1. Democracy

Democracy

In his opening speech to the Constituent Assembly, Adolfo Suárez, the prime minister of the Spanish transition to democracy, announced that henceforth "the future is not written, because only the people can write it" (Verou 1976). Heralding this plunge into the unknown, he caught two quintessential features of democracy: Outcomes of the democratic process are uncertain, indeterminate ex ante; and it is "the people," political forces competing to promote their interests and values, who determine what these outcomes will be.

Democracy is a system in which parties lose elections.[1] There are parties: divisions of interests, values, and opinions. There is competition, organized by rules. And there are periodic winners and losers. Obviously not all democracies are the same; one can list innumerable variations and distinguish several types of democratic institutions. Yet beneath all the institutional diversity, one elementary feature – contestation open to participation (Dahl 1971) – is sufficient to identify a political system as democratic.[2]

Democracy is, as Linz (1984) put it, government pro tempore. Conflicts

[1] Note that the presence of a party that wins elections does not define a system as democratic: The Albanian People's party has regularly produced overwhelming victories. It is only when there are parties that lose and when losing is neither a social disgrace (Kishlansky 1986) nor a crime that democracy flourishes.

[2] Most definitions of democracy, including Dahl's own, treat participation on a par with contestation. Indeed, there are participationist and contestationist views of democracy. The emphasis on participation is essential if one wants to understand the development of democracy in Western Europe, where battles over suffrage evoked more conflicts than the issue of governmental responsibility. Moreover, such an emphasis is attractive from the normative point of view. Yet from the analytical point of view, the possibility of contestation by conflicting interests is sufficient to explain the dynamic of democracy. Once political rights are sufficiently extensive to admit of conflicting interests, everything else follows, even if effective participation is far from universal. And since, except in South Africa, broad restrictions of political rights are inconceivable under present conditions, a focus on contestation is sufficient to study current transitions to democracy.

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are regularly terminated under established rules. They are "terminated" (Coser 1959), temporarily suspended, rather than resolved definitively. Elections fill offices, legislatures establish rules, bureaucracies issue decisions, associations arrive at agreements, courts adjudicate conflicts, and these outcomes are binding until and unless they are altered according to rules. At the same time, all such outcomes are temporary, since losers do not forfeit the right to compete in elections, negotiate again, influence legislation, pressure the bureaucracy, or seek recourse to courts. Even constitutional provisions are not immutable; rules, too, can be changed according to rules.

In a democracy, multiple political forces compete inside an institutional framework. Participants in the democratic competition dispose unequal economic, organizational, and ideological resources. Some groups have more money than others to use in politics. Some may have more extensive organizational skills and assets. Some may have greater ideological means, by which I mean arguments that persuade. If democratic institutions are universalistic – blind to the identity of the participants – those with greater resources are more likely to win conflicts processed in a democratic way.[3] Outcomes, I am arguing, are determined jointly by resources and institutions, which means that the probability that any group, identified by its location in the civil society, will realize its interests to a specific degree and in a particular manner is in general different from any other group's.

The protagonists in the democratic interplay are collectively organized; that is, they have the capacity to formulate collective interests and to act strategically to further them (Pizzorno 1978). Furthermore, they are organized in a particular way entailed in the institutional framework within which they act. To represent, political parties must be stratified into leaders and followers; by definition, representative institutions seat individuals, not masses. A relation of representation is thus imposed on the society by the very nature of democratic institutions (Luxemburg 1970: 202). Individuals do not act directly in defense of their interests; they delegate this defense. Masses are represented by leaders; this is the mode of collective organization in democratic institutions.[4] Moreover, as Schmitter (1974),

[3] This is not to say that institutions are not biased. Institutions have distributional consequences. Much more on this topic will follow.

[4] Note that social movements are an ambiguous actor under democracy, and always short-lived. Unions have a place to go: industrial relations institutions and the state; parties have parliaments; and lobbies have bureaus; but movements have no institutions to direct themselves to.

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Stepan (1978), Offe (1985), and others have insisted, most interests are organized in a coercive and monopolistic fashion. Interest associations acquire the capacity to act on behalf of their members because they can coerce these members, specifically because they can sanction any individuals or subgroups who attempt to advance their particular goals at the cost of the collective interest. To have market power, unions must be able to punish workers who are eager to replace their striking colleagues; to have a strategic capacity, employers' associations must be able to control the competition among firms in the particular industry or sector. Democratic societies are populated not by freely acting individuals but by collective organizations that are capable of coercing those whose interests they represent.

Democracy is a system of processing conflicts in which outcomes depend on what participants do but no single force controls what occurs. Outcomes of particular conflicts are not known ex ante by any of the competing political forces, because the consequences of their actions depend on actions of others, and these cannot be anticipated uniquely. Hence, from the point of view of each participant, outcomes are uncertain: Democracy appears to be a system in which everyone does what he or she expects is for the best and then dice are thrown to see what the outcomes are. Democracy generates the appearance of uncertainty because it is a system of decentralized strategic action in which knowledge is inescapably local.

The fact that uncertainty is inherent in democracy does not mean everything is possible or nothing is predictable. Contrary to the favorite words of conservatives of all kinds, democracy is neither chaos nor anarchy. Note that "uncertainty" can mean that actors do not know what can happen, that they know what is possible but not what is likely, or that they know what is possible and likely but not what will happen.[5] Democracy is uncertain only in the last sense. Actors know what is possible, since the possible outcomes are entailed by the institutional framework;[6] they know what is likely to happen, because the probability of particular outcomes is deter-

[5] These distinctions are based on Littlechild 1986.

[6] I mean "know" in the logical sense: They have the information from which they can deduce each consequence. They can deduce it because the possible outcomes are entailed by rules, and rules can change only according to rules. The "institutional framework," understood as the entire system of rules, is not fixed; it is repeatedly modified as a result of conflicts. But these conflicts always occur within a system of rules that delimit the feasible set. Obviously, none of the above implies that political actors always know what is possible in the psychological sense: They err and they are surprised, particularly because the logical relations involved are often "fuzzy."

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mined jointly by the institutional framework and the resources that the different political forces bring to the competition. What they do not know is which particular outcome will occur. They know what winning or losing can mean to them, and they know how likely they are to win or lose, but they do not know if they will lose or win. Hence, democracy is a system of ruled open-endedness, or organized uncertainty.

The uncertainty inherent in democracy does permit instrumental action. Since actors can attach probabilities to the consequences of their actions, they form expectations and calculate what is best for them to do. They can participate, that is, act to advance their interests, projects, or values within the democratic institutions. Conversely, since under the shared constraints outcomes are determined only by actions of competing political forces, democracy constitutes for all an opportunity to pursue their respective interests. If outcomes were either predetermined or completely indeterminate, there would be no reason for groups to organize as participants. It is the uncertainty that draws them into the democratic interplay.

Results of democratic processes are read by applying the particular rules that make up the institutional framework to the joint consequences of decentralized actions. Yet in spite of its majoritarian foundations, modern representative democracy generates outcomes that are predominantly a product of negotiations among leaders of political forces rather than of a universal deliberative process. The role of voting is intermittently to ratify these outcomes or to confirm in office those who brought them about.[7] In all modern democracies, the deliberative process and day-to-day supervision over the government are well protected from the influence of the masses. Indeed, a direct recourse to voters about specific policy issues is often referred to as plebiscitarianism, a term with negative connotations. Hence, voting – majority rule – is only the ultimate arbiter in a democracy.

Outcomes consist of indications to each political force to follow specific courses of action, different for winners and losers. If these indications are followed, losers get less of what they want than winners. To follow these indications is to comply.

Because outcomes cannot be predicted exactly under democracy, com-

[7] As Bobbio (1989: 116) put it, "collective decisions are a fruit of negotiation and agreements between groups which represent social forces (unions) and political forces (parties) rather than an assembly where voting operates. These votes take place, in fact, so as to adhere to the constitutional principle of the modern representative state, which says that individuals and not groups are politically relevant . . .; but they end up possessing the purely formal value of ratifying decisions reached in other places by the process of negotiation."

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mitment to rules need not be sufficient for compliance once the results are known. If outcomes were certain, that is, if participants could predict them uniquely, they would have known that in committing themselves to particular rules they were accepting specific outcomes; commitment to rules would have been sufficient for compliance with results. Yet under democracy commitment to rules constitutes at most a "willingness to accept outcomes of an as yet undetermined content" (Lamounier 1979: 13). This is why procedural evaluations of democracy diverge from consequentialist judgments. As Coleman (1989: 197) put it, "consenting to a process is not the same thing as consenting to the outcomes of the process." Since outcomes are uncertain for the participants, their ex ante and ex post evaluations must diverge. And, as Lipset and Habermas agree, ex post evaluations modify the ex ante commitments.[8] Hence, compliance is problematic.

In sum, in a democracy all forces must struggle repeatedly for the realization of their interests. None are protected by virtue of their political positions.[9] No one can wait to modify outcomes ex post; everyone must subject interests to competition and uncertainty. The crucial moment in any passage from authoritarian to democratic rule is the crossing of the threshold beyond which no one can intervene to reverse the outcomes of the formal political process. Democratization is an act of subjecting all interests to competition, of institutionalizing uncertainty. The decisive step toward democracy is the devolution of power from a group of people to a set of rules.

[8] Lipset (1960) makes the distinction between "legitimacy" – ex ante commitment – and "effectiveness" – ex post evaluation of outcomes. Habermas (1975) distinguishes "legality" – ex ante acceptance of rules – and "legitimacy" – for him, the ex post evaluation. Both maintain that ex post evaluations modify ex ante commitments, but neither notices that the very problem of compliance arises only because the outcomes generated by rules are uncertain ex ante.

[9] Some interests, notably of those who own productive resources, may be protected by their structural position in the economy: If everyone's material welfare depends on the decisions of capitalists to employ and to invest, all governments may be constrained from adopting policies that lower employment and investment. This is the theory of the structural dependence of the state on capital. The controversial question is whether this dependence is so binding on all democratically elected governments that the democratic process can have no effect on the policies followed by governments. My view is that all governments are to some degree dependent on capital but that this dependence is not so binding as to make democracy a sham. There is room for the democratic process to affect the outcomes. See Przeworski and Wallerstein 1988 for a formal analysis of this theory.

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How are outcomes enforced under democracy?

