HOW INSTITUTIONS ENCOURAGE COOPERATION:

A CRITIQUE OF THE CONTRACTING THEORY OF DEMOCRATIC PEACE

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In *Reliable Partners: How Democracies Have Made a Separate Peace*, Charles Lipson extends the monadic argument for democratic peace theory to a dyadic explanation grounded in inter-state contracting. Maintaining that "constitutional democracies have a special capacity to make and sustain promises with each other," Lipson claims that peace between democracies can be attributed to the constitutional democratic norms and institutions that facilitate bargains.[1] Most significantly, the democratic peace theory implies "that when all interacting states are democracies, that is 'a near-perfect sufficient condition for peace.'"[2] Lipson places his causal logic in the realm of domestic structural theory, explaining democratic peace in terms of dyadic state constitution, not systemic properties. Yet, modern democracy by nature succeeds best in secure, peaceful environments where the constitutive mechanisms Lipson identifies are not a detriment to defense against immediate security threats. If democracies are a product of peace, the fundamental reason that democracies are often observed in peaceful contracts lies outside the state and can be found instead in the systemic conditions or overarching institutions that foster democratic development. By ignoring a potential common cause for the separate phenomena of democracy and peace introduced by international regimes, Lipson commits a third-cause fallacy that significantly debases both his challenge to realist abstractions and the policy outcome of his approach to international political theory. Put simply, knowledge of systemic institutions alone may just as well predict the likelihood of war if dyadic relations are merely a mechanism for the systemic influence of institutions.

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[1] Charles Lipson, *Reliable Partners: How Democracies Have Made a Separate Peace* (Princeton: Princeton University Press, 2003), 4.
[2] Ibid., 2.

Lipson's claim that democracy causes peace rests on his examination of the alternatives suggested by realist scholars:

> … existing explanations do not adequately capture the political logic of the democratic peace. In many cases, democracies have threatened each other with force and sometimes only narrowly averted war. Critics have examined some of these "close calls…" they infer that the democratic peace is a mirage, that it is just Realpolitik plus dumb luck. That is wrong, I think, because it cannot explain why war between democracies is systematically less frequent.[3]

So long as realist arguments are insufficient to explain democratic peace, Lipson's theory for understanding the reasons for democratic peace "poses a specially pointed challenge to those who deliberately ignore the character of domestic governments, a crucial simplifying assumption of neo-Realism."[4] However, Lipson's causal explanation for democratic peace is therefore refuted by the existence of another possible causal explanation for the observation of peace between democracies. He neglects the possibility of a systemic causal explanation for *both* the cultivation of democratic states and peace between them. If the constituent elements of democracies that enable Lipson's democratic interactions are a product of environmental conditions, democratic peace theory cannot challenge realist simplification because the phenomenon could be explained with knowledge of only system-level properties and institutions.

Under such a theoretical framework, the true cause of peace between democracies could be an institution or regime that encourages the development of democratic constituent principles as a mechanism for peace. Institutions in this sense are strictly Wendtian collections of identities, interests, and mutual understandings; institutions may be supported by a hegemon or a collection of dominant powers. Because Lipson's "democratic norms and institutions" are well-suited to

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[3] Ibid., 15.
[4] Ibid., 2.

succeed under a given institutional framework, those constituent principles spread to other states during the Darwinian process of inter-state competition. Moreover, the dyadic interactions central to Lipson's contracting theory result in peace only under certain institutional influences. Democratic states succeed in this hypothetical environment; non-democratic states do not. The following paragraphs refute Lipson's dyadic explanations for democratic peace in the context of such a third-cause framework.

