

Bringing War Back in: Victory and State Formation in Latin America

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Abstract: *Scholars have often dismissed the effect of war on state formation in regions like Latin America, where mobilization for war is deemed insufficiently intense and international conflict fails to out-select weaker states. Against this conventional wisdom, I contend that wars can affect state-building trajectories in a postwar period through the different state institutions that result from victory and defeat. After reconsidering the role of war outcomes in classical bellicist theory I use difference-in-differences analysis to identify the effect of losing vis-à-vis winning a war on levels of state capacity in a panel of Latin America (1865–1913). I then illustrate my causal mechanisms in case studies of the Paraguayan War (1864–1870) and the War of the Pacific (1879–1883) and apply the synthetic control method to these cases. Although out-selection of losers obscures the effect of war outcomes in European history, Latin America illuminates their long-term consequences.*

Verification Materials: The materials required to verify the computational reproducibility of the results, procedures and analyses in this article are available on the *American Journal of Political Science* Dataverse within the Harvard Dataverse Network, at: <https://doi.org/10.7910/DVN/8LKROK>.

Building on a long intellectual tradition, the premise that “war made the state” (Tilly 1975, 42) has been largely validated by contemporary research ranging from anthropology to economic theory, explaining the formation of states from prehistory to modern Europe. In regions where interstate war was less severe, bellicist expectations are met as well (Desch 1996, 242; Migdal 1988, 273) explaining their relatively weaker states. And yet, this paradigm continues to be challenged as unfit to the contemporary world and “inapplicable to non-European contexts” (Hui 2017, 268).

Featuring prominently in this debate is a recent consensus suggesting that “war did not make states in Latin America” (Soifer 2015, 202; see also Kurtz 2013, 6; Saylor 2014, 52). In a region where international wars were “few” and “limited” (Centeno 2002, 9), states

financed their activities with foreign loans and customs duties instead of direct taxes (Centeno 2002, 135–37), and state survival was guaranteed, scholars find the link between international conflict and state building implausible.¹

This conventional wisdom, however, confounds two very different eras in Latin American history. The relative weakness of states today might be related to the comparative absence of war in the twentieth century. Latin American state formation effectively froze in relative terms on the eve of World War I, when European countries started to adopt direct (income) taxes at a higher rate (Mares and Queralto 2015). Yet, state formation was rampant during the late nineteenth century, when wars in Latin America were as frequent and as intense as in Europe (Holsti 1996, 152). National states at the top and

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This article summarizes the arguments of the author’s Ph.D. dissertation at the University of Notre Dame (2020). It benefited from two generous grants by the Kellogg Institute for International Studies and presentations at the annual meetings of the American Political Science Association and the Latin American Studies Association. In the latter it received the Best Paper Award by the Political Institutions (LAPIS) Section. Earlier drafts were also presented at the Buffet Institute for Global Affairs at Northwestern University, the Latin American Centre at Oxford University, the *Instituto de Iberoamérica* at University of Salamanca, and political science departments at the University of Sao Paulo (Brazil), Getulio Vargas Foundation (Brazil), the Monterrey Institute of Technology (Mexico), the *Centro de Investigación y Docencia Económicas* (Mexico), and Torcuato Di Tella University (Argentina). The author thanks Miguel Centeno, Micheal Desch, David Doyle, Agustin Ferraro, Carlos Gervasoni, Gary Goertz, Ezequiel Gonzalez Ocantos, Jeffrey Harden, Victoria Hui, Raúl Madrid, James Mahoney, Scott Mainwaring, Victoria Paniagua, Aníbal Pérez Liñán, Luis Schiumerini, Jasmin Sierra, Matias Spektor, and Francisco Urdinez for key insights, as well as workshop and panel participants, four anonymous reviewers, and the editors, for their helpful feedback. Open access funding enabled and organized by Projekt DEAL.

¹The only notable exception is the scholarship of Thies (2005) who explores the effects not of war, but of international rivalry, in twentieth-century Latin America.

American Journal of Political Science, Vol. 00, No. 00, October 2020, Pp. 1–17

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DOI: 10.1111/ajps.12552

at the bottom of the regional ranking of state capacity—featuring roughly the same order in the early twentieth century and today (Mahoney 2010, 190)—seem to be, respectively, the winners and losers of those wars.

This suggests the link between war and the state in Latin America might have been elusive due to theoretical underspecification. Two popular understandings of bellicist theory argue that state formation takes place in a *prewar phase* when states prepare for war (Thies 2005, 451) and when war out-selects unprepared losers (Spruyt 2017, 78). Building on classical bellicist scholars, I propose a third view: that war outcomes fundamentally shape state institutions not only during war but also into a *postwar phase*. Although victory consolidates a self-reinforcing trajectory of state formation, defeat delegitimizes extractive institutions and sets losers into a path-dependent process of state weakening. Restated as “victory made the state,” the bellicist approach does fit the Latin American experience with considerable precision.

In the next section, I set up my argument and define the causal mechanisms (Spruyt 2017, 89) and scope conditions (Hui 2017, 272) that define this “classical bellicist theory.” Because victory could be endogenous to preexisting levels of state capacity, I deal carefully with this issue in both my theory and research design. Then I proceed to test my argument using a combination of cross-case and within-case analyses (Goertz 2017). First, I use a difference-in-differences (DID) analysis to estimate the effect of losing a war on long-term levels of state infrastructural capacity in a panel of Latin America (1865–1913). Then I focus on the two most intense among these wars: the Paraguayan War (1864–1870) and the War of the Pacific (1879–1883). The winners—Argentina, Brazil, and Chile—and losers—Paraguay and Peru—of these wars provide the evidence to qualitatively test my proposed causal mechanisms against alternative explanations. Finally, I use the synthetic control method (SCM) to estimate the trends Paraguay and Peru would have followed had they not been defeated.

State Building after War

Most bellicist scholars in our day would agree that “*preparation for war* has been the great state building activity” (Tilly 1975, 42). According to this understanding, external threats offered a unique opportunity for states to twist the arm of groups in society that resisted extraction (Mann 1988, 4) and this constraint being

loosened “war, state apparatus, taxation, and borrowing advanced in tight cadence” (Tilly 1985, 180, cited in Thies 2004, 55). In this popular view, war outcomes are of little consequence other than stopping the process. Whether they win or lose, states are expected to maintain their acquired capabilities by virtue of a “ratchet effect,” unless a new threat justifies further extraction (Desch 1996, 243).

War outcomes are more consequential if we adopt an *evolutionary* understanding of bellicist theory. In this alternative view “those political entities that did not create the right set of institutions to wage war were simply weeded out” (Spruyt 2017, 86) after defeat. Scholars who share this understanding see the war mechanism at work in stringent environments where states that fail to keep up are systematically out-selected, but continue to overlook the lingering effects of war outcomes in the long term.

The disregard for the effects of war outcomes into a postwar period is intuitively puzzling. A surviving state can lose people, property, and territory after a defeat, which will already hurt extraction levels. But more importantly, state institutions themselves are likely to be different in victors and losers.

Classical bellicist theory largely fits this account. Max Weber, for example, saw the origins of the state “where a territorial association is attacked by an external enemy in its traditional domain, and arms are taken up by the members in the manner of a home guard.” In such conditions, he theorized, “increasing rational precautions against such eventualities might engender a political organization regarded as enjoying particular legitimacy” (Weber 1978, 905). Initially, the type of domestic violence legitimized would have been related to the very purpose of war fighting and “directed against members of the fraternity who have acted treasonably or who have harmed it by disobedience or cowardice,” but it is fundamentally *after war* that “through the cultivation of military prowess and war as a vocation such structure develops into a coercive apparatus able to lay effective and comprehensive claims to obedience” (Weber 1978, 906).

For Weber state formation consolidates in a postwar phase, when “this *ad hoc* consociation develops into a permanent structure” (1978). According to Ertman (2017, 56), Otto Hintze, and Charles Tilly also emphasized the importance of this postwar phase by pointing to the “organizational residues” of war—that is, the bureaucracies and armies that need to consolidate after it. War outcomes are essential to the consolidation of the state because only after victory “its members may pretend to a special prestige” (Weber 1978, 910). “The prestige of power,” Weber argued, “means in practice

the glory of power over other communities” (1978). In the classical bellicist story, war outcomes are not the out-selection mechanism that current evolutionary accounts of bellicist theory suggest. Quite on the contrary, these authors never mention the mechanism of selection, and see war outcomes as boosting victorious states and hindering defeated states in the long term.