The question: democracy, rationality, and compliance

With these preliminaries, we are ready to pose the central question concerning the durability of democracy: How does it happen that political forces that lose in contestation comply with the outcomes and continue to participate rather than subvert democratic institutions? Suppose a government seeks to establish control over the military. Why would the military obey? Imagine that a legislature passes a law granting workers extensive rights within enterprises. Why would the bourgeoisie not defend property by antidemocratic means? Envisage a government policy that causes massive unemployment and widespread impoverishment. Why would the poor not take to the streets to overturn it? Why would they all continue to channel their actions via the democratic institutions that hurt their interests? Why would they comply?

To understand why these questions matter, we need first to clear away some underbrush. If democracy were rational in the sense of eighteenth-century democratic theory, the problem of compliance would not emerge at all, or at least it would assume a different form. If societal interests were harmonious – the central assumption of the democratic theory of the eighteenth century – conflicts would be but disagreements about identifying the common good. They could be overcome by rational discussion: The role of the political process would be only epistemic, a search for the true general will. Politics, Wood (1969: 57–8) noted concerning American political thought between 1776 and 1787, "was conceived to be not the reconciling but transcending of the different interests of the society in the search for the single common good." If representatives could free themselves from the passion of particular interests, if institutions were properly designed, and if the process of deliberation were sufficiently unhurried, unanimity would prevail – the process would have converged to the true general will. Even today some theorists see recourse to voting as only a time-saving device: Voting merely economizes on the transaction costs inherent in deliberation.[10] In this view, as Coleman (1989: 205) characterized it, "the minority

[10] Summarizing with approval the views of Buchanan and Tullock (1962), Brennan and Lomasky (1989; 3) present the argument as follows: "If the rule of unanimity were also employed at the postconstitutional level, such that each individual possessed an effective veto

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does not consist of losers, and the majority winners. Instead, minority members have false beliefs about the general will; members of the majority have true beliefs."

Is democracy in any sense rational?[11] Democracy would be collectively rational in the eighteenth-century sense if (1) there exists some unique welfare maximum over a political community: common good, general interest, public interest, and the like (Existence); (2) the democratic process converges to this maximum (Convergence). Moreover, democracy would be superior to all its alternatives if (3) the democratic process is the unique mechanism that converges to this maximum – no benevolent dictator could know what is in the general interest (Uniqueness).

The question whether democracy is rational in this sense evokes five distinct responses, depending on whether (1) (a) such a welfare maximum is thought to exist prior to and independent of individual preferences, (b) it is thought to exist only as a function of individual preferences, whatever these might happen to be, or (c) it is thought not to exist at all, because of class or some other irreconcilable division of society; and whether (2) the democratic process is thought to converge to this maximum. Rousseau believed that general interest is given a priori and that the democratic process converges to it. Conservatives in France and England at the time of the French Revolution, as well as contemporary ideologists of various authoritarianisms, maintain that such a welfare maximum does exist but that the democratic process does not lead to it. Economic theorists of democracy, notably Buchanan and Tullock (1962), have maintained that the public interest is tantamount to the verdict of the democratic process, which does identify it. Arrow (1951) demonstrated, under some assumptions, that even if such a maximum does exist, no process of aggregating individual preferences will reveal it. Finally, Marx and his socialist followers argued that no such general interest can be found in societies divided into classes. Note that Schmitt (1988: 13, 6) simultaneously sided

over every collective determination, exorbitant bargaining costs would ensue. . . . Balloting thus emerges as an efficiency-enhancing device itself resting on a foundation that eschews majoritarianism."

[11] To follow distinctions made by economists, we might first distinguish technical from collective rationality. Democracy would be said to be technically rational if it effectively served some otherwise desirable objectives, such as promoting economic development, or (a view to which I adhere) minimized arbitrary violence. But in the present discussion our interest is in the notion of collective, rather than technical, rationality.

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with Marx when he rejected Rousseau's assumption that "a true state . . . only exists where the people are so homogeneous that there is essentially unanimity" and attacked convergence when he observed that "the development of modern mass democracy has made argumentative public discussion an empty formality."

Recent discussions focus on the issue of convergence. In the light of social choice theory, as argued particularly by Riker (1982), the democratic process would not converge to a unique welfare maximum even if one existed. The reasons are those offered by Arrow (1951): There is no procedure for aggregating preferences that would guarantee a unique outcome. Hence, one cannot read voting results as identifying any unique social preference. Moreover, McKelvey (1976) demonstrated that voting results may be collectively suboptimal. Yet this view of the democratic process relies on a tacit assumption that individual preferences are fixed and exogenous to the democratic process. Economists take preferences as fixed and adjustment to equilibrium as instantaneous; this is why many of them consider the democratic process as "rent seeking," that is, a waste of resources (see, for example, Tollison 1982).

Yet the assumption that preferences are exogenous to the democratic process is patently unreasonable. As Schumpeter (1950: 263) observed, "the will of the people is the product, not the motive power of the political process." Democracy may still discover or define the social welfare maximum if preferences change as a result of communication. Deliberation is the endogenous change of preferences resulting from communication.[12] The question, then, is whether deliberation leads to convergence.

Habermas and Joshua Cohen (1989) think it does. Their assumptions are, however, too strong to be realistic. They have to claim that (1) the messages are true or false, (2) people will accept the truth when confronted with it, and (3) messages are issued in a disinterested way. The last assumption is most dubious: If people behave strategically in pursuit in their interests, they also emit messages in this way. But even if these assump-

[12] To make this discussion less abstract, imagine that three young ladies venture to buy ice cream, with enough money to buy only one flavor. Their initial preferences are respectively C > V > S > N, V > S > C > N, S > C > V > N, where C stands for chocolate, V for vanilla, S for strawberry, and N for none, and > should be read as "prefers over." Now, suppose that the chocolate fan is told that this flavor leaves indelible spots on her dress. Having received this information, she alters her preference, relegating chocolate to second place, from C > V > S > N to V > C > S > N. This is deliberation.

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tions are granted, it does not follow that there is only one truth. The first two assumptions may not suffice to lead the process to a unique welfare maximum.[13]

In turn, Manin (1987), who offered a more realistic description of the way deliberation works, concluded that deliberation stops short of convergence to a unique maximum. In his view, deliberation educates preferences and makes them more general: It leads to the broadest agreement possible at a particular time. But it stops there, leaving conflicts unresolved. Indeed, it is not apparent whether or not the intensity of conflicts is reduced by Manin's process of deliberation. Perhaps conflicts between two groups that are educated to believe that their interests are opposed are more difficult to resolve than conflicts among fragmented "wanton" desires, to use a term of Hirschman's (1985). After all, this was precisely socialists' understanding of the deliberative process. In their view, this process leads to a recognition of class identity and results in class conflict that cannot be resolved by deliberation (see Przeworski and Sprague 1986).

Indeed, the coup de grâce against theory of democracy as rational deliberation was administered in 1923 by Schmitt (1988), who argued that not all political conflicts can be reconciled by discussion.[14] At some point, reasons and facts are exhausted, yet conflicts remain. At this point, Schmitt observed, issues are decided by voting, which is an imposition of one will upon a resisting will. From this observation, he concluded that conflicts can be resolved only by recourse to physical force: Politics is an antagonistic relation between "us" and "them" in which the ultimate arbiter is violence.

The puzzle is thus the following. If one accepts, as I do, that not all conflicts can be resolved by deliberation and that therefore democracy generates winners and losers, can one ever expect the losers to comply with the verdict of democratically processed conflicts? Why would those who

[13] Go back to ice cream. Suppose that in response to the message about chocolate, the strawberry devotee informs others that vanilla makes one fat. In turn, the vanilla lover notes that strawberry contains red dye number 5, which causes cancer. Suppose further that all the rational arguments are exhausted by these messages. Then the preferences that result from rational deliberation may still cycle. Democracy will have educated the participants but will not have led to a unique solution.

[14] "Parliament," Schmitt (1988: 4–5) argued, "is in any case only 'true' as long as public discussion is taken seriously and implemented. 'Discussion' here has a particular meaning and does not simply mean negotiation. . . . Discussion means an exchange of opinion that is governed by the purpose of persuading one's opponent through the argument of the truth or justice of something, or allowing oneself to be persuaded of something as true and just."

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suffer as the result of the democratic interplay not seek to subvert the system that generates such results?

Interests are often in conflict. Hence, there are winners and losers, and compliance is always problematic. Yet Schmitt drew a conclusion that is too strong because he failed to understand the role of institutions.[15] Democratic institutions render an intertemporal character to political conflicts. They offer a long time horizon to political actors; they allow them to think about the future rather than being concerned exclusively with present outcomes. The argument I develop below is the following: Some institutions under certain conditions offer to the relevant political forces a prospect of eventually advancing their interests that is sufficient to incite them to comply with immediately unfavorable outcomes. Political forces comply with present defeats because they believe that the institutional framework that organizes the democratic competition will permit them to advance their interests in the future.

Competing views of compliance

Before this argument is developed, it may be helpful to consider alternative views of compliance.[16]

Think of democracy in the following way. To advance their interests, all have to get past a particular intersection by any means of locomotion they can put their hands on. Some people always arrive from the east; others always from the south. Once they do arrive, a random device chooses the lights: green is a signal to advance, red to wait.[17] The probability of getting the signal to pass or the signal to stop depends on the direction from which one comes and the way the lights are set. If the lights are green in the east–

[15] Indeed, his contemporary polemicist had already pointed out that Schmitt "has by no means proven that Europe is confronted by the dilemma: parliamentarism or dictatorship. Democracy has many other organizational possibilities than parliamentarism" (Thoma 1988: 81).

[16] The question I pose is an empirical one: What are the conditions concerning the institutions and the circumstances under which they operate that make political forces comply with the outcomes of the democratic process and hence cause democracy to endure? There is an enormous philosophical literature concerning moral justifications of democracy, in particular of the coercion applied to force compliance. Since philosophers tend to confuse their normative opinions with reality, one often reads that democracy "is" this or that, rather than that it would be this or that if people were guided by the morality of the particular author. While some distinctions introduced in this literature clarify the issues, I find it largely irrelevant to the empirical question at hand.

[17] This allegory is derived from Moulin (1986: ch. 8).

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west direction 80 percent of the time, those coming from the east have a good chance to advance. If they are coming from the south, they are likely to be told to wait. But if the lights are green 80 percent of the time in the south–north direction, the situation is reversed. Hence, the likely outcome depends on where one is coming from and on how the lights are set: the resources that participants bring to the democratic competition and the institutional framework within which they compete.

What will happen at any particular moment is uncertain in the sense specified above: Actors know that the possible outcomes are the four combinations of advance and wait, and they know the probability that the light will be green or red (depending on where they are coming from) and hence the probabilities of the two equilibrium outcomes, but they do not know whether they will pass unobstructed or wait while others pass.