First, Lipson points out four domestic principles supporting mutually profitable relationships between democracies: high transparency, regime continuity, audience cost incentive, and the commitment capacity of constitutional governments.[5] Setting aside practical objections to the realistic effect of these principles on governance, states with these characteristics can only survive in specific environmental conditions.[6] For instance, states with immediate, major security fears move towards autocratic, centralized authority structures to improve threat response. The United States and Britain shifted to arguably more autocratic policies in response to World War I; likewise, the United States accelerated centralization and pivoted away from Lipson's contracting advantages during the Cold War as a response to a major security threat. Lipson himself states that "new and unstable democracies may well be more war-prone than other states…"[7] The difficulty of establishing democracy in chaotic regions is an instance of this phenomena; in war-prone areas, new democracies tend towards support from democracy-incubating institutions or become autocratic to the point of losing democratic characteristics. Under a framework that does not support democratic development – in this case,

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[5] Ibid., 12.
[6] Sebastian Rosato, "The Flawed Logic of Democratic Peace Theory," *The American Political Science Review* 97, no. 4 (2003): 585-602.
[7] Lipson, *Reliable Partners*, 1.

one with high tension and high mistrust – democracies are likely to become more autocratic or fail altogether. Conversely, peaceful environments are more likely to foster Lipson's contracting advantages in the absence of heavy security threats and thus encourage the development of democratic states. Many modern democracies developed under the protection of other empires.

Second, countries that are secure and form mutual bonds because they belong to a democracy-developing institution are more likely to exhibit domestic democratic institutions and norms. Lipson describes the Prisoner's dilemma in a similar context:

> That [norms foster cooperation, but do not ensure it] is the fundamental lesson of the Prisoners' Dilemma. Both players value mutual cooperation over mutual defection, but they still cannot achieve it in a finite game. To achieve stable cooperation, the game itself must be changed in fundamental ways. Assuming both players value the future highly enough, they can sustain cooperation only if the game is played repeatedly, without a clear end point, and if defection by either player is deterred by the threat of punishment (that is, by the threat of noncooperation later in the game).[8]

Because the contracting advantages of democratic states enable them to engage in cooperation, those states will receive greater value in a system of other democracies who also cooperate. In a system of defectors, a lone democracy will fail because it will lose in every attempt at cooperation. It is only through an institution of iterative mutual understanding that democracy can succeed, and with each success, non-cooperative states are forced to adapt or perish. Thus, the cooperative institution is self-perpetuating, sustained by the democracies it governs. More generally, an established institution (or set of mutual understandings in contracting), whether it encourages cooperation or defection, affects the domestic constitution of states who must adjust their strategic behavior to succeed.

If both the dyadic contracting advantages Lipson proposes and the monadic, democratic characteristics of conventional democratic peace theory arise as a result of an institution which

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[8] Ibid., 3-4.

modifies the terms of self-help Lipson assumes, democracy is simply the mechanism by which that institution operates. The explanation for democratic peace lies not in the dyadic interactions of states but in the incentives they are provided by the constructed institutions to which they belong. For instance, modern democratic peace today may be the mechanism by which American hegemony encourages peace in its sphere of influence. The rise of American influence after WWII corresponds directly with the propagation of democratic ideals globally, driven by the mechanisms American-supported institutions and overt political influence. The mechanisms of democratic interactions are not the true cause of peace; in this scenario, the true cause is American hegemony in the West. At a higher level of abstraction, American hegemony established a competitive environment in which cooperation is the best course for value maximization. The fact that some non-democratic states do not participate in peaceful relations with democratic states is an indicator of the limits of the American cooperative institution, not only the political composition of the states in question. Thus, knowledge of systemic institutions may predict the likelihood of war more accurately than can knowledge of the attributes of state dyads.

The practical effects of the difference between the dyad-attribute and institutional approaches to democratic peace theory are non-trivial. Democratic peace as the direct result of democratic interaction differs significantly from democratic peace as the self-perpetuating mechanism of American hegemony. The former may be achieved by spreading democratic ideals and implementing Lipson's theory for sustaining cooperation; the latter is harder to achieve, likely requires advocacy by a dominant power, and is limited by the extent of that power's influence.[9] Using systemic causal logic, democratic peace may only be observed under the

[9] Ibid., 2.

condition of a cooperation-inducing institution. Only in such a system, such as that of American hegemony, does the presence of democracy correlate with peace. Thus, the neo-realist abstraction of attributes holds. While Lipson's work is useful for examining the mechanisms of institutional propagation, the key to explaining democratic peace lies not in state or dyad attributes but in the very formation of state interactions by an institution.

Bibliography

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