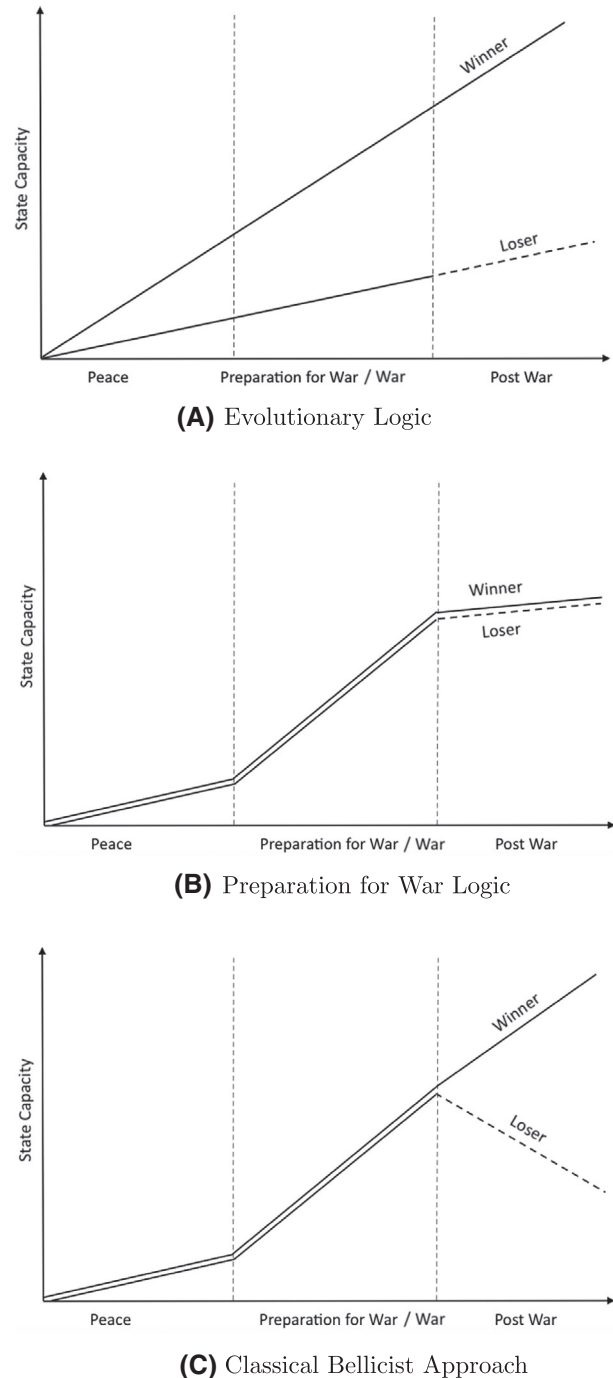
Figure 1 provides a succinct summary of three alternative understandings of bellicist theory. In all three subfigures the Y-axis represents state capacity levels and the X-axis represents time, which is then divided into three periods of theoretical relevance (peacetime, preparation for war/war, and postwar). After war, losing states are represented with a dashed line conveying the idea of attrition—that is, some might be eliminated. According to evolutionary approaches, state formation trends to remain largely unaffected by war, a factor that operates primarily through selection. Alternatively, a prewar bellicist approach expects that both eventual victors and losers will increase their capacity while preparing for war and then remain at the wartime levels. I argue that classical bellicist theory expects the path of winners and losers to considerably diverge after the war outcome is revealed, as depicted in the last subfigure.

Importantly, classical bellicist theory saw both wars and outcomes that conferred legitimacy upon the state as exogenous. Weber, for example, reasoned the psychological mechanisms that could justify the conferral of power upon life and death on the state should be akin to those activated in the “kinship group in the fulfillment of the obligation of blood vengeance” and noted “this connection is weak, on the other hand, with regard to organizational action of a military type, directed against an external enemy...” (1978). This is in clear opposition to some *Realpolitik* approaches that see war as a strategy state elites can pursue for the purpose of self-aggrandizement (Sambanis, Skaperdas, and Wohlforth 2015). In classical bellicist theory war fighting is born out of “sentiments of prestige” and features “irrational elements” (Weber 1978, 911; see Fearon 1995, 409).

Relatedly, Weber (1949, 172) was persuaded by military historians of his time that contingent battles determined the outcomes of those wars. Decisive battles could therefore be attributed a fundamental causal impact on state capacity “...on the basis of weighing the various *possibilities*, the *decision* between which was made by the battle’s entirely *accidental* outcome...”² These methodological and theoretical considerations undergird my research design.

²Emphases are in the original.

FIGURE 1 Three Alternative Understandings of Bellicist Theory



Mechanisms and Observational Expectations

Nineteenth-century Latin America provides an ideal testing ground for classical bellicist theory, for wars were frequent in that era and yet, unlike in Europe, losers always survived (Kurtz 2013, 32; Saylor 2014, 200; Soifer

2015, 233). Still, understanding the historical and geographic context is imperative, for the actors, processes, and even the definition of concepts like war and state capacity depend very much on it (Oszlak 1981, 4).

The literature on Latin America is a case in point. The idea that “there have been very few international wars” (Centeno 2002, 9) in Latin America and that these were “limited” (Centeno 2002, 20), for example, largely applies to the twentieth century, where “total wars” are the point of reference. From 1820 to 1914, however, Latin American states fought roughly as many wars as Europeans did (8 vs. 11),³ which lasted more on average (25 months vs. 6 months) and were more deadly (killing 1.23% of the population vs. 0.29%). Even the Crimean War (1853–1856), with its 264,200 battle deaths was outmatched by the 310,000 of the Paraguayan War (1864–1870), a much larger relative toll considering the smaller populations and rudimentary technology of the countries involved.

Similarly, censuring indirect taxation and debt as state-building strategies (Centeno 2002, 135–37), while understandable for the twentieth century, seems a rather high bar for the nineteenth century, when many European powers had similar tax structures (Marichal 2006, 450) and much higher debts (Coatsworth and Williamson 2002, 50) than their Latin American counterparts. Indicators available for both regions show extraction might have been higher in countries such as Chile and Uruguay than it was anywhere in Europe by the year 1900, when measured on a per capita basis (Banks and Wilson 2019).

In the same way, treatment and outcome ought to be historically contextualized, so should be actors and processes. In nineteenth-century Latin America two segments of the state elite were usually determinant for state formation dynamics: core and peripheral elites. By core elites I understand those in favor of a process of state strengthening and centralization. These were primarily—but not necessarily—urban elites closely connected to the national government and bureaucracy in the capital cities. Conversely, peripheral elites were closer to local or parochial interests, usually based in the countryside or secondary cities where *caudillos* or warlords, the church, and landed elites preserved autonomous orders. Wary they would lose autonomy and

privileges, peripheral elites always struck a bargain with core elites, which determined the pace of state formation.

These equilibria were often interrupted by civil war and renegotiations, but domestic strife rarely affected the balance between core and peripheral elites in important ways. International wars against an external, common enemy, more than any other factor, opened a window of opportunity for core elites to extract more revenue, strengthen the national army, and expand the scope and geographical reach of the state. But this process also led to polarization and even the defection of radical elements within the peripheral elites, hopeful that a defeat in the international front would topple the wartime coalition. Thus, preparation for war acted mostly as a permissive condition (Soifer 2012), and only the definition of the war outcome—e.g., after major battles—consolidated the new institutional equilibrium.

When losers survived, as they generally did in Latin America, defeat shattered the wartime coalition and brought a minority of radical peripheral elites who opposed the war to power. This faction usually dismantled the remainders of the state that were not destroyed in the very process of fighting the war. Most importantly, however, these peripheral elites would ensure to lock-in these policies in the long term to secure the autonomy of their feuds against core elites. Defeat, therefore, resulted in the institutionalization of a state-weakening trajectory via the depletion of the armed forces and state bureaucracy, and the expulsion of core elites from main political parties.