Suppose that participants obey the light. They pass alternatively, avoiding collisions.[18] Why do they do it? Why does a big car not force its way through the intersection despite the signal?

Three alternative answers to this question are plausible. One is that compliance is spontaneous – decentralized and voluntary. The second is that there is a policeman at the intersection ready to send back to the end of the queue anyone who tries to barge through out of turn. The last answer is that people observe their turn because they are motivated by a moral commitment to this social order even when it is not in their interest and even when there is no one to punish them.

Elementary game theoretic terminology helps to flesh out these possibilities. Let us distinguish three classes of outcomes of strategic situations.

(1) Spontaneous self-enforcing outcomes, or equilibria. Each actor does what is best for her given what others (would) do. A car arrives at the intersection from the south. The driver looks around and comes to the conclusion that it is her turn to wait. She arrives at this conclusion because she thinks that drivers coming from the east expect to pass. Her mental

[18] These are the two outcomes that will occur if everyone complies with the signals. The purpose of the institution of traffic lights is to eliminate the collectively suboptimal outcomes: swear at the other {Advance, Advance} and swear at yourself {Wait, Wait}. In this sense, democracy is a Pareto improvement over the state of nature in which everyone tries to force the way. Yet this is a very weak argument for the rationality of democracy, since this state of nature is merely an imaginary counterfact designed to justify the existing order. This is why property rights arguments for efficiency are normatively unpersuasive.

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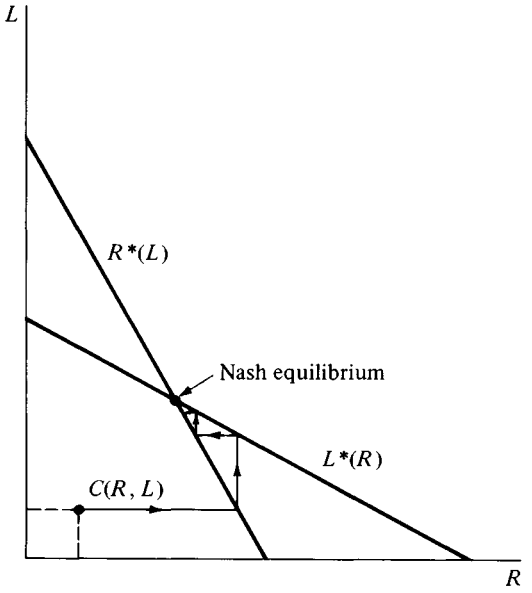

Figure 1.1

signal is "red"; the best response to red is to wait (the alternative is collision), and she waits. Drivers coming from the east interpret the signal as green because they expect those arriving from the south to wait; their best response is to advance (the alternative is to miss a turn and perhaps get hit from behind), and they do. The outcome is {Wait, Advance}. This outcome is equilibrium; no one wants to act differently given expectations of others' actions, and the expectations are mutually fulfilled.

Suppose that leaders of political parties, Left and Right, decide how dirty their campaigns should be. If Right plays clean, it is best for Left to play dirty, and vice versa. If they select their strategies independently and simultaneously, they will adopt some strategy combination {Dirty, Dirty} that will be self-enforcing in the sense that neither party will want to do anything else given what the opponent has done. Their expectations will have been fulfilled: Left will have chosen some degree of dirty on the assumption that Right chose a definite degree, and Right will have chosen this same degree on the assumption that Left chose what it in fact did. This equilibrium is portrayed in Figure 1.1.

Yet another example: Suppose the civilian government anticipates (cor-

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rectly) that if it tinkers with the military, it will invite a coup, but if it leaves them alone, the military will stay in the barracks. The government reads its preferences as the discovery that it is better off with {Not Tinker, Stay in the Barracks (Not Tinker)} than with {Tinker, Probable Coup (Tinker)}. It decides not to tinker. This is also an equilibrium: The government does not want to do anything else, anticipating the reaction of the military, and the military do not want to do anything else given what the government did.[19] Expectations are again fulfilled: The government expects the military to stay in the barracks, and they do.

What matters about such outcomes is that they constitute equilibria: No one wants to act differently given what others (would) do in response. Such outcomes are thus self-enforcing; they are enforced by independent spontaneous reactions.

(2) Bargains, or contracts. An outcome is such that at least one actor would be better off doing something else, and it holds because it is exogenously enforced. There is some third party who punishes "defections" from this outcome.

Suppose the two political parties agree not to engage in a dirty campaign, even though it is most useful for each of them to do so if the other does not. If parties want to win elections, this outcome will not hold without external enforcement. Suppose the parties agreed not to exceed the degree of dirt represented by point C (R, L) in Figure 1.1. Now, the leaders of the Right party look at what the Left has promised to do and ask themselves what it is best for them to do in response. They will smear the Left party all the way to that point on their best response line, $R^*(L)$. But then the Left party will discover that if the Right has begun to talk about the sexual mores of their leader, it is best for them to point out the sources of wealth of their opponents. And so the agreement will unravel until it arrives at the equilibrium outcome. For the initial agreement to stick, a Fair Elections Commission must be able to punish dissuasively everyone who transgresses. Bargains, or contracts, are agreements in which at least one

[19] Note that this is a somewhat different equilibrium from the one we used to solve the game between political parties. Political parties chose their strategies simultaneously, whereas in the civilian–military game the government moved first, anticipating the best response of the military. The first equilibrium concept is not very plausible, and the question of what constitutes a reasonable notion of equilibrium is still wide open. But all these niceties need not occupy us at the moment: Nash equilibrium is the simplest and the classic concept of game theory.

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party has an incentive to renege but which hold because a third party effectively sanctions defections.

But who is the third party who inflicts punishments under democracy?

In the end, there are two answers to this question. Either enforcement is decentralized – there are enough actors who self-interestedly sanction noncompliance to support the cooperative outcome – or it is centralized – there is a specialized agency that has the power and the motivation to sanction defections, even if this agency is not itself punished for failing to sanction defections or for sanctioning behaviors that constitute compliance.[20] There are only two answers "in the end" because the issue is not whether the state, in the Weberian sense, is necessary to sanction noncompliance. In all democracies, state institutions specialize in doing precisely that. The question concerns the autonomy of the state with regard to the politically organized civil society. If the sanctioning behavior of the state is not itself subject to sanctions from the society, the state is autonomous; the cost of order to society is the Leviathan. But the Leviathan – an externally enforced cooperative agreement – is not democracy.[21] The cost of peace is a state independent of the citizens. In turn, if the state is itself an (albeit imperfect) agent of coalitions formed to assure compliance – a pact of domination – then democracy is an equilibrium, not a social contract. The state enforces compliance because it would itself be punished for not doing so or for using its coercive power to prevent participation. And it would be punished given the interests of the relevant political forces.

Hence, the notion that democracy is a social contract is logically incoherent. Contracts are observed only because they are exogenously enforced; democracy, by definition, is a system in which no one stands above the will of the contracting parties. As Hardin (1987: 2) put it, "A constitution is not a contract, indeed it creates the institution of contracting. Hence, again, its function is to resolve a problem that is prior to contracting."

(3) Norms. Equilibria and bargains are the only states of the world that are feasible according to game theory. This theory asserts that all outcomes

[20] Enforcement is decentralized if, when a car passes out of turn, someone is willing to pass out of turn from the other direction, this time risking a collision because the present sacrifice will increase his or her expected probability of passing in the future. The result is an equilibrium, a "subgame perfect equilibrium" in game theoretic language.

[21] As Kavka (1986: 181) observed, for Hobbes "the sovereign is not, qua sovereign, a party to the social contract and is therefore not constrained by it." Kavka ended up arguing (p. 229), in the same vein as I do, that this solution is not necessary to evoke compliance if the government is "divided and limited."

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hold only because they are mutually enforced in self-interest or are enforced externally by some third party. Specifically, this theory proscribes outcomes that would be supported by something other than a strategic pursuit of interests.

Yet the literature on democracy is full of the language of values and moral commitments.[22] In particular, those writing about transitions frequently report precisely such normatively inspired commitments to democracy. These tend to be called pacts.[23] Institutional pacts are agreements to establish democracy even if a particular system of institutions is not best for some political forces. Political pacts are collusive agreements to stay away from dominant strategies that threaten democracy. Social – in fact, economic – pacts are commitments by unions and firms to restrain present consumption. Military pacts are deals, often secret, between civilian politicians and the military that say, "We will not touch you if you do not touch us." Such outcomes are said to be supported by values: They are collectively optimal, individually irrational, and not externally enforced. Game theory claims they do not exist.

I adopt the game theoretic perspective in what follows. I am not claiming that normative commitments to democracy are infrequent or irrelevant, only that they are not necessary to understand the way democracy works.[24] I am convinced that arguments about whether democracies are supported by acting out of values or by strategic pursuit of interests are not resolvable by direct reference to evidence. The two orientations have to and do compete with each other in making sense of the world around us. The only claim I am trying to substantiate is that a theory of democracy based on the assumption of self-interested strategic compliance is plausible and sufficient.

This claim is made possible by recent developments in game theory that,

[22] A typical explanation of the feebleness of democracy in this perspective is well represented by the title of a recent Brazilian book: *A cidadania que no temos* (The citizenry we do not have).

[23] I am not claiming that all "pacts" to be found in the literature on transitions are pacts in this sense. Some are bargains, and some are perhaps even equilibria. Despite its botanical proclivities, this is not a literature distinguished by conceptual clarity.

[24] This assertion does not imply that culture does not matter. Culture is what tells people what to want; culture informs them what they must not do; culture indicates to them what they must hide from others. I take it as an axiom that people function in a communicative and a moral context. Buying votes, for example, is considered immoral in all democracies, though it may be a collectively efficient behavior: If politicians trade promises of future benefits for votes, why cannot they just pay up front?

