rural protest levels, see Brian Loveman, *Struggle in the Countryside: Politics and Rural Labor in Chile, 1919–1973* (Bloomington: Indiana University Press, 1976).
83. Arnold Bauer and Ann Hagerman Johnson, "Land and Labour in Rural Chile, 1850–1935," in *Land and Labour in Latin America* (see note 59), 88.
84. Cristóbal Kay, "The Development of the Chilean Hacienda System, 1850–1973," in *Land and Labour in Latin America* (see note 59), 104.
85. Bauer and Johnson, "Land and Labour," 96.
86. Even Loveman, who is at pains to document that the Chilean countryside was not entirely quiescent, makes it clear that little protest occurred until the agrarian reform era of the 1950s and 1960s, and almost none of it was violent; Loveman, *Struggle in the Countryside*.
87. Simon Collier, "The Historiography of the 'Portalian Period' (1830–1891) in Chile," *Hispanic American Historical Review* 57, no. 4 (1977): 681–82.
88. Simon Collier, "From Independence to the War of the Pacific," in *Chile since Independence* (see note 79), 21–22.
89. Karen Remmer, *Party Competition in Argentina and Chile: Political Recruitment and Public Policy, 1890–1930* (Lincoln: University of Nebraska Press, 1977), 214.
90. This last point is crucial, for it changes the game of politics from a one-off to an iterated game. While one or the other faction at different times was politically ascendant, the rules of political competition made it clear that this dominance was always subject to compromise, renewal, or replacement, and in no case could a single political figure govern indefinitely.
91. Harold Blakemore, *British Nitrates and Chilean Politics, 1886–1896: Balmaceda and North* (London: Athlone Press for the University of London Institute of Latin American Studies, 1974); Blakemore, "War of the Pacific."

92. Carmen Cariola and Osvaldo Sunkel, "The Growth of the Nitrate Industry and Socioeconomic Change in Chile, 1880–1930," in *The Latin American Economies, 137-254* (see note 44).
93. Alberto Edwards V., *La Fronda Aristocrática: Historia Política de Chile*, 8th ed. (Santiago, Chile: Editorial del Pacífico, 1976 [1927]).
94. Ricardo Krebs, "Orígenes de la Conciencia Nacional Chilena," in *Problemas de la Formación del Estado y de la Nación en Hispanoamérica* (see note 39).
95. S. Collier, "From Independence."
96. Blakemore, *British Nitrates*, 4.
97. Remmer, *Party Competition*; Blakemore, *British Nitrates*. Indeed, Remmer points out that this indicates a strong underlying unity among different parts of the Chilean upper class, as well as the fact that there was no meaningful social reform implicit in what the Chileans call the "Revolution of 1891."
98. Maurice Zeitlin and Richard Ratcliff, *Landlords and Capitalists: The Dominant Class of Chile* (Princeton, NJ: Princeton University Press, 1988), 176.
99. William F. Sater, *A History of Chile, 1808–1994* (Cambridge, UK: Cambridge University Press, 2004), 137.
100. Blakemore, *British Nitrates*, 1.
101. Ricardo Donoso, *Desarrollo Político y Social de Chile desde la Constitución de 1833* (Santiago, Chile: Imprenta Universitaria, 1942), 17–19.
102. For example, see Mario Góngora, *Ensayo Histórico sobre la Noción de Estado en Chile en los Siglos XIX y XX*, 8th ed. (Santiago, Chile: Editorial Universitaria, 2003), 66; Krebs, "Orígenes," 110–17; Frederick Nunn, "Emil Körner and the Prussianization of the Chilean Army: Origins, Process, and Consequences, 1885–1920," *Hispanic American Historical Review* 50, no. 2 (1970): 301; Donoso, *Desarrollo Político*, 21.
103. See Michael Monteón, *Chile in the Nitrate Era: The Evolution of Economic Dependence, 1880–1930* (Madison: University of Wisconsin Press, 1982), 19.
104. Luis Ortega, "Nitrates, Chilean Entrepreneurs and the Origins of the War of the Pacific," *Journal of Latin American Studies* 16, no. 2 (1984): 347.
105. Peru was immediately dragged into this conflict as a consequence of the mutual assistance treaty it had concluded with the Bolivians.
106. Ortega, "Nitrates," 343–44.
107. Cariola and Sunkel, "Growth of the Nitrate Industry." Alberto Edwards, writing in 1928, referred to "the splendid administrative organization, the fundamental solidity of which Chile gave such an eloquent display in the War of the Pacific. . . . Peru and Bolivia were necessarily defeated by a country better organized"; Edwards, *La Fronda Aristocrática*, 165.
108. Blakemore, "War of the Pacific," 41.
109. Markos Mamalakis, *The Growth and Structure of the Chilean Economy: From Independence to Allende* (New Haven, CT: Yale University Press, 1976).
110. John Bowman and Michael Wallerstein, "The Fall of Balmaceda and Public Finance in Chile: New Data for an Old Debate," *Journal of Interamerican Studies and World Affairs* 24, no. 4: 448.

111. Cariola and Sunkel, "Growth of the Nitrate Industry," 147–59.
112. Blakemore, "War of the Pacific," 61.
113. Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton, NJ: Princeton University Press, 2004).
114. Einhorn, *American Slavery*, 2008.
115. On the tax capacity of the English state, see Deborah Boucoyannis, "Land, Courts, and Parliaments: The Hidden Sinews of Power in the Emergence of Constitutionalism, Volume 1" (PhD diss., University of Chicago, 2005), 105.

## Bio

**Marcus J. Kurtz** (kurtz.61@polisci.osu.edu) is an associate professor of political science at The Ohio State University. He is the author of *Free Market Democracy and the Chilean and Mexican Countryside* as well as a variety of articles on such topics as economic development and reform, democratization, and state–society relations.