Conversely, victory strengthened the wartime coalition built around core elites. In the short term the spoils of victory certainly boosted the state-building effort, but institutions, again, explain the consolidation of this upward trajectory in the long term. Facing the possibility of being casted as traitors, important segments of the peripheral elites bandwagoned and supported the continuity of state-building policies. Those who did not, were outcasted. This resulted in a reconfiguration of the party system so that all relevant parties became largely supportive of state building. The domestic political struggle continued—sometimes leading to virulent conflict—but the main political cleavage would now revolve not around the necessity of the *state* itself, but the rules to gain access to it—that is, the political *regime*. The armed forces—a corporation with vested interests in state formation and strongly legitimized by victory—would play a key, praetorian role as guarantor of the new order (López-Alves 2000).

This story builds strongly upon a recent consensus that situates Latin American state formation squarely in the nineteenth century, puts the emphasis on critical

³Throughout the article, I use data from Sarkees and Wayman (2010) who define international war as any military confrontation between two sovereign entities that produces at least 1,000 battle deaths in a one-year period. Note that if we consider the number of contiguous dyads in Europe at the year 1850 (259) and compare it to Latin America (47), warfare in the latter region was much more frequent in relative terms.

TABLE 1 Winners and Losers in Latin American Wars, 1860–1913

War	End	Winners	Losers
Colombo-Ecuadoran	1863	Colombia	Ecuador
Restoration War	1865	Dominican Republic	Spain
Franco-Mexican	1867	Mexico	France
Paraguayan War	1870	Argentina, Brazil, Uruguay	Paraguay
War of the Pacific	1883	Chile	Bolivia, Peru
War of Reunification	1885	Costa Rica/El Salvador/Nicaragua	Guatemala/Honduras

Note: France and Spain, although included in the table, are not considered in the analysis.

Source: Sarkees and Wayman (2010).

junctures and path dependence, and uniformly assigns a central role to core and peripheral elites in determining long-term outcomes (Kurtz 2013, 20; Saylor 2014, 12; Soifer 2015, 15). Yet, by introducing the structural element of war, it better explains why elites converge on state building in certain countries and moments, and not in others. So far, this literature either leaves elite decisions unexplained (Soifer 2015)⁴ or introduces time-invariant characteristics—such as the system of labor (Kurtz 2013, 36)—and country-invariant factors—such as commodity booms (Saylor 2014, 52)—which, as my empirics will show, fail to account for much variation.

In the following section, I provide a statistical approach to the assessment of classical bellicist expectations before returning to the historically grounded mechanisms in my two case studies. These statistics aim to identify the effect of defeat on state infrastructural capacity in the long term.⁵

Statistical Analyses

I use a data set of Latin American countries spanning from 1865 to 1913 for my statistical analyses (Banks and Wilson 2019). Following Correlates of War data (Sarkees and Wayman 2010), I consider the winners and losers in Table 1 for the purpose of coding the outcome of international wars.⁶ Available lists of interstate wars

⁴Soifer (2015, 68–82) identifies the strategic decision of central elites to deploy government officials to the peripheries as a cause of state formation, but fails to provide an explanation for such decision. Kurtz (2013, 29) makes the point that this choice must be epiphenomenal, and Saylor (2014, 21) concurs that it should be regarded as a consequence, not a cause of state capacity.

⁵I focus on the effect of defeat, not victory, because I expect victory to consolidate trends already at place during a prewar phase (see Figure 1).

⁶In the bellicist literature “the consensus is that extractive capacity grows in response to international rather than domestic con-

vary slightly (Centeno 2002, 44; López-Alves 2000), but this one seems to better satisfy the classic definition of international war as a military confrontation between two sovereign states that produces at least 1,000 battle deaths in a one-year period. Without considering countries that achieve independence during the period—that is, Cuba (1898) and Panama (1903)—the list leaves only 2 of 18 countries in the region untreated by war during this period: Haiti and Venezuela. To identify the effect of war outcomes on the infrastructural capacity of the state (Mann 1988), I focus on state spatial and social control (Soifer and Vom Hau 2008).

First, I focus on the state’s capability to effectively connect its territory and population (Herbst 2014; O’Donnell 1993) using railroad mileage as an indicator of such capacity (Banks and Wilson 2019). This technology is attributed a central role in expanding the national state in the late nineteenth century (Paredes 2013) and is widely considered to be correlated with other dimensions of state capacity by economic historians (Bignon, Esteves, and Herranz-Loncán 2015, 1277). Railroads proxy territorial control in many ways. To give concessions to foreign capitals or state owned companies, states needed to effectively control those territories, and as railway companies extended their reach, telegraphs lines, post offices, police stations, and many other proxies of state presence were deployed along the way. The train also facilitated the deployment of bureaucrats and troops to the peripheries, resulted in the creation of state agencies, and expanded the reach of the press and education (Callen 2016).

Second, I focus on the extractive element of state capacity using a measure of national government revenue per capita (Banks and Wilson 2019) which is intended to grasp the extent to which the state could tax its population. Some have questioned the relevance of this

flict” (Slater 2010, 37). As described before, civil war only led to marginal changes in state capacity in Latin America and is better pictured as a loss of the monopoly of legitimate violence rather than a force that builds the state (Herbst 2014).

indicator, arguing that revenue in Latin America came mostly from tariffs applied to the foreign sector, which left local elites untouched and did not require huge bureaucracies (Centeno 2002, 118). Yet, tariffs, emission, and even debt, were ultimately transferred to domestic prices and undoubtedly affected elites. Moreover, preventing smuggling, imposing duties, and securing seigniorage should be considered impressive feats for nineteenth-century states. For all these reasons, per capita revenue should be considered a fair approximation to economic extraction in the late nineteenth century.⁷

Identification Strategy

To estimate the effects of war outcomes on these two dimensions of state capacity I use a generalized DID model:

$$Y_{ct} = \lambda_0 + \lambda_D D_{ct} + \lambda_\alpha \alpha_c + \lambda_\delta \delta_t + \varepsilon. \quad (1)$$

The units of analysis in the model are country-years. The treatment variable takes a value of 1 for every year after loss in international war (D_{ct}), and the outcome variable corresponds to our indicators of state capacity (Y_{ct}). Other parameters for Equation (1) include α_c for country fixed effects, and δ_t for year fixed effects.

This model offers a good approximation to the effect of exposure to defeat if we assume confounders varying across countries are time invariant, and time-varying confounders are country invariant, two conditions jointly referred to as a common trend assumption.

All assumptions behind this DID approach would be automatically met if these wars were decided by “accident” (Weber 1949, 172; 1978), as classical bellicist theory suggests. This assumption is in line with the idea that war “is everywhere in contact with chance” (Clausewitz 1984, 66), a very influential theory in political science, and a commonly held belief among military historians who almost invariably depict key battles as contingent events.

Due to space constraints, I explore this assumption in a supporting information (SI) file. There I point to the work of historians and primary evidence that invariably underscores the contingency of war outcomes on each of the six wars under my scrutiny. In the same file I also offer convincing evidence that the difference between winners and losers in possible predictors of victory was not significant—that is, balance in covariates—and that state capacity trends in winners and losers were notably parallel in winners and losers during the pretreatment period.

⁷Other indicators of state capacity for which there seems to be no reliable panel data covering my period of interest are discussed succinctly in my case studies.

If the theoretical, historical, and statistical evidence presented was convincing enough, a strict exogeneity assumption would be met, and model (1) would correctly identify the causal effect of defeat on state capacity levels.

Yet, some may still consider it prudent to control for possible confounders that are not captured by country fixed effects—already accounting for permanent characteristics such as colonial institutions, urban centrality, type of labor, etc.—or year fixed effects—capturing factors such as the international economic shocks, immigration waves, etc.

Among those potential confounders, military superiority is perhaps the most intuitive predictor of war outcomes that comes to mind. The second best seems to be wealth, which provides the basis for military power and the thrust to sustain war efforts in the long term. The third argument sustains that levels of nationalism might create an advantage, and the fourth popular argument suggests democracies tend to win wars. All these are possible factors selecting countries into treatment and are represented by the term X_{ct} in Equation (2):

$$Y_{ct} = \lambda_0 + \lambda_D D_{ct} + \lambda_\alpha \alpha_c + \lambda_\delta \delta_t + \lambda_X X_{ct} + \varepsilon. \quad (2)$$

This new model still assumes that the ignorability condition is met once I control for the observable covariates listed in Table 2.