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though still in the midst of a rapid flux, all add up to the message that cooperation can be spontaneously enforced in systems with decentralized self-interested punishments.[25] The variety of circumstances in which this assertion is true include repeated situations in which actors do not discount the future and the probability of the game ending in any particular round is low, repeated situations in which the game is expected to last indefinitely and the actors discount the future at not too high a rate, and repeated situations in which there is even a very low probability that one of the actors is irrational. Many punishment strategies support compliance: tit for two tats, two tits for a tat, three tits for two tats, and so on.[26]

Thus, neither normative commitments nor "social contracts" are necessary to generate compliance with democratic outcomes. Again, in all democracies the state is obviously a specialized agency for enforcing compliance. Moreover, since the state monopolizes instruments of organized coercion, there is a perpetual possibility that it will become independent, that it will act in its own interest without effective supervision by political forces. This is why the threat of the autonomization of the state is perpetual and why institutional frameworks for controlling state autonomy are of fundamental importance in any democracy.[27] The central difficulty of political power in any form is that it gives rise to increasing returns to scale (Lane 1979): On the one hand, incumbency can be used directly to prevent others from contesting office; on the other hand, economic power translates into political power, political power can be used to enhance economic power, and so on. But compliance can be self-enforcing if the institutional framework is designed in such a way that the state is not a third party but an agent of coalitions of political forces. The answer to the question "Who guards the guardian?" is: those forces in the civil society that find it in their

[25] It appears that we were too precipitous in embracing Mancur Olson's (1965) vision of the world as a macrocosm of prisoner's dilemmas generating ubiquitous collective action problems. We now know that in a wide range of repeated situations, cooperative equilibria can be spontaneously supported by self-interested actions. See Fudenberg and Maskin 1986 for several theorems to this effect. Note, in particular, their theorem 2, which shows that under rather mild conditions (payoffs must be sufficiently varied), this result holds for *n*-person games. Their explanation (p. 544) is the following: "If a player deviates [from cooperation], he is minimaxed by the other players long enough to wipe out any gain from his deviation. To induce the other players to go through with minimaxing him, they are ultimately given a 'reward.' " Note furthermore that the punishment strategies that induce cooperation need not depend on a history of past deviations; hence, players need not recognize one another to inflict effective punishment for noncooperation (Abreu 1988).

[26] A tit is a sanction in this language; a tat is an act of noncompliance.

[27] See Przeworski 1990: ch. 2 for a review of literature on this topic.

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self-interest. Democracy can be an equilibrium: a system of "self-government" in which the distinction between the rulers and the ruled disappears because, as Montesquieu put it, "le peuple . . . est à certains égards le monarque; à certains autres, il est le sujet."[28]

Democracy as an equilibrium

Democracy is consolidated when under given political and economic conditions a particular system of institutions becomes the only game in town, when no one can imagine acting outside the democratic institutions, when all the losers want to do is to try again within the same institutions under which they have just lost. Democracy is consolidated when it becomes self-enforcing, that is, when all the relevant political forces find it best to continue to submit their interests and values to the uncertain interplay of the institutions. Complying with the current outcome, even if it is a defeat, and directing all actions within the institutional framework is better for the relevant political forces than trying to subvert democracy. To put it somewhat more technically, democracy is consolidated when compliance – acting within the institutional framework – constitutes the equilibrium of the decentralized strategies of all the relevant political forces.[29]

This hypothesis is based on three assumptions. First, institutions matter. They matter in two ways: as rules of competition and as codes of punishment for noncompliance. That rules affect outcomes needs no discussion. Just consider the following examples. The Spanish Unión Centro Democrático, the party headed by Adolfo Suárez, and Roh Tae-Woo both received 35 percent of the vote in the first democratic elections in their respective countries. But Suárez won the election in a parliamentary system: To form a government, he had to build a coalition, and he could remain in office only as long as this coalition enjoyed sufficient support. Roh was elected president for a five-year term and could rule during this period, using decree powers, regardless of the short-term dynamic of political support.[30]

[28] I am quoting from a 1905 edition of *L'esprit des lois*, edited and commented on by Camille Julia, who footnotes this statement with a reference to Aristotle: "All should command each one and everyone all, alternatively."

[29] By "political forces," I mean those groups that are already organized collectively and those that can be organized under the particular institutional framework, as well as individuals in their role as voters. I do not suppose that political forces are organized prior to and independently of the particular institutional framework; institutions do shape political organization.

[30] This example is due to Juan Linz.

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The point about institutions as codes of punishment is more complex. Note that I argued earlier that actors may find it individually rational to comply with some (cooperative) outcomes without invoking institutions: When certain conditions are fulfilled, punishing deviations from cooperation by others is the best strategy for each self-interested rational actor. Yet the game theoretic account is based on the implicit assumption that some actors have the capacity to punish. To administer sanctions, actors must be able to undertake actions the effect of which is to lower the payoffs to others. Institutions enable such punishments and make them predictable; they have a priori rules according to which punishments are meted out, the physical means of administering punishments, and incentives for specialized agents to administer them. Just think of taxes. To induce compliance, there must be rules of punishment, a bureaucracy for the detection of noncompliance, and a set of incentives for the bureaucracy to detect it and to apply the rules. If the tax office lacks means of detection and if bureaucrats can be easily bribed, punishment will not be effective. Institutions replace actual coercion with a predictable threat.[31]

Second, there are different ways of organizing democracies. In some democracies, directly elected presidents head governments independent of support in legislative bodies. In other democratic systems, governments must be supported by parliaments and last only as long as they can muster support. Another important distinction concerns the manner in which interests are organized and some aspects of economic policy are determined: The preponderant role of political parties may be countered by the officially recognized role of union federations and employers' associations in representing functional interests and in concerting with each other and with governments about macroeconomic policies. Yet another important difference is between those systems that give almost unlimited powers to current majorities and systems that tightly constrain majority rule, often by providing special guarantees for religious, linguistic, or regional groups. These are just illustrations. The list of important differences could be continued to include electoral formulas, the presence or absence of judicial review, the mode of civilian control over the military, the existence of a professional civil service, and so on.

Finally, contrary to the current fashion, institutions make a difference

[31] Game theorists take it for granted that punishment strategies are available to players. Yet the issue is a complex one, as shown by Kavka (1986: ch. 4, sect. 3). In the state of nature, punishments can be administered, but only by physical coercion. Institutions organize this coercion, make it predictable, and rely on the threat.

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not only in efficiency but, as Knight (1990) has forcefully reminded us, through their profound distributional effects. It is well known, for example, that first-past-the-post electoral formulas often generate "unearned majorities": majorities of parliamentary seats out of minority electoral support. Collective bargaining frameworks affect the results of wage negotiations; property laws affect the assignment of responsibility for accidental losses; rules governing university admissions determine the class composition of the student body.

Because they have distributional consequences – because they provide different opportunities to particular groups – some institutional frameworks are consolidated under particular economic and political conditions, where others would not have been. The question, then, is what kinds of democratic institutions will evoke the compliance of the relevant political forces?

But what does it mean not to comply? This is not a place for hair splitting; let me just distinguish what matters from what does not. In no system do all individuals comply with all that is expected or required of them. Since the marginal costs of enforcement are typically increasing, all states tolerate some individual noncompliance, sometimes on a massive scale. Noncompliance, in a somewhat counterintuitive sense, can also mean individual withdrawal from participation: indifference to outcomes resulting from democratic institutions. Nonparticipation at times assumes mass proportions: At least 35 percent of the U.S. citizenry remains permanently outside the democratic institutions.

These forms of individual noncompliance can threaten democracy when they are on a mass scale, by creating a potential for sporadic street outbursts or ephemeral antidemocratic movements. But isolated individuals do not shake social orders. This is why "legitimacy" understood in individual terms, even with all the Eastonian distinctions, has little bearing on the issue of regime stability. Only organized political forces have the capacity to undermine the democratic system.

Thus, the only forms of noncompliance that matter for the self-enforcement of democracy are strategies that (1) seek to alter ex post the outcomes of the democratic process and (2) drastically reduce the confidence of other actors in democratic institutions.[32] Thus, not to comply is the same as to subvert the democratic system in order to override its outcomes.

[32] If any actor is able to reverse the outcome ex post, other actors must update downward their expectations about winning the game according to the rules.

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Let me suggest schematically how spontaneous decentralized self-interested compliance may work.

Examine the situation from the point of view of a particular actor, such as the military or a coalition of the bourgeoisie and the military. At any moment, the outcomes of the democratic process are such that these actors either win or lose, where the value of having won is greater than of having lost ($W > L$). The probability they attach to their chance of winning in any future round is p.[33] The courses of action available to these actors are either to comply or to subvert. If they subvert, they get S, where S includes the risk that they will fail and will be punished;[34] and if the compliance of these actors is problematic, it must be true that $W > S > L$.[35] Suppose, then, that they have just lost; let this be $t = 0$. If they comply, they will get $L(0)$; if they subvert, they will get $S(0)$. If they were guided only by immediate interests, they would subvert. But institutions offer actors an intertemporal perspective. Although they have just lost, the actors know that if they comply in this round then they can expect to get $C(1) = pW + (1 - p)L$ in the next one, and although $L < S$, it may be true that $L(0) + C(1) > S(0) + S(1)$, which would lead them to comply at t = 0.

Let us generalize this argument. It is reasonable to assume that actors discount the future, where the discount factor is $0 < r < 1$, so that the value they attach to compliance in the next round is rC, the round after that r^2C, and so on. The cumulative value of compliance is C^*. If they subvert, they can reverse the loss in this round and can expect to get S now and in the future. The cumulative value of subversion is S^*. If $C^* > S^*$, the losers will comply at $t = 0$.

Note that the likelihood of successful subversion and the cost associated with its failure depend on the willingness of other political forces to defend the democratic institutions. One may thus be tempted to think in terms of a "tipping equilibrium": a situation in which each actor's support of democracy depends on the number of other actors who support it. Yet the actors in the democratic game are not identical; democracy is not just a matter of numbers. Obviously, the institutional framework of civilian control over the military constitutes the neuralgic point of democratic consolidation.

[33] This is the probability they attach at present; they may update this probability as they learn whether they are losing or winning.

[34] S depends on the probability that an attempt to subvert the outcomes will be successful and on the utilities of success and failure of subversion. If q is this probability, and D is the value of successful subversion and F of its failure, then $S = qD + (1 - q)F$.

[35] Some actors may be such that for them $S > W > L$: They will always try to subvert. Others may be characterized by $W > L > S$: They never will.

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One can complicate this story in several ways to make it more realistic, allowing for more differentiated strategies, incomplete knowledge and learning, and a more reasonable notion of victories and defeats.[36] But one fundamental conclusion has already emerged from this simplified model and continues to hold when the model is made descriptively more realistic: Compliance depends on the probability of winning within the democratic institutions. A particular actor i will comply if the probability it attaches to being victorious in democratic competition, $p(i)$, is greater than some minimum; call it $p^*(i)$. This minimum probability depends on the value the particular collective actor attaches to outcomes of the democratic process and to outcomes of subverting democracy and on the risk it perceives for the future. The more confident the actor is that the relationship of political forces will not take an adverse turn within the democratic institutions, the more likely is this actor to comply; the less risky the subversion, the less likely are the potential antidemocratic forces to comply.[37]

None of the above is intended as a description of historical events. "Models" – I frequently feel forced to cite Theil (1976: 3) – "are to be used, not believed." What the model suggests is that in analyzing any concrete situation one should consider the values and the chances the particular political forces attach to advancing their interests under democracy and outside it. Democracy will evoke generalized compliance, it will be self-enforcing, when all the relevant political forces have some specific

[36] Note that the concepts of winning and losing are greatly simplified here. Each group defines its interests over a broad spectrum of outcomes and attaches values to particular degrees and specific manners in which each of these interests is realized. Thus, winning and losing are continually defined for multidimensional preference contours. But there is no reason to get mired in mathematics if the logical implications remain the same as in a simple model.

[37] For those who are curious about the reasoning and not just the conclusions, here is the model. If the actor has just lost, at time t, set as $t = 0$ for notational convenience, the payoffs from complying are $C^* = L + \Sigma r^t C(t) = L + [r/(1 - r)]C$. The payoffs from subverting are S^* and depend on the probability this actor attaches to the success of subversion and the rate at which it discounts the nondemocratic future. Hence, the actor complies if $C^* > S^*$, or if

$$p > (1/r)\,\frac{(1 - r)S^* - L}{W - L} = p^*.$$

Note that $dp^*/dr < 0$: The more confidence a particular actor has in its future under democracy, the lower the minimum probability required to evoke its compliance. In turn, let q be the probability of the success of subversion, $dS^*/dq > 0$. Then $dp^*/dq > 0$: The less risky it is for a particular group to subvert, the higher is the probability of winning required to make it obey democratic outcomes.

Finally, observe that if p^* is sufficient to evoke compliance when the actor has just lost, it will be also sufficient if it has just won. Hence, $p > p^*$ is the minimal condition.

minimum probability of doing well under the particular system of institutions.[38]

This probability is different for different groups. We learned earlier that it depends on the specific institutional arrangements and on resources the participants bring into the democratic competition. We now learn that it also depends on the power a particular actor has to cause the downfall of democracy. The military have weak prospects to pursue their interests under democracy, but they can subvert democracy by force: Their W is low, their S high. Hence, their p^* may be quite high. The bourgeoisie can do quite well under democracy and well outside it but need the military for successful subversion. Unions and other organizations of wage earners can do quite well in democratic competition, but they are often brutally repressed if democracy falls; they may be the one group for which $L > S$ and which always prefers to comply.[39] Moreover, the guarantees required by a particular group may vary with historical conditions. In post-1976 Spain, the military were almost indifferent as between S and L; they were so starved by Franco that even a nonpolitical life under democracy seemed satisfactory to them. In turn, the post-1983 Argentine military saw L as much inferior to S; they knew that losing could mean long jail sentences for many of them. These are just seat-of-the-pants speculations; what I want to show is that even the simplified model has some power to distinguish particular actors and different historical conditions.

Hence, the minimal chance required to stay within the democratic system depends on the value of losing in the democratic interplay of interests. Those political forces that have an outside option – the option of subverting democracy or provoking others to subvert it – may stay with the democratic game if they believe that even losing repeatedly under democracy is better for them than a future under an alternative system. After all, democracy does offer one fundamental value that for many groups may be sufficient to prefer it to all alternatives: security from arbitrary violence. As Santiago Carillo, then secretary of the Spanish Communist party, put it in 1974, "One should have the courage to explain to the working class that it is better to pay surplus value to this bourgeois sector than to create a situation that may turn against them" (Carrillo 1974: 187).

Even from the purely economic point of view, faith in the efficacy of

[38] The political forces that are relevant are those for which $S > L$. Those for which $L > S$ have no outside option and need no guarantee.

[39] The Peronist unions in Argentina are the most likely exception.

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democracy may be a source of commitment among those who see little chance of winning distributional conflicts within democratic institutions. If democracy is believed to be conducive to economic development in the long run, various groups may opt for this system even if they see little chance of winning conflicts about distribution. The higher the anticipated value of losing under democracy, the lower need be the chances of winning.[40]

This last hypothesis has implications for the perennial issue of the social conditions of democracy. Put conversely, the model implies that if some important political forces have no chance to win distributional conflicts and if democracy does not improve the material conditions of losers, those who expect to suffer continued deprivation under democratic institutions will turn against them. To evoke compliance and participation, democracy must generate substantive outcomes: It must offer all the relevant political forces real opportunities to improve their material welfare. Indeed, a quick calculation shows that in South America between 1946 and 1988 any regime, democratic or authoritarian, that experienced positive rates of growth in a given year had a 91.6 percent chance of surviving through the next twelve months, a regime that experienced one year of a negative rate of growth had an 81.8 percent chance, and a regime that experienced two consecutive years of declining incomes had only a 67 percent chance.

Yet it is important to see what this hypothesis does not imply. First, it does not mean that democracy must have a social content if the institutions are to evoke compliance. If democracy is a system in which outcomes always appear uncertain, "social content" cannot mean prior commitments to equality, justice, welfare, or whatever.[41] Such commitments are not feasible; under democracy, outcomes are determined by the strategies of competing political forces and are thus inevitably uncertain ex ante. Constitutions that are an oath to promote the general welfare, enhance national unity, advance the culture of the people, or provide decent conditions of life for everyone[42] may be necessary for catharsis, but they cannot be

[40] This is true if the political forces that have a low chance of winning distributional conflicts believe that democracy will result in increasing the total pie. Return to the expression for p^*. The derivative $dp^*/dL = -(1/r)\,[W - (1 - r)S^*]/(W - L)^2$. This derivative is negative.

[41] This has been a topic of my repeated debate with Francisco Weffort. For the most recent salvo, see his "Incertezas da transição na América latina," (1989).

[42] Not to mention such clauses as those requiring every firm that employs more than ten workers to hire at least 10 percent of new employees over forty-five years of age!

complied with. They can be observed only to the extent that they express laws, not oaths.[43] Democracy may end up having a social content if the institutional framework favors social justice in spite of the unequal resources with which different forces enter the democratic competition. But this is a matter of institutions, not of substantive commitments.

Second, the assertion that democracy cannot last unless it generates a satisfactory economic performance is not an inexorable objective law. A phrase one repeatedly hears in newly democratic countries is "Democracy must deliver, or else . . ." The ellipsis is never spelled out, since it is taken as self-evident. When Argentine generals proclaim one after another that "the economic situation is putting democracy at risk" (*New York Times*, 3 January 1990), they appear to be asserting an objective law of which they are just unwitting agents: They expect the economic crisis to turn some civilians against democracy, which will increase the probability of successful subversion, to which they will respond, given their preferences, by overthrowing democracy. Yet whether or not democracy survives adverse economic conditions is a joint effect of conditions and institutions. As the European experience of the Great Depression demonstrates, some institutional frameworks are more resistant than others to economic crisis.

In conclusion, from the static point of view democratic institutions must be "fair": They must give all the relevant political forces a chance to win from time to time in the competition of interests and values. From the dynamic point of view, they must be effective: They must make even losing under democracy more attractive than a future under nondemocratic alternatives. These two aspects are to some extent interchangeable. They constitute different ways of asserting that political forces comply with democratic outcomes when they expect that their future will be better if they continue to follow the rules of the democratic game: Either they must have a fair chance to win or they must believe that losing will not be that bad. Thus, to evoke compliance, to be consolidated, democratic institutions must to some extent be fair and to a complementary degree effective.

Yet under certain conditions these requirements may be contradictory, particularly with regard to economic issues. Fairness requires that all major interests must be protected at the margin; effectiveness may necessitate that they be seriously harmed. To be effective economically, governments may

[43] This juxtaposition is derived from the current Polish constitutional debate. See *Trybuna Ludu*, 17 September 1989.

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have to violate some property rights – for example, by adopting land reform or by generating massive unemployment in a quest for allocative efficiency. Institutions conducive to major economic transformation cannot protect all interests; institutions that protect all interests are not an appropriate framework for major economic transformation.

Indeed, the traditional dilemma of the Left has been that even a procedurally perfect democracy may remain an oligarchy: the rule of the rich over the poor. As historical experience demonstrates, democracy is compatible with misery and inequality in the social realm and with oppression in factories, schools, prisons, and families. And the traditional dilemma of the Right has been that democracy may turn out to be the rule of the many who are poor over the few rich. Democratic procedures can threaten property; political power in the form of universal suffrage and the right to associate may be wielded to restrict property rights. Hence, the conditions under which democracy becomes the equilibrium of decentralized strategies of autonomous political forces are restrictive. This is why democracy has been historically a fragile form for organizing political conflicts.

Institutional design

What does this abstract discussion imply about specific institutions? What kinds of institutional arrangements are likely to last and to matter? Should the constitution contain only rules about political competition and about protecting minorities, or should it include substantive commitments? Is the parliamentary system more likely than the presidential one to regulate conflicts?[44] Are some elements of a corporatist organization of interests necessary to mobilize consent to economic policy at a time of crisis?

[44] Linz (1984) has developed a number of arguments in favor of parliamentary, as opposed to presidential, systems. I am particularly persuaded by his observation that presidential systems generate a zero-sum game, whereas parliamentary systems increase total payoffs. The reasons are the following. In presidential systems, the winner takes all: He or she can form a government without including any losers in the coalition. In fact, the defeated candidate has no political status, as in parliamentary systems, where he or she becomes the leader of the opposition. Hence, in terms of the model developed above, under *ceteris paribus* conditions (under which $W + L = T$ is the same in both systems), the value of victory, W, is greater and the value of defeat, L, is smaller under presidential than under parliamentary systems. Now, assume that political actors discount the future at the rate of r per annum. Under the presidential system, the term is fixed for some period ($t = \text{PRES}$), and the expected value of the next round is $r^{\text{PRES}}[pW + (1 - p)L]$. Under the parliamentary system, the winner governs only as long as he or she can maintain sufficient support in the parliament, say for the period $t = \text{PARL}$, so that the expected value of the next round is $r^{\text{PARL}}[pW + (1 - p)L]$.