Lastly, I use a lagged dependent variable model in Equation (3) which complements the fixed effects model detailed above by producing a lower bound estimate of our parameter of interest (Angrist and Pischke 2008, 246; see Holbein and Hillygus 2016, 369). According to the proponents of this approach we can be confident our “true” parameter is bracketed between the coefficients produced by Equations (2) and (3) even in presence of other possible confounders:

$$Y_{ct} = \lambda_0 + \lambda_D D_{ct} + \lambda_Y Y_{c, t-1} + \lambda_X X_{ct} + \varepsilon. \quad (3)$$

Equation (3) is similar to Equation (2), except that it does away with the two-way fixed effects and includes a lag of our indicator of state capacity.

Results

Results are depicted in Table 3. The first model (1), the one in line with the classical bellicist assumption about the contingency of war outcomes, shows tracklaying drops by 1,719 miles on average in loser states, which also collect 70% less revenue per capita from their citizens. If I used per capita revenue instead of a

TABLE 2 Variables and Sources

Variable	Function	Indicator
War outcome	Treatment	Coded 1 for all years after a defeat
Railroad mileage	Outcome	Miles of public and private line
Per capita revenue	Outcome	National government in current USD (.01)
Per capita expenses	Control	National government in current USD (.01)
Exports per capita	Control	National government in current USD (.01)
Size of the military	Control	Military personnel (1,000)
Effective legislature	Control	4-Point scale
School enrollment	Control	Students per capita (0.0001)
Urbanization	Control	Population in cities over 100,000 (1,000)

Note: All variables come from Banks and Wilson (2019), except for War Outcome, extracted from Sarkees and Wayman (2010). For interpretation of the results note the coefficients in parentheses for conversion - e.g. USD measures are in cents (.01), military personnel in thousands of troops (1,000), etc.

logarithmic transformation, the decline in losers would be of US\$4.82 per capita.⁸

The effect is still significant, although substantively less important, once I include potential confounders in model (2) which were not controlled by the fixed effects. In this case, railroad networks in defeated states lose 391 miles on average, and tax collection drops by 20%—or US\$1 per capita. Finally, a lower bound estimate is given by a lagged model (3) showing the effect remains robust under this more stringent specification. Results suggest defeated states lost at the very least 12 miles of railway and 2% in per capita revenue.

Table 4 offers some descriptive statistics on railroad extension and per capita revenue at the turn of the century to help us interpret the aforementioned results. Note that losing states lost an equivalent to the regional average in both railroads and revenue, suggesting the impact of war outcomes was substantively very important.

Finally, three leading values of the treatment test for the possibility that these states were already in the trajectory of decaying capacity picked by the models by way of a Granger-type causality test (Angrist and Pischke 2008, 171). The fact that all leads are not significant is reassuring that future exposure to the treatment was not anticipated by pretreatment trends.

The lags at the bottom of Table 3, on the other hand, test for time-varying treatment effects. The fact that the last lag of the treatment is significant is encouraging that the effect we are picking up might be incremental with time. Time-varying effects can be better illustrated by a

plot of lags and leads (see Autor 2003, 24–26). To calculate these, I take the basic model (2) with covariates and use a procedure recommended by De Chaisemartin and D’Haultfoeulle (2018), which provides the additional advantage of allowing for heterogeneous treatment effects by country.

In Figure 2, although pretreatment coefficients do not differ significantly from zero—in line with the parallel trends assumption—posttreatment declining values become increasingly significant with time, very much in line with the predictions of classical bellicist theory depicted in Figure 1.⁹

Case Studies

In this section, I narrow my focus to the two major wars in nineteenth-century Latin America. The Paraguayan War (1865–1870), on the one hand, was the greatest interstate war in Latin American history—and in the world between 1815 and 1914. It confronted Paraguay with Argentina, Brazil, and Uruguay leaving an estimate of 310,00 battle deaths. The War of the Pacific (1879–1883), on the other hand, pitched Chile against Bolivia and Peru. With some 16,000 battle deaths this is the second bloodiest conflict between Latin American states during this period.

For the purpose of my analysis, I will drop the cases of Bolivia and Uruguay, which only fought during the

⁸In models on per capita revenue, the outcome is logged to better fit a normal distribution. Coefficients in Table 3 are exponentiated to interpret them as a percentage change. Other models calculate the substantive results in per capita dollars which are reported in the SI file. The same file reports results using railroad density—that is, miles of track per square miles of territory—which remain significant at similar levels.

⁹An online SI file shows further evidence that the parallel trends assumption is met. This battery of tests includes evidence of similar trends in the mean outcome by group during the pretreatment period, balance in covariates during the pretreatment period, and further Granger-type causality tests. The same files offer evidence of robustness to different data specifications by varying the end dates of wars, including other treatments by slightly changing our definition of war, etc.

TABLE 3 Summary of Results: Difference-in-Differences and Lagged Models

	Railroads			ln Revenue		
	(1)	(2)	(3)	(1)	(2)	(3)
Treatment effect	−1,719*** (179)	−391*** (124)	−12.4*** (4.17)	−0.533*** (0.088)	−0.185*** (0.055)	−0.022* (0.011)
Per capita expenses	—	−0.301*** (0.104)	−0.001 (0.011)	—	0.000*** (0.000)	0.000*** (0.000)
Exports per capita	—	0.439*** (0.103)	0.010 (0.008)	—	0.000** (0.000)	0.000 (0.000)
Size of the military	—	3.98 (2.42)	−0.209 (0.149)	—	0.000 (0.000)	0.000* (0.000)
Effective legislature	—	−456*** (127)	6.85 (6.29)	—	0.043 (0.026)	0.002 (0.008)
School enrollment	—	−3.97 (2.74)	0.400 (0.308)	—	−0.001 (0.001)	−0.001*** (0.000)
Urbanization	—	8.52*** (0.341)	−0.034 (0.054)	—	−0.000*** (0.000)	0.000 (0.000)
Area	—	−0.002*** (0.000)	0.000*** (0.000)	—	−0.000*** (0.000)	−0.000 (0.000)
Outcome _{t−1}	—	—	1.04*** (0.006)	—	—	0.874*** (0.013)
Observations	882	882	864	882	882	864
Country/year FE	Yes	Yes	No	Yes	Yes	No
Clustered standard errors (SE)	Yes	Yes	Yes	Yes	Yes	Yes
Treatment _{t+3}	−272 (252)	−158 (223)	—	0.009 (0.232)	0.096 (0.083)	—
Treatment _{t+2}	−18.6 (309)	−22.0 (256)	—	−0.263 (0.314)	−0.174 (0.141)	—
Treatment _{t+1}	−86.1 (279)	98.2 (260)	—	−0.011 (0.304)	0.022 (0.157)	—
Treatment _{t−1}	−113 (253)	−55.1 (258)	—	−0.080 (0.227)	−0.033 (0.136)	—
Treatment _{t−2}	−58.6 (243)	−78.1 (266)	—	−0.016 (0.226)	0.009 (0.138)	—
Treatment _{t−3}	−1,178*** (198)	−191 (202)	—	−0.345* (0.164)	−0.106 (0.097)	—

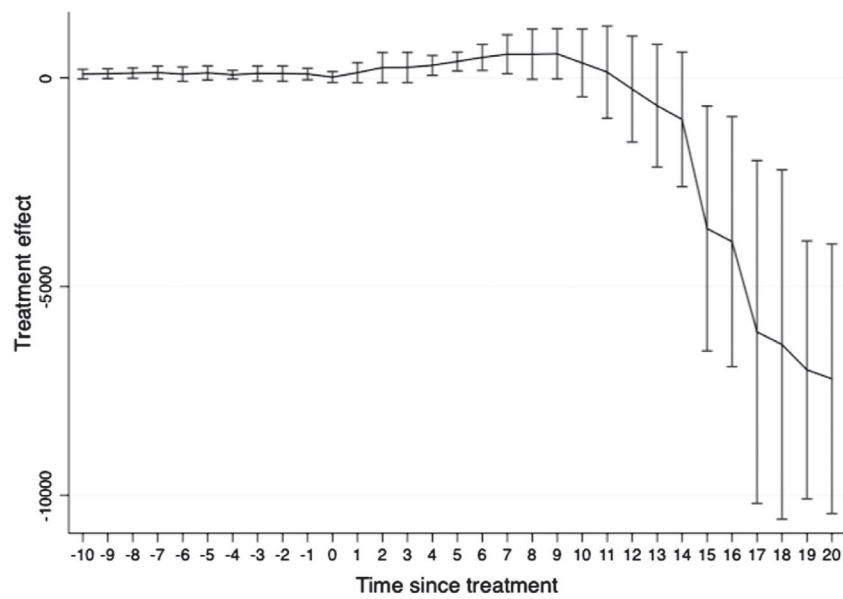
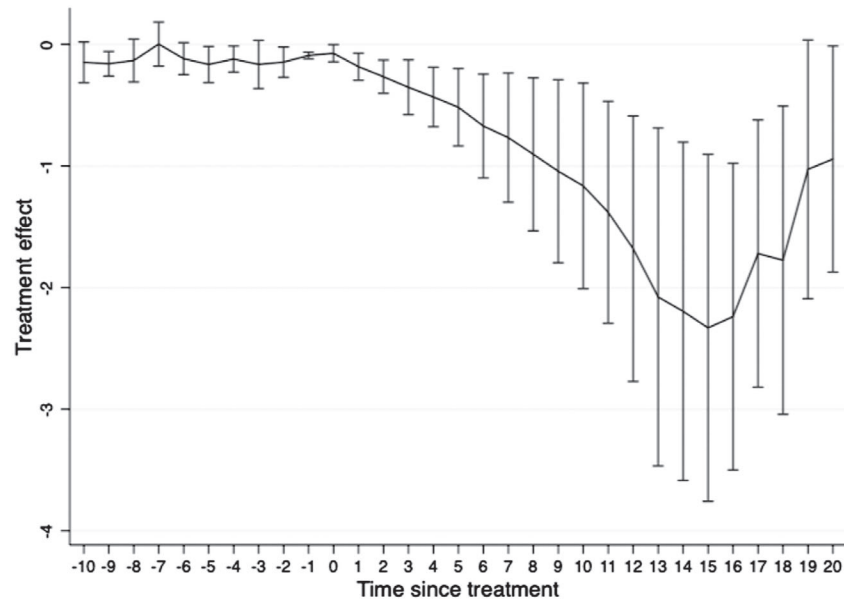
Note: Standard errors are in parentheses (* $p < .05$; ** $p < .01$; and *** $p < .005$). FE, fixed effect.

first year of these wars. My focus will be on winners—Argentina, Brazil, and Chile—and losers—Paraguay and Peru—which confronted a protracted war effort, for these extreme cases should better illustrate my proposed causal mechanisms. Finally, I use the SCM to estimate

the trends Paraguay and Peru would have followed if undefeated. As in the previous section, my statistical analyses focus on losers for it is only defeat that is expected to produce a change in the trajectory at place during the war.

TABLE 4 State Capacity Outcomes: Descriptive Statistics in 1900

Variable	Mean	Standard deviation	Minimum	Maximum
Miles of railroad	2,025 miles	3,578 miles	31 miles	10,396 miles
Per capita revenue	US\$5.73	US\$6.02	US\$1.28	US\$22.03

FIGURE 2 Lags and Leads Plot**(A)** Lags and Leads for DID model (2) on railway extension**(B)** Lags and Leads for DID model (2) on per capita revenue

Note: This plot of lags and leads shows defeat was not associated with the outcomes in the pretreatment period, and became incrementally so after defeat had taken place, as predicted in Figure 1(C).

The Paraguayan War

Arguably war outcomes affected state trajectories in the River Plate since independence. The Argentine-Brazilian War (1825–1828) strengthened central authorities in both Buenos Aires (Lynch 1985, 633) and Rio de Janeiro (Bethell 1989, 66) until its outcome—that is, the loss

of the disputed territory to the newly independent state of Uruguay—led to the collapse of both warring states.¹⁰ Only after a decade, a new process of

¹⁰In Brazil, Pedro I abdicated the throne, the army was downsized from 30,000 men to just 6,000, and security was decentralized to local National Guards (Sodré 1979, 130). The reforms ended up

centralization ensued in Argentina, fueled by the War of the Confederation (1936–1939) and the La Plata War (1839–1852) in which Buenos Aires forces put up an eight-year siege of Montevideo (1843–1851).¹¹ The latter also contributed greatly to quell secessionist rebellions in Brazil and recentralize power in Rio de Janeiro.¹² In 1852, a Brazilian intervention on the Uruguayan side put an end to war and victory consolidated core state elites in Rio de Janeiro. The defeated Argentine Confederation imploded, with Buenos Aires effectively seceding from the union for a decade.

Although state formation in Argentina and Brazil ebbed and flowed at the rhythm of international victory and defeat, a severely repressive regime led by José Gaspar Rodríguez de Francia (1814–1840) managed to consolidate a centralist project early on in Paraguay. His successor, Carlos Antonio López (1841–1862), strengthened the national state even further by increasing domestic taxes and tariffs, implementing a stringent system of passport control and border patrolling, and instituting a state-led development plan.

By the mid-nineteenth century the Paraguayan state owned 90% of the land and 80% of the domestic and foreign trade, displaying an extended network of public services (Doratioto 2002, 44). A state foundry was founded in the township of Ybycuí, where the Paraguayans started to produce their own swords, canons, rocket launchers, industrial machinery, and even the tracks and steam locomotive for a train connecting the foundry with Asunción. This state-led modernization put Paraguay ahead in the technological race, and helped equip its prestigious armed forces.

Riverine incursions of the Brazilian fleet also prompted Paraguay to mount a shipyard, build steamers and torpedoes, mine the rivers, and erect impressive riverine fortresses. After Carlos Antonio died, his son, Francisco Solano López, declared war to Brazil on December 13, 1864, trying to prevent the consolidation of a pro-Brazilian coup in Montevideo that would have

producing the bloodiest rebellions in Brazil's history, including a virtual secession of southern states. In Argentina as well, a civil war ensued (1829–1831) and with the victory of the *federales*, the country was divided into a loose confederation.

¹¹Although Buenos Aires' military expenditures represented 27% of the total budget in 1836, they increased to 49% in 1840 and 71% in 1841, never to fall below 49% for the next decade (Lynch 1985, 642). Backed by this strong national army, Buenos Aires effectively subdued the provinces.

¹²The need to counterbalance Argentina prompted Brazilian liberals to promote the *maioridade*—coming of age—of the Emperor Pedro II and recentralize the military. “The [military] reforms of 1842, 1845, 1847, 1850, all partial, resulted from the River Plate threats that started to grow, once again” (Sodré 1979, 135).

encircled him. A few month later, he brought Argentina into the war when passing through its territory to reach Uruguay.

Although the strategy proved reckless, the “extraordinary cohesiveness of Paraguay” was still promising against the “badly divided nations” of Argentina and Brazil (Schweller 2008, 85–89). A Paraguayan army of around 40,000 men (Whigham 2002, 187) was larger than all allied forces combined at the outset of hostilities, and contingency played a great role in key battles such as Riachuelo and Yataí in 1865. The allies were close to surrender in 1866, after they were defeated in the battle of Curupaití. Yet, the fall of the fortress of Humaitá in 1868 virtually decided the outcome against Paraguay.