The relationship between constitutions and political reality is not an obvious one. Except for the United Kingdom and Israel, all countries have written, formally adopted constitutions. Yet these constitutions have had highly divergent roles in the actual political life of their countries. In the United States the same constitution has survived for two hundred years, during which time it has continually influenced political life, at least in the sense that major political conflicts, with one major exception, have been framed in terms of it. In Argentina, the constitution adopted in 1853 remained, on paper, in effect except for the brief period between 1949 and 1957. Yet in the past fifty years, political conflicts in Argentina have only half the time been processed according to its provisions. In France, the constitution has been changed several times since 1789; indeed, every major political upheaval has produced a new one. Yet while it was in force, each constitution did regulate the exercise of power and the pattern of succession. Finally, to fill the last cell of this fourfold table, in South Korea major constitutional reforms have occurred every three years and nine months since 1948, and no succession has conformed to the rules. A constitution that is long-lasting and observed, one that is long-lasting and ignored, some that are changed often and respected serially, and others that are modified frequently and remain irrelevant – historical experience is not very informative.

Indeed, I discovered, much to my surprise, that we do not have sufficiently reliable empirical knowledge to answer questions about institutional design. We have intuitions about the impact of presidentialism versus parliamentarism, we know the effects of alternative electoral systems, and we tend to believe that an independent judiciary is an important arbitrating force in the face of conflicts, but our current empirical knowledge leaves a broad margin for disagreements about institutional design. Is democracy in Poland more likely to be consolidated under a strong or a weak presidency? Under a plurality or under a system of proportional representation? Under a constitution that affirms the commitment to common values or under one that leaves them open? We just do not know enough to answer such questions when confronted with specific historical conditions.

The reason we cannot answer such questions in a reliable way is that the

Elementary algebra will then show that unless the tenure expected under parliamentarism is notably longer than under presidentialism, the loser has a greater incentive to stay in the democratic game under parliamentarism.

consolidation of democracy may be a joint effect of conditions and institutions. Institutions may have to fit conditions. Rousseau (1986: 1) may have been correct when, in the course of designing a constitution for Poland, he wrote, "One must know thoroughly the nation for which one is building; otherwise the final product, however excellent it may be in itself, will prove imperfect when it is acted upon – the more certainly if the nation be already formed, with its tastes, customs, prejudices, and failings too deeply rooted to be stifled by new plantings." And we have just not done enough empirical research to acquire a reliable knowledge of such joint effects.

Hence, I can venture only a rudimentary guess. Constitutions that are observed and last for a long time are those that reduce the stakes of political battles. Pretenders to office can expect to reach it; losers can expect to come back. Such constitutions, Napoleon is alleged to have said, should be "short and vague." They define the scope of government and establish rules of competition, leaving substantive outcomes open to the political interplay. Constitutions adopted to fortify transitory political advantage, constitutions that are nothing but pacts of domination among the most recent victors, are only as durable as the conditions that generated the last political victory. In turn, constitutions that allow everyone to introduce substantive demands, constitutions that ratify compromises by enshrining substantive commitments (of which the social rights chapter of the Weimar Constitution is the prototype) are often impossible to implement.[45]

To push this argument just one step farther, let me offer three – still excessively abstract – observations. First, it is worth noting that electoral majorities have been rare in the history of successful democracies; in the postwar period only about one election in fifteen has resulted in a majority of votes cast for one party. Hence, most democracies are ruled either by explicit coalitions among parties none of which can rule on its own or by minority governments based on implicit assurance of support. Second, successful democracies are those in which the institutions make it difficult to fortify a temporary advantage. Unless the increasing returns to power are institutionally mitigated, losers must fight the first time they lose, for waiting makes it less likely that they will ever succeed. Yet, third, governments must be able to govern, and this implies that they must be able to

[45] As Lula put it in a preelection interview, "If we put in practice the social rights chapter of the new constitution, we will make a revolution" (Luis Inacio Lula da Silva, interviewed in *Veja*, 29 November 1990, p. 4).

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prevent some demands from reaching the public sphere and certainly that they cannot tolerate all important groups having veto power over public policy.

These observations add up to two negative rules. To be stable and effective, democratic institutions must not generate governments unresponsive to the changing relations of political forces, governments free from the obligation to consult and concert when they formulate policy, governments unconstrained to obey rules when they implement them. Yet they also must not paralyze decisions and their implementation. All interests must be represented in the making of policy, but none should be able unilaterally to block its formulation and implementation. Another way to formulate this conclusion is that a stable democracy requires that governments be strong enough to govern effectively but weak enough not to be able to govern against important interests.

If these observations are valid, democratic institutions must remain within narrow limits to be successful. And under some historical conditions there may be no space between the limits; consolidation of democracy is not always possible.

Transitions to democracy

Self-enforcing democracy is not the only possible outcome of "transitions": strategic situations that arise when a dictatorship collapses.[46] A breakdown of an authoritarian regime may be reversed, or it may lead to a new dictatorship. And even if a democracy is established, it need not be self-sustaining; the democratic institutions may systematically generate outcomes that cause some politically important forces to subvert them. Hence, consolidated democracy is only one among the possible outcomes of the collapse of authoritarian regimes.

Given that under the current economic, political, and institutional conditions autonomous social forces struggle to impose on others a system that will fortify their political advantage, are there any institutions that will voluntarily be adopted that, once in place, will elicit decentralized compliance? When it is rational for the conflicting interests voluntarily to constrain their future ability to exploit political advantage by devolving

[46] The term "transitions" is not a very fortunate label for these situations, since it suggests that the outcome is predetermined. Yet I decided to follow common usage in the immense body of literature on transitions to democracy.

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some of their power to institutions? When will they conclude a "democratic pact" that engenders compliance and thus makes democracy self-enforcing?

We now confront nothing less than the classic problem of liberal political theory. Ever since the seventeenth century, political philosophers have been hunting for the secret of an alchemical transformation from the brutish chaos of conflict to the serene life of cooperation. Beginning with the Leviathan, proposals have been innumerable and, recently, increasingly optimistic. We are told that the problem of social order can be solved by conventions (Lewis 1969; Sugden 1986), by spontaneous evolution of cooperation (Taylor 1976; Axelrod 1984), by norms (Ullman-Margalit 1977; Axelrod 1986), by morals (Gauthier 1986), and by benevolent institutions (Schotter 1981).

The generic problem can be posed as follows. Given some strategic structure of interests classified by various mixes of conflict and coordination, the noncooperative solution to which has some normatively undesirable features, is there any device (the state, the plan, conventions, morals, norms, institutions, lotteries) that will be voluntarily adopted and that, once adopted, will evoke spontaneous (free and decentralized) compliance, that is, behaviors that support normative desiderata, such as collective (Pareto) rationality, some other welfare criteria, justice, fairness, equity, or equality? Note that the philosophers' quest is for devices that evoke spontaneous compliance, not for institutions that force compliance, even if they elicit behaviors that are normatively desirable.

This formulation is based on some assumptions that limit its usefulness.[47] The liberal point of departure – that hypothetical "individuals" confront the problem of cooperation in a state of nature – is not helpful for analyzing problems confronting real actors in concrete historical conditions.[48] The relevant actors are not abstract individuals but politi-

[47] One reason why the Hobbesian formulation is not very useful in our context is that for Hobbes the first reason for individuals to found a state is that it can defend them from invasion by foreigners. Only a secondary reason is that it can protect them from injuring one another (*Leviathan*, ch. 17). Although territorial conflicts flare up from time to time, the issue we are analyzing is not founding a state but organizing a state on territory already given. Hence, the Pareto superiority of having secure borders is not a major consideration in conflicts about institutions in transitions to democracy.

[48] The problem with game theory is that it combines a useful methodology with an ideologically derived and patently unreasonable ontology of "individuals" who in addition appear homogeneous in that they have available to them the same strategies and often the same payoffs. My biases on this topic are treated at length in Przeworski 1985. Note that

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cal forces: previously constituted collective organizations, some categories of people who might become collectively organized if provoked, and individuals as voters. They enter conflicts in a context in which there are always preexisting conventions, norms, and institutions.

Yet, with these caveats, the role of the democratic pact is to effect just such an alchemical transformation. Pacts are (one-shot noncooperative[49]) equilibria in strategies that consist of altering the current conditions in such a way as to make decentralized voluntary compliance individually optimal. They are agreements to disagree. And the only way to change these conditions by agreement is to form new institutions.

Thus, solutions to the problem of democratization consist of institutions. Resources of political forces are given; so are their preferences and the conditions independent of everyone. The game is solved if a system of institutions that engenders spontaneous compliance is an equilibrium of the transition. The problem of establishing democracy is the following: Will political actors agree to a framework of democratic institutions that will evoke their compliance?

This question involves two separate issues.[50] The first is whether under given conditions there are any systems of democratic institutions that will evoke spontaneous decentralized compliance once they are established. Under some structures of interests, there may be no institutions that will stop important political forces from trying to subvert them once they are in place. The second is whether a self-enforcing system of democratic institutions will be established as a result of conflicts concerning the choice of institutions. For even if institutions could be found that would be self-enforcing once installed, they need not constitute the equilibrium of the

Kavka (1986: 148) is careful to define the state of nature as "a model of societies of real people dissolved by civil disorder or removal of the State."

[49] By which I mean only not externally enforced.

[50] These issues are collapsed in social contract theories. These theories pose the following question: What kind of political order would hypothetical individuals in the state of nature see as worth complying with? They differ with regard to the assumptions imposed on individuals. If individuals are placed behind a veil that prevents them from knowing anything about their welfare in the new social order, then the issue is why they would comply with this order once they were in it and knew how well off they were (Braybrooke 1976). If, in turn, individuals know their chances in the new order, then the question is why they will agree to one that they know will cause them to comply with outcomes that make them badly off. Say the military know that a democratic system will impose civilian control with which it would be best for them to comply; they may prefer their own dictatorship. Hence, the questions whether political forces will comply with a given institutional system once it is established and whether they will agree to establish it are distinct.

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transitional situation when the chances of the particular political forces are very different under alternative institutional arrangements. Imagine that a group of people enters a casino that contains a roulette wheel, a poker table, a blackjack counter, and a crap stand. Is there a game that the players, given the resources they have, will continue to play even if they lose a few times in succession? And if there is, will the potential players agree which one to play?

These are the generic issues inherent in any transition to democracy.

Appendix: Why do outcomes appear uncertain?

One characteristic feature of democracy is that outcomes appear in a particular way uncertain to all participants. It is as if all do what they think is best for them, and then some random device chooses the outcome; as if the results were decided by a throw of dice. Are they in fact? And if they are not, why do they appear as if they were? The purpose of this appendix is to clarify the origins and nature of the uncertainty generated by democracy.

Let us first try a less frivolous description of the way democracy operates. A few examples may help intuition.