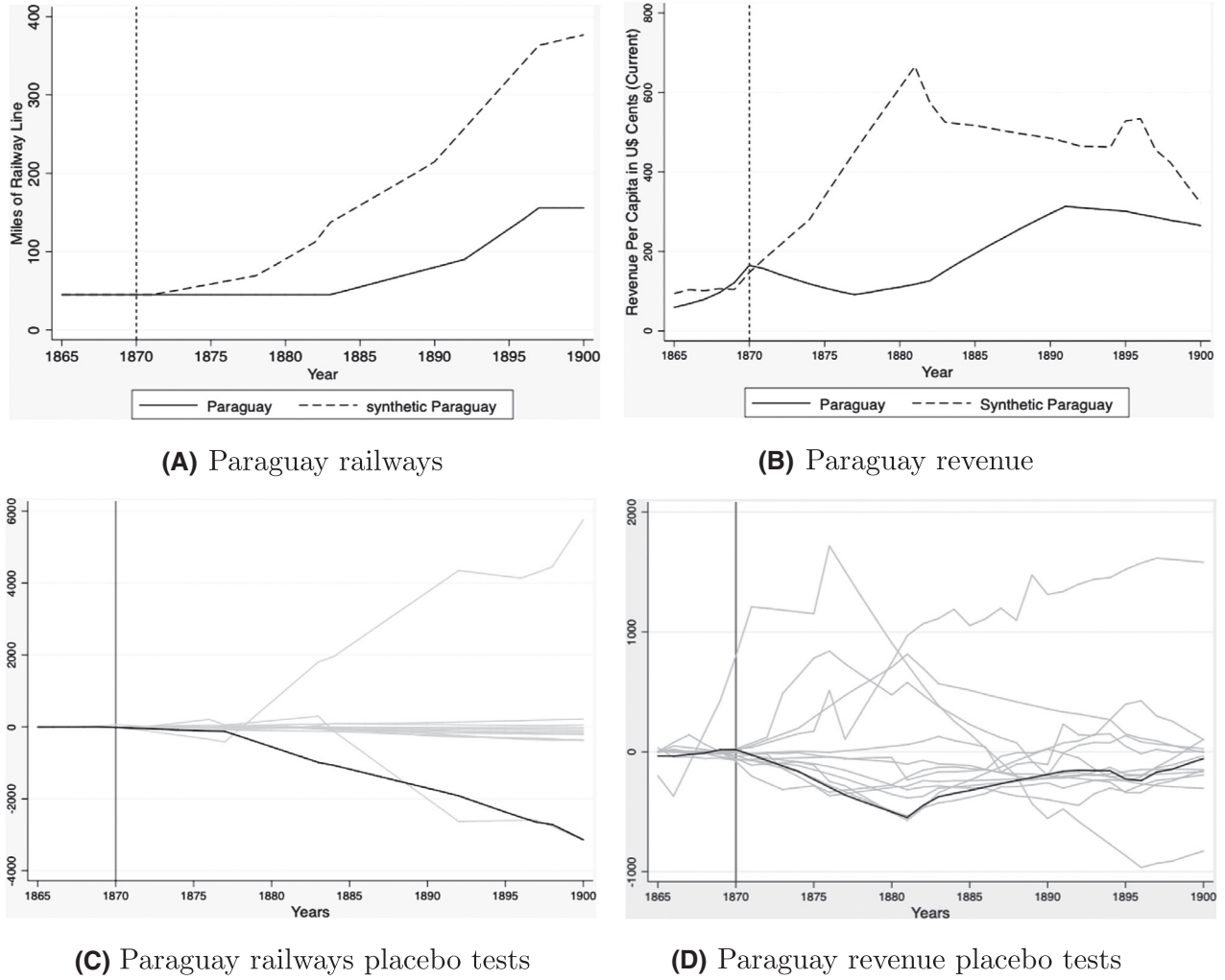
Paraguay was lost, either killed or displaced (Whigham and Potthast 1999). The army was disbanded, riverine defenses razed, and foundries and shipyards dismantled. The Paraguayan manufacturing economy collapsed and yerba mate exports plummeted.

Still, the Paraguayan state could have recovered if it was not for the rise of peripheral elites to power. After the war, prominent families divided into *clubes* that “sought the backing of the occupation armies to further their ambitions” (Lewis 1986, 478). When the victors started to leave in 1876, the president, one ex-president, and a leading candidate for president were murdered. Instead of pursuing their corporate interest by reinstituting state building, the military sold their services to the higher bidder and oversaw their own dismantlement. The army of 2,500 soldiers was now tiny compared to the 70,000 marshaled at the height of the war, but the state had been so radically depleted that the salary of those soldiers consumed one fifth of the national budget.

Landed elites fought for the spoils of the state as “the land sale laws of 1883 and 1885 led to a wholesale alienation of the public domain” (Lewis 1986, 480). Eventually two parties managed to consolidate—*colorados* and *azules*—both of which supported a minimal state policy and fought bitterly for the control over local feuds.¹³ With peripheral elites entrenched in the party system, the Paraguayans would never recover from this dreadful blow.

Looking at individual cases like Paraguay can help address some of the limitations of the regression techniques I use in the previous section. Qualitative researchers are aware that individual losers like Paraguay are very different from other states and thus might

¹³One author notes that: “battles between the two parties were often bitter and bloody, for personal and family loyalties were involved in choosing sides. Thus Paraguayans literally wore their politics on their sleeves, flaunting their partisan colors on their ponchos and blouses” (Lewis 1986, 482).

FIGURE 3 Synthetic Controls on Paraguayan Railroads and Revenues

Note: The result of the synthetic controls show that this defeat set Paraguay substantively away from an otherwise predicted trajectory of faster growth represented by the dashed lines. The placebo treatments below strengthen this inference by showing that the effect on Paraguay, represented by the bold line, was not due to chance or concurrent shocks affecting other countries as well.

require a different set of comparison cases to draw inferences from. Yet, regression extrapolates from all cases without carefully considering these counterfactuals. To address this problem I use the SCM, which draws from a donor pool of Latin America and applies weights to extrapolate a synthetic or counterfactual case that best resembles Paraguay in theoretically relevant pretreatment characteristics (Abadie, Diamond, and Hainmueller 2015, 501). The cross-validation technique used to choose these weights is the following:

$$\sum_{m=1}^k v_m (X_{1m} - X_{0m}W)^2, \quad (4)$$

where $X_1 - X_0W$ measures the difference between the preintervention characteristics of the treated unit and a

synthetic control, and v_m is a weight that reflects the relative importance assigned to the m th variable when we measure the discrepancy between $X_1 - X_0W$ (Abadie, Diamond, and Hainmueller 2015, 497–98). The variables I utilize for X_1 and X_0 are those labeled as controls in Table 2 plus two country-invariant predictors deemed relevant in the literature: the centrality of the main urban hub (Soifer 2015, 34) and the intensity of labor (Kurtz 2013, 35). For the latter I use a measure developed by James Mahoney (2003, 83) in a classical study.

Figure 3 looks at the effect of defeat on railway mileage and per capita revenue in Paraguay. In the case of railways the counterfactual closely matches the real case in the prewar period, and both convincingly start to diverge after the war. The inference is even clearer in the

models for revenue, which Paraguay sharply changing is upward trend after the war.

The significance of the results is testing using placebos—that is, a distribution of effect estimates when other cases in the donor pool are treated as if they were Paraguay (Abadie, Diamond, and Hainmueller 2015, 506). In those figures, Paraguay is represented by a black line while the placebos are represented in grey. The fact that Paraguay invariably receives the highest treatment effect is reassuring that the gap between treated case and synthetic control is not due to random chance. Conversely, Argentina and Brazil consolidated their state-building trajectories after the war.

The consensus between core and peripheral elites on the necessity of centralizing state capacity was very fragile in Argentina during the war. The defeat in Curupaití on September 22, 1866, encouraged the radicals among the peripheral elite of *federales* to rebel, leading to a civil war that consumed the energy of half the Argentine army. Yet, the offensive campaigns of 1868 and the definitive victory in Humaitá concur with the final consolidation of the state-building project. In the 1868 elections, the core state elite—that is, former *unitarios* and supporters of President Bartolomé Mitre—agreed with peripheral elites—the *federales* of the provinces and Buenos Aires—to support the candidacy of the ambassador to the United States, Domingo Faustino Sarmiento. Unlike most politicians of his time, Sarmiento did not have a clear partisan preference (Campobassi 1962, 231). His popularity was very much due to his nonalignment and sacrifices for the nation, like having lost his foster son in Curupaití.