Electoral competition is an obvious one. Parties look at the electorate, decide which issue positions will generate the most support, and choose those that maximize the probability of winning under that platform. On election day the result is read, and the parties receive the signal, more or less uniquely defined in each democracy, to form the government or go into opposition.

Proponents and opponents of public aid to private schools argue their case in front of a constitutional court. They cite the constitution if the law is on their side; the facts if it is not. The court deliberates and issues a verdict, which is now the legal status quo.

Banks are pressuring the legislature to bail them out of their past misdeeds. Everyone knows that universalistic appeals beat particularistic ones: Banks summon the specter of widows losing their lifesavings; politicians claiming to represent taxpayers evoke the perils of deficits. The legislature votes the bail-out, and the bureaucracy writes checks.

Note that in these illustrations there is no room for uncertainty. Given the resources of the participants and the institutional framework, the outcome is determined. Each actor can examine the distribution of resources, look up the rules, and determine who will lose or win what if they all go through

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the motions; that is, if they follow their best strategies. And yet the actors appear to behave as if they were not certain of the outcome.

The evidence that they do is twofold. If winning and losing are dichotomous, then those who expect to lose should simply do nothing, since there is nothing they can do: The court will decide against them because the other side has better arguments.[51] Hence, if they do compete, it must be because they are uncertain about the consequences of their actions. If payoffs are continuous, the eventual losers are compelled to go through the motions because otherwise they would do worse than they can do. Politicians must complain about government largesse even if they know that they will end up bailing out the banks, just in order not to lose votes. But I think there is much prima facie evidence that political actors are often uncertain about the outcome; everyone in a democracy has lived through at least one election-night drama. My favorite admission of surprise was the editorial in the right-wing Chilean daily *El Mercurio* the day after Salvador Allende won a plurality in the presidential election of 1970: "No one expected that an election via the secret, universal, bourgeois franchise could lead to the victory of a marxist candidate."

What, then, is the source of uncertainty inherent in democracy?

Let us examine a few card games. The first one is called LEN. Players come to the table and bid for the ace of spades. Whoever makes the highest bid gets his money back and collects the money on the table and a dollar from everyone who did not play. The rules are perfectly universalistic; everyone can play. But one player is richer than the others, and wealth uniquely determines the outcome.[52] Hence, there is no uncertainty here. This is why Lenin was correct to call his conception of democracy the dictatorship of the bourgeoisie.[53] Except for the certain winner, anyone who pays more than a dollar to enter this game is a dupe.

[51] For a dichotomous view of payoffs, see Riker 1962. This view was disputed by Stigler (1972).

[52] Think of (American) football. There are a field, a ball, and a set of rules. The rules are blind to the identity of the teams. Referees and umpires adjudicate impartially whether actions conform to the rules and administer specified penalties. But one team consists of 300-pound players, the other of 150-pound weaklings. The outcome is certain.

[53] "The bourgeois parliament, even the most democratic in the most democratic republic in which the property and the rule of the bourgeoisie are preserved, is a machine for the suppression of the toiling millions by small groups of exploiters. . . . As long as capitalist property exists universal suffrage is an instrument of the bourgeois state" ("The Letter to the Workers of Europe and America" [1919], Lenin 1959: 482). Lenin's most programmatic statement on this topic is "Theses on Bourgeois Democracy and Proletarian Dictatorship Presented to the First Congress of the Communist International," 4, March 1919.

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Now let us play JON. Players bid for cards, face down. After all the cards have been bought, they look at what they have. The player who has the ace of spades wins, and payoffs are the same as before. In this game, if everyone plays as well as possible, the wealthiest player will buy the most cards and will have the best chance of getting the ace. If all the N players are equally wealthy, their prior probabilities of winning are $\{1/N, 1/N, \ldots, 1/N\}$. In fact, the probabilities may be terribly unequal: The prior probability distribution may be as skewed as $\{(N - 1)/N, 1/N, 0, \ldots, 0\}$. But all money can buy is a better chance, because pure chance plays a role. Even a player who can afford only one card has one chance in fifty-two of pocketing the prize. Is this what democracy is like?

One obvious argument against this analogy is that democracies – at least modern ones – have no institutions that function as randomizing devices.[54] Parliaments, bureaucracies, and courts are supposed to deliberate and make decisions on justifiable grounds, not throw dice.

Note, however, that this is the explanation of uncertainty suggested by social choice theory: Collective preferences cycle incessantly, the time of reading them lacks particular justification, the outcome cannot be understood in terms of individual preferences. But the uncertainty implied by social choice theory is too radical; it permits no rational action. Social choice theory portrays democracy as if it were LOTTO: Actors decide whether to buy a ticket and wait for the winning numbers to appear on the screen. The outcome is fair, but this is its only justification. This is not enough to motivate participation in democracy; to participate, actors must see some relationship between what they do and what happens to them. If everyone believed the impossibility theorems, no one would participate. True, Elster (1989) has shown that there are some circumstances when collective rationality may call for a random decision: whenever the costs of deciding are greater than the difference the decision makes – for example, when a custody battle inflicts more damage on the child than landing with the less-qualified parent. But in general, a democracy in which people believed that outcomes were decided at random would be untenable.

Hence, I do not think that this is the way democracy is played. An element of pure chance does enter the democratic game, but only exogenously: The accidental death of a leader may radically alter the situation. But this is where the role of chance ends.

[54] There are instances in history of elections by chance and serious arguments in their favor. See Elster 1989.

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Table 1.1

		Column	
		King of hearts	Any other card
Row	Ace of spades	Nothing, All	All, Nothing
	Any other card	Something, Something	Something, Something

Another reason outcomes can be uncertain is that actors do not know what to do. Some commentators on my earlier claim that democracy is inherently uncertain concluded that this assertion implies that individuals must be uncertain what to do.[55] Indeed, the Brazilians published one of my articles under the title "Ama a incerteza e seras democrático": "If You Like Uncertainty, You Will Be a Democrat."[56] Now, it may be true, as Manin (1987) argues, that democracy requires that citizens be willing to change their preferences. But they need not like uncertainty and need not be uncertain what to do.

Let NOR be a game in which actors do not know which strategies will produce the best outcomes, because these outcomes depend on simultaneous actions by others: there are no dominant strategies. The game is played as follows. Bids are made for cards, face down. Once all the cards have been bought, the players (two for the sake of simplicity, named Row and Column) play by each putting a card on the table face down and simultaneously turning over the cards. The payoffs are given by {first payoff to Row, second to Column}.[57]

Row does not know what to do. Playing the ace of spades is better than pulling any other card if Column plays any card other than the king of hearts; otherwise, it is worse. The same is true for Column. (Table 1.1.)

Some game theorists assert that the rational thing to do under the circumstances is to use a random device to choose one's actions. If a political

[55] Notably Lechner (1986) and Hirschman (1986). There are in fact two distinct reasons why actors may not know what to do. The one discussed in the text is that they do not know which course of action is best for them. But I have an impression that Hirschman and Manin (1987) have something else in mind, namely, that, educated by deliberation, actors are not certain whether they should act on their own current preferences or yield to the preferences of others. In the latter case, actors are uncertain about their own preferences rather than that about courses of action.

[56] *Novos Estudos*, 1985.

[57] To limit the impact of resource inequality on the outcome, the Law of Fair Access ensures that the same player cannot have both the ace of spades and the king of hearts.

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party does not know whether it can gain more votes moving to the left or to the right, because the outcome depends on where another party moves, it should decide by throwing an appropriately weighted coin. If banks do not know whether an argument about widows is more persuasive than one about its employees threatened with losing their jobs, they may decide by chance. In this case the outcome is uncertain because it emerges from probabilistically chosen strategies: The combination of strategies that has the property that no one would want to mix the strategies differently given what others can do is unique, but the outcomes are only probabilistically knowable.[58]

Lechner is right that NOR is not a plausible understanding of democracy, because democratic actors value order, an order that will indicate to them what to do. Disorder destabilizes democracies, argues Lechner, influenced by the trauma of the chaotic years of the Unidad Popular government in Chile. I agree, but I do not think that the uncertainty about outcomes entails either chaos at the institutional level or uncertainty about one's own actions.

The explanation of uncertainty that I find most persuasive has been offered by Aumann (1987). He has shown that if actors do not know something, if they are cognitively rational in the sense that they change their beliefs about the world as a function of information they get,[59] and if they act on these beliefs, then the strategies they choose independently will be distributed probabilistically, as if they had been chosen jointly using a random device.

What is it that actors do not know? One of the many powerful implications of Aumann's model is that they may not know all kinds of things, not only those that traditional game theory allowed them to be ignorant about, but also the strategies of other actors. Indeed, this is what actors do not know in Aumann's account. Each actor may know the unique outcome associated with each combination of strategies, and each may know what it

[58] This idea seems to be going out of fashion. See Aumann 1987 and Rubinstein 1988: 9; the latter says that "the naive interpretation of a mixed strategy, as an action which is conditioned on the outcome of a lottery executed by the player before playing the game, is intuitively ridiculous." In turn, a physically mixed strategy – mixing strategies in some proportion – would not lead to uncertainty.

[59] One important assumption underlying Aumann's model is the so-called Harsanyi doctrine, which asserts that the only source of knowledge is observation. Specifically, the assumption is that all actors have the same priors, so that if they attach different probabilities to crossing an intersection at any moment, it is only because what they have observed is different.

is best for others to do given what he or she does. Only the most minimalist assumption is required to generate uncertainty: that I am not sure how others see me. Leaders of a political party may know that if they keep the opponent's skeletons in the closet, it will be best for others to reciprocate, but if they are not sure whether opponents trust them not to cause scandals, uncertainty will ensue. The minimal assumption is that I am not sure that the opponents know my preferences or my character. If I allow that they may see me as moralistic rather than victory-oriented or as reckless, I cannot be sure what they will do.

Hence, the outcomes of the democratic process are not uncertain. They only appear to be uncertain to every participant. But "appears" should not be taken as an indication of remediable ignorance, as "false consciousness."[60] The appearance of uncertainty is necessarily generated by the system of decentralized decision making in which there is no way to be sure what others think about me. An omniscient observer could determine the unique outcome of each situation, but no participant can be an observer, because the observer's theory need not be universally shared by other participants. And if it is not shared, then she cannot be certain how others perceive her and hence what they will do. Note that the strategies are chosen independently and deterministically. Each actor decides independently what to do, and each actor knows what it is best to do at every moment. Yet the outcomes associated with these combinations are distributed probabilistically.