Sarmiento's inauguration was the first peaceful presidential transition in Argentina. The *Partido Autonomista Nacional*, which formed during his presidency, would govern uninterrupted until 1916, preceding over the period of most rapid growth in Argentine history (Rock 2002). Historians agree that the years of the Paraguayan War were a turning point (Halperin 2005, 31), and the consolidation of the national army played a central role in reproducing the state-building trajectory (Lynch 1985, 656). Only six years after the war, the Argentine army under the command of Julio Argentino Roca incorporated the territories in Patagonia, and defeating the Buenos Aires province allowed the executive to federalize the city of Buenos Aires and abolish all provincial militias. "The victory of Roca was that of the central State" (Halperin 2005, 143). Unlike in Paraguay, where the war brought an end to the yerba mate boom, in Argentina it resulted in a wool boom followed by cereal and meat booms (cf. Saylor 2014). Thereafter a new cleavage would confront the *Partido Autonomista Nacional* with the so-called *radicales* who fought for free and fair elections. They

disagreed on the regime that should rule the state, but none questioned centralization.

The war similarly transformed Brazilian politics. Some recentralization of the judiciary and military had already taken place after the La Plata War, but peripheral elites continued to be strong and counted with the backing of the liberals in Rio de Janeiro (Bethell 1989, 154). The war altered this balance compelling the liberal cabinet to offer the general command to the Duke of Caxias, a conservative who presided over a great expansion of the army. The percentage of troops drawn from the National Guards fell notably, from 74% in 1866 to 44% three years later. Although some acquiesced, the so-called *liberais históricos* radicalized (Bethell 1989, 155).

As in Argentina, the final blow to the peripheral elites was dealt by the victory in Humaitá, which led to the collapse of the liberal cabinet and the rise of the conservatives to power.¹⁴ Frustrated and foreseeing a devastating defeat in the 1869 elections, the liberals decided not to participate, and when they returned to the polls after the war, they were completely transformed. Almost all of their decentralizing agenda was abandoned. The main focus shifted to a republican agenda that questioned the monarchic regime but broadly aligned with the state-building project (Carvalho 2009, 41). The Viscount of Rio Branco, a conservative elected Prime Minister in 1871, led a *conciliação* cabinet and gathered broad support for state modernization (Bethell 1989, 158). Furthermore, the consolidation of the armed forces cemented this trajectory. After the Paraguayan War parties competed for the support of war heroes and officers. The so-called "military question" became a central aspect of Brazilian politics, as soldiers began to play a praetorian role, protecting the state against its detractors.

The War of the Pacific

The War of the Pacific (1879–1883)—and its less severe predecessor, the War of the Confederation (1836–1839)—help illustrate how two countries similarly endowed with mineral wealth, such as Chile and Peru, followed very dissimilar trajectories in the nineteenth century. The puzzle of the Pacific is even more mind-boggling if we consider that "Peru emerged from the wars of independence as potentially the most powerful nation in the Pacific coast of South America" (Farcau 2000, 13).

¹⁴"All historians are unanimous in considering this crisis of July 1868 to be the seed of the fall of the Empire, even if it also gave birth to one of the most splendid times in Brazilian history: the conservative decade of 1868–1878, ten years of great progress" (Torres 1968, 95).

Victory in the War of the Confederation seems to be directly associated with the consolidation of the *República Conservadora* in Chile, the single most impressive example of political stability in all of Latin America, featuring four uninterrupted 10-year presidential terms, and 50 years of constitutional stability. Conversely, this early war might have triggered an “age of *caudillismo*” in Peru (Pike 1967, 56). In fact, every Peruvian surrender—to Great Colombia (1829), Spain (1866), and Chile (1839 and 1883)—was followed by a civil war that put an end to an incipient process of state building. The War of the Pacific was arguably the most important of all these struggles, a *coup de grâce* that sent Peru to the bottom of the state capacity ranking in the long term.

Before the War of the Pacific, a promising centralization project had been taken place in Peru led by the *Partido Civil*. The *civilistas* intended to end the chaotic succession of military *caudillos* that plagued the country by bringing the first civilian to power, and succeeded in electing President Manuel Pardo in 1872. During his four-year term, Pardo enacted a series of reforms that transformed the Peruvian landscape. Confronting prominent local families and strongmen, he consolidated territorial control by organizing the municipalities and election of local authorities (Mc Evoy 1997, 140). He instituted compulsory education, created a college for the bureaucracy, and established the school of naval officers. To keep rebellious militias in check he created a centralized National Guard and enforced meritocratic rules of promotion (Mc Evoy 1994, 112). In 1876 Pardo organized the first national census, a feat that epitomizes his state-building efforts (Contreras and Cueto 2004, 156).

Yet, as everywhere else in Latin America, these state-building attempts generated fierce resistance of peripheral elites. The most prominent was that of the rebellious leader Nicolás de Piérola who rose in arms against the central state three times during those years—in 1872, 1874, and 1877. Yet the revolts of peripheral elites affected by new taxes and local elections only helped embolden the *civilistas* who won again in the 1878 elections (Mc Evoy 1997, 146). After Pardo’s assassination, state builders in Peru closed ranks even more, and prompted by Chile’s declaration of war on April 5, 1879, they passed a battery of taxes on income, movable capital, property, and sugar exports, which severely affected the landed elites (Basadre 2005, 192).

The set of events leading to the War of the Pacific starts with a tax imposed by Bolivia on Chilean companies exploiting nitrates in Antofagasta, a move that was considered in violation of a previous treaty and eventually led Santiago to declare war to both La Paz and Lima, bonded by a defensive alliance. Although outnumbered

by the allies both in land and sea (Sater 2007, 46, 51, 59), Chile evened the odds by neutralizing two Peruvian ironclads and taking the province of Tarapacá during the first year of the war. The contingent result of these initial battles had a clear effect in the domestic balance between core and peripheral elites in all contenders.

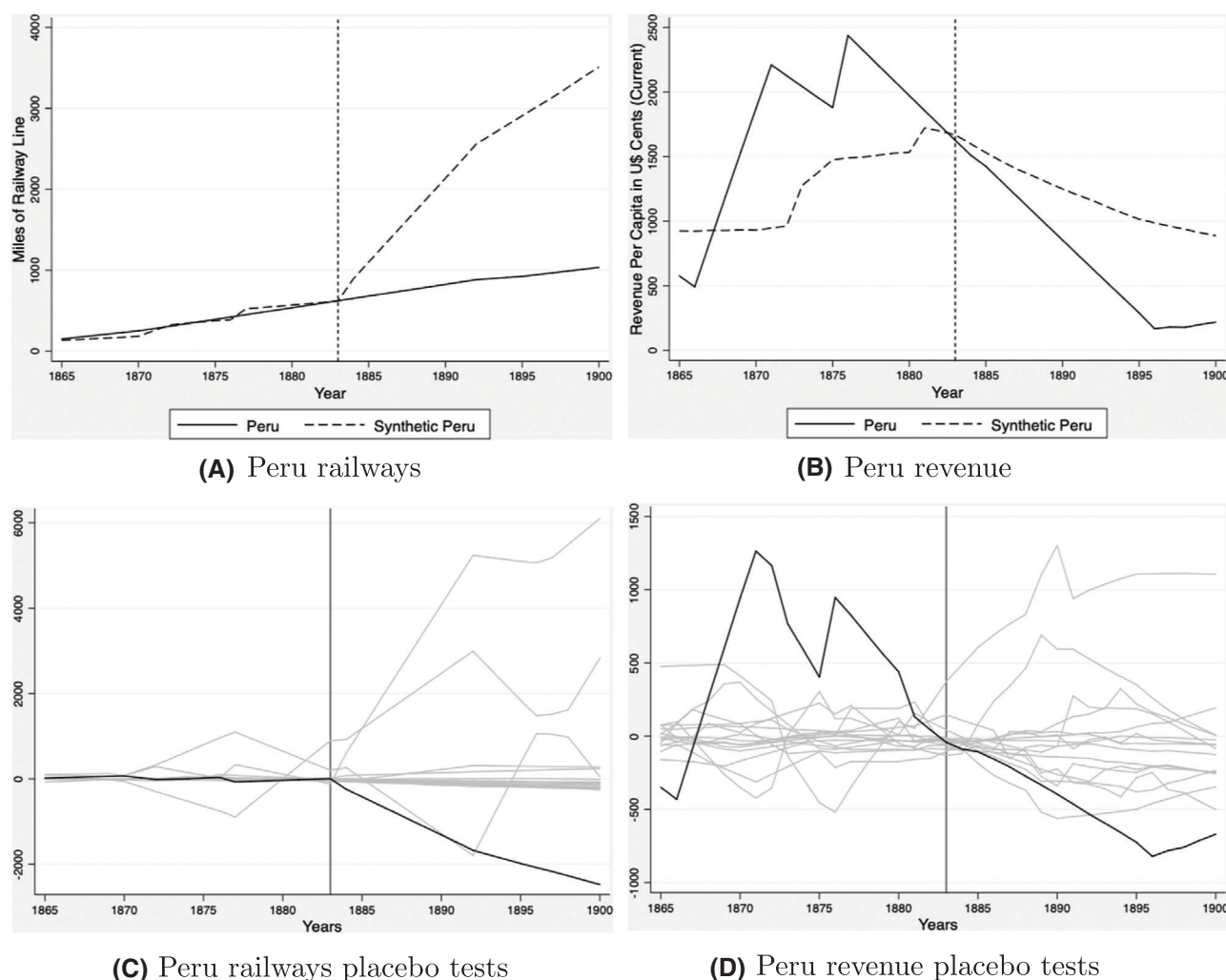
In Lima, the defeats allowed Piérola to orchestrate a coup and declare himself Dictator of Peru on December 22, 1879. In the subsequent months Piérola managed to undo a decade of progress. He forged an alliance with the church, traditional militias, and local families across the country, and sold the property of the national railways to Peruvian debt holders abroad (Mc Evoy 1997, 211). These state-weakening policies emboldened the Chilean military, who successfully occupied Lima in 1881, forcing Piérola out of the city. A new government resisted in the highlands until the Chilean terms were finally accepted in the Treaty of Ancón of October 20, 1883.

A established interpretation in the state formation literature suggests the Peruvian defeat was due to the high cost that conscription and taxation supposed for a Peruvian elite relying on quasi-slave labor economies (Kurtz 2013, 76). Yet, as Soifer (2015, 19) has noted, this narrative “struggles to explain the case of prewar Peru” and “mischaracterizes it as one in which state building never emerged rather than its correct classification as a case in which a concerted state-building effort failed.” It is clear that Peru was set on a state-building trajectory until late 1879, when drawbacks in the battlefield delegitimized the core state elite, facilitating the rise of Piérola.¹⁵ Defeat, in other terms, induced a halt in the formation of the Peruvian state. After the occupation of Lima, the *civilistas* were accused of leading the country to the abyss and their party virtually dismantled.¹⁶ Modern political parties *tout court* were identified with division and factionalism, and blamed for the disgrace. This cemented *caudillismo* and made it more difficult for modern parties to form in the future (Mc Evoy 1997, 258).

After the war the leader of the Peruvian resistance, Andrés Bello Cáceres, was elected president. Backed by a civil-military coalition including military *caudillos* and landowners from the highlands he achieved what is known as a *pax cacerista* by striking a fiscal decentralization deal with the 18 departments that composed Peru. Each department would be responsible for collecting its

¹⁵As this is a controversial point in the literature, I provide more evidence of this interpretation using primary and secondary material in my SI Appendix.

¹⁶“The material destruction of the regional focuses loyal to *civilismo* together with the loss of legitimacy of the partisan leaderships in Lima were, perhaps, the hardest blows inflicted to the civic-republican project” (Mc Evoy 1997, 254).

FIGURE 4 Synthetic Controls on Peruvian Railroads and Revenues

Note: The synthetic controls suggest the growth of Peruvian state capacity after defeat diverged greatly from more positive predicted trends represented by the dashed lines. The placebos below show the effect on Peru, represented by the bold line, was distinct and statistically significant.

own taxes (Contreras and Cueto 2004, 176). Instead of state officials, now warlords and strongmen were again in control of politics at the local level (Paredes 2013, 217).

Figure 4 reports the results of a new SCM model that uses the same donor pool and predictors to analyze the evolution of Peruvian railways and revenue in the postwar period. The counterfactual for railroad mileage matches the real case very closely in the prewar period, convincingly showing that a divergence takes place right after the defeat. Simply put, no other country with the railway network of Peru so suddenly and permanently stopped railroad construction after 1883. The interpretation of the SCM models for revenue are less conclusive for no country in the donor pool matches the sharp

increase in revenue achieved by Peru during its guano boom. Yet, it also produces a clear divergence in 1883, which proves to be significant in the placebo tests.¹⁷

In Chile the war “forced the army into the lives of civilians to an extent not seen before” (Collier and Sater 2004, 137) and also forced authorities to radically change the fiscal system, introducing an income tax and issuing an enormous amount of domestic debt. The strategy could have led to a financial crisis, but victory increased the trust in the Chilean state, as it now possessed a

¹⁷The SCM model for Peruvian revenues produces results that are substantively more significant when I vary the countries in the donor pool and the predictors. The comparison group and predictor balance for all SCM models are in my SI Appendix, which also contains these robustness checks.

virtual monopoly to exploit the nitrate boom in the Pacific.¹⁸ During the presidencies of Domingo Santa María (1881–1886) and José Manuel Balmaceda (1886–1891), Chile turned its seasoned military to conquer lands in Araucanía and created the *Empresa de Ferrocarriles del Estado*, which laid 2,000 miles of track in six years, connecting all regions of the country.

A transformed armed forces and political parties cemented this trajectory in the long term. The extent to which these state institutions had changed is evidenced by the civil war of 1891, where no side questioned the expansion of the state. The bitter struggle fundamentally revolved around the balance between legislative and executive powers, and was decided by the intervention of a military corporation henceforth extremely influential. With the parties struggling over the rules to access and exercise government, the military and bureaucrats were able to run a “quiet revolution,” massively expanding the size of the state in the following decades (Paredes 2013, 166).

Conclusions

Against the established conventional wisdom, I find war had a critical role in the process state formation in nineteenth-century Latin America. Although winners capitalized on victory, losers—a specimen that remains unseen in some other regions—were negatively affected by it, and set into a long-term trajectory of state weakening. This suggests that war outcomes and postwar effects should be reincorporated to the bellicist paradigm if scholars want to paint a fuller picture of how war affects the state. The mechanism by which war affects state capacity levels in a postwar phase seems to involve the fate of key state institutions. The type of armed forces and political parties that come out of war seem to critically determine state building long after the end of hostilities.

These findings are based on a multimethod approach that far improves the state of the art by combining comparative historical analysis with complementary statistical approaches. Applying a DID analysis to a panel of Latin America from 1860 to 1913, I estimated the negative effect of losing a war on per capita governmental revenue and railroad mileage to be substantively important, statistically significant, and robust. Then I zoomed in

on the two most intense interwars in nineteenth-century Latin America: the Paraguayan War (1864–1870) and the War of the Pacific (1879–1883). These case studies illustrate my mechanisms in key winners—Argentina, Brazil, and Chile—and losers—Paraguay and Peru—and help discard alternative explanations in the literature. Finally, an application of the SCM to the cases of Paraguay and Peru strengthens the inferences of my regression approach and comparative case studies.

These findings are in line with the fact that winners of nineteenth-century wars are at the top of the hierarchy of state capacity in Latin America until today, while losers continue to be at the bottom. The paucity of state formation during the twentieth century aligns with the bellicist intuition that, without war, little state formation takes place. Future research could replicate the present analyses in other regions and time periods. My findings suggest that once war outcomes are incorporated, researchers should also find them to be consequential in most regions of the world and well into the twentieth century. This classical bellicist theory should prove generalizable to all context where, like in nineteenth-century Latin America, defeated states tend to survive.

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¹⁸The reversal of fortunes in the exploitation of the nitrate boom, which passed from Peruvian to Chilean hands, shows that warfare had an impressive impact in how commodity booms affected the process of state building in Latin America (Saylor 2014). The Paraguayan war also shows that defeat can end booms like that of yerba mate and create new ones, as it happened with the Argentine wool boom.

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Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Appendix 1: Difference-in-Differences;

Appendix 2: Synthetic Control Method;

Appendix 3: Historical Evidence of War Outcome Con-tingency;

Appendix 4: Historical Evidence Against Key Claims in the Literature;

Appendix 5: Historical Evidence of Similar Dynamics in Cases Before 1870;