To highlight the distinguishing features of uncertainty inherent in democracy, consider a stylized model of authoritarian regimes (which I treat as synonymous with dictatorships, abandoning some important distinctions).[61]

[60] This lapse into marxist language is not accidental. Aumann's model provides microfoundations for Marx's theory of fetishized knowledge. Fetishized knowledge is simply local knowledge: the view of the system from the point of view of each agent. Individual agents exchanging under capitalism do gain or lose from exchanges: If I sell for more than I bought, I will gain and the buyer will lose labor values (but not necessarily utility). This is a valid local theory of the capitalist system; everyone operating within this system must act on the basis of this theory. Informed by marxist theoreticians, everyone may know that value is created only by labor and that when all values entering exchange are summed up, their sum is zero: Whatever I gained in exchange, someone else lost it. But this knowledge does not and cannot alter individual behavior within the system. A critique of capitalism is not sufficient to alter individual behavior.

[61] And distinctions there are. Just think of the Soviet Union, which was variously dubbed a totalitarian regime, an authoritarian one, a dictatorship of the proletariat, a dictatorship of a party, an autocracy (*samoderzhavie*), a state capitalist system, a nomenklatura, a bureaucracy,

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One essential feature of authoritarian regimes is that someone has an effective capacity to prevent any outcome from occurring. As was said of Franco, "All the cards are in his hands, he does not *make* politics, he *is* politics" (cited in Carr and Fusi 1979: 1). That "someone" can be the ruler; an organization, such as the armed forces, the party, or the bureaucracy; or even a less easily identifiable ring of groups and individuals. I speak below of an authoritarian power apparatus and introduce distinctions only when they enlighten the problem at hand.[62] The power apparatus can act not only ex ante, but even ex post; that is, not only can it establish rules that prohibit actions that would lead to undesirable outcomes, but it can also overturn such outcomes even if they result from following its own rules. Here is an example drawn from Argentina. A minister of education appointed by the military government charges a group of experts with preparing a mathematics text for elementary schools. The textbook is prepared, and it is approved by the minister, published, and distributed. It then falls into the hands of the commandant of a local military zone, who orders that it be removed from the schools. Note that the text in question is not an underground pamphlet; it is a product of the authoritarian institutions themselves.[63] In contrast to a democracy, the set of possible outcomes cannot be deduced from the rules.[64] Under dictatorship, there is no distinction be-

and what not. My purpose is only to highlight what I see as the essential features of democracy, not to provide a classification of forms of government. Most important, my discussion collapses a distinction between what Montesquieu called despotism, where the will of the despot is the order of the day, and dictatorships that rule through laws (monarchy: rule by laws but not of law). For a discussion of various classifications of political regimes in history, see Bobbio 1989: 100–25.

[62] On the difficulties of identifying the centers of power under authoritarianism, see Przeworski 1982. A more systematic analysis is offered in Cardoso 1972.

[63] Note another aspect of this example: the absence of a clearly defined authority. There are no rules that give the commandant of a military zone the authority to act on primary-school textbooks. He has blanket power to act on anything. Another example: The Polish government decided in the early 1960s to rebuild the center of Warsaw. An architectural competition was announced, and the winning project was selected and approved by the government. But one of the secretaries of the Communist party decided that the proposed buildings would compete with a Stalinist monster that dominates the city and ordered their height reduced. He could have done anything else he wanted.

[64] This is not to say that retrospective action is not possible under democracy: The president may appoint a surgeon-general, who may charge a group of experts with preparing a report on AIDS; the report may be publicized; and the president may disclaim the report or even fire his appointee. But we know ex ante that the president can do all this; he has the right to repudiate, and he has the power to fire a member of his administration. He cannot repudiate, however, a ruling of the Supreme Court or fire a Justice, and we know that, too. What I am arguing is that under dictatorship we cannot know ex ante what the power apparatus can and cannot do, because the feasible outcomes are not entailed by any set of rules.

tween law and policy.[65] In this sense, dictatorships are arbitrary. Under democracy, an outcome of the democratic process can be overturned ex post if and only if it violates previously established and knowable rules; under dictatorship, the possible outcomes are not entailed by any set of rules.

Does this argument imply that democracies generate less uncertainty than dictatorships? I think this question cannot be answered, because the response depends on the point of view.[66] The difference is in the assumptions one must make to deduce the outcomes. In a dictatorship, they are deduced only from the preferences of one actor; in a democracy, from conflicting preferences and rules. Under a sufficiently capricious leader or a sufficiently divided power apparatus, the authoritarian regime may keep bewildering everyone with its twists and turns.[67] Indeed, under dictatorship the outcomes may be unpredictable: They can be predicted only by knowing the will of the dictator or the balance of forces among the conflicting factions. A democratic regime may, in contrast, yield highly predictable outcomes even when parties alternate in office. Hence, ex post an authoritarian regime may exhibit more variation of policies than a democratic one. But examine the situation ex ante. Under dictatorship, there is someone who is certain about the outcomes, and anyone who knows what the power apparatus wants also knows what will happen.[68] Under democracy, there is no such actor. Hence, the difference in uncertainty is conditional in the following sense: In an authoritarian system it is certain that political outcomes will not include those adverse to the will of the power apparatus, whereas in a democracy there is no group whose preferences and resources can predict outcomes with near certainty. Capitalists do not always win conflicts processed in a democratic manner,[69] and even one's current position in the political system does not guarantee

[65] This is the feature that Montesquieu saw as the fatal weakness of despotism.

[66] For a spirited statement of a subjectivist approach to game theory, see Rubinstein 1988. Rubinstein argues that if game theory is to make sense of the world around us, we should interpret games not as physical descriptions but as assumptions about the perceptions and reasoning procedures of the actors. Hence, what may be certain from the point of view of an observer may appear uncertain from the vantage point of each actor.

[67] Here is a Soviet view of the matter: Three men meet in a gulag. One asks another, "What are you here for?" "I was against Radek," he says. "And you?" "I was for Radek." They turn to the third man, thus far silent. "I am Radek," he says.

[68] Assuming, obviously, that nature does not throw dice.

[69] This is not an allusion to Marx, who argued in his writings on the 1848–51 period in France that universal suffrage represents a perpetual threat to capital. It is instead an allusion to Lenin, whose views were summarized above.

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future victories. Incumbency may be an advantage, but incumbents do lose.

Hence, instrumental action under authoritarianism is limited to cases in which those actors who enjoy room for maneuver know that the power apparatus is indifferent to some outcomes. Party secretaries from particular localities may compete, for example, to get an investment provided for in the plan; producers' associations from different sectors may defend themselves against the lowering of tariffs on competing imports. Acting instrumentally makes sense for them only if they know that the power apparatus will not punish them for their actions and that it can tolerate the outcome they want. It would be irrational for anyone to act as if the outcome were to be determined by his or her actions under the existing institutional framework. Everyone has to try to anticipate the reaction of the power apparatus.[70]

To test these distinctions, consider the following example. After 1954, the Polish Communist regime regularly changed its agricultural policy. Whenever peasants stopped producing food for the cities, the party would tell them, "Enrich yourselves." And whenever peasants enriched themselves and their consumption began to appear ostentatious, the party would confiscate all the riches. Hence, the policy followed predictable cycles: Low productivity led to fiscal stimuli, visible inequality led to punitive taxation, and so on.[71] Now, we could imagine a similar dynamic under democracy: The Productivity party would campaign for fiscal stimuli; the Equality party would advocate taxing the rich peasants. When food was scarce, the Productivity party would win elections until peasants got too

[70] Yet note that authoritarian regimes systematically hide information about their true preferences. Their main concern is not to make it public that there are divisions within the power apparatus or even that any counterarguments were considered legitimate in the discussions inside the apparatus that led to a particular decision. What is communicated publicly is only "the line": a decision portrayed as unanimous and undisputable. Yet for any educated observer, the line is not credible information about the preferences of the rulers. I owe this observation to conversations with Tang Tsou.

The secrecy of the power apparatus sometimes reaches the grotesque. When Chernenko died, Soviet radio did not announce the fact for a day and a half; they let it be guessed by playing only solemn music on the radio. In the meantime, *Le Monde* announced the death of another member of the Politburo and reported the rumor that yet another had been ousted. The Soviet people did not know whether or not the dictator was still alive: Gabriel García Márquez's *The Autumn of the Patriarch* was performed in real life on the other side of the globe.

[71] Eventually, peasants did learn not to invest; workers were starved and threw party bureaucrats out. But it took forty years.

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rich, whereupon the Equality party would be victorious. Ex post, therefore, the policy cycles, and the posterior probability that the tax rate is t percent, may be identical in the two systems.

Ex ante, however, the uncertainty inherent in the two systems is different in three ways. First, the party changed the rules ex post: The central instrument of its policy was the *domiar*, a retroactive surtax. Income was earned by peasants when the tax rate was 40 percent; long after this income was earned and well after it was invested or consumed, it would be subjected to an additional tax. This can happen under democracy, but only according to established rules that permit retroactive taxation. Under dictatorship, it can happen despite the rules. Second, the timing and the amount of the confiscatory retribution was arbitrary in the sense defined above: It was not entailed by any set of rules. Under democracy, peasants may expect that when inequalities become conspicuous the tax rate will increase, but they can also expect that the rules will change only according to rules. Finally, under democracy, the new tax rate is determined jointly by the political actions of peasants and of other forces. Peasants can participate in determining the new tax rate; they can defend their interests. Given their reading of public opinion and their knowledge of the rules, they can attach prior probabilities to increases by any particular amount. Hence, they can calculate expected values and act upon them when deciding how much to invest. Under dictatorship, all they can do is to guess what the party will tolerate; if they cannot guess, they do not know when they will get hit and by how much.

None of the above implies that peasants will be better off under democracy. If the power apparatus wants to develop agricultural production and if it is willing to tolerate wealth, peasants will prosper. They will prosper even if other people starve and even if everyone else would prefer lower agricultural prices. Their interests are guaranteed by the will of the dictatorship; but this is all their interests depend upon. There is little they can do.[72]

Democracy is thus a system that generates the appearance of uncertainty because it is a system of decentralized strategic action in which knowledge is inescapably local. Dictators are observers because they do not have to consider what others think about them. If others guess incorrectly what the

[72] The NEP is the obvious example. Told by Lenin to enrich themselves, the Soviet *kulaks* waited for his death and the defeat of Bukharin to be massacred by Stalin.

dictator wants, he or she can correct the outcomes ex post. In turn, everyone who knows what the dictator wants can predict what will happen. Under democracy, no one is the dictator. Hence the appearance of uncertainty.

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