The Argument in a Nutshell

Democracies almost never fight wars against each other. This simple observation is one of the most powerful findings in international politics and one of the most thoroughly tested. But what explains it? The answer, I think, is that democracies have unique “contracting advantages,” which allow them to build stable, peaceful relations, based on multiple self-enforcing bargains.

The basic finding—that democracies rarely, if ever, fight each other—is one of the most compelling in modern international politics. Discovered by accident and initially overlooked, the “democratic peace” has been vigorously debated and exhaustively tested. Most statistical studies and case histories have found the same robust relationship. Democracies often go to war but very seldom against each other.\(^1\)

Thanks to all this testing, the democratic peace is now one of the best-established regularities in international politics, perhaps the best-established.\(^2\) The absence of war between democracies, Jack Levy concludes, “comes as close as anything we have to an empirical law in international relations.”\(^3\) Another recent article notes that when all interacting states are democracies, that is “a near-perfect sufficient condition for peace.”\(^4\)

Not surprisingly, these findings have prompted a flurry of research. Some extend the initial conclusions, showing that democracies are distinctive in other ways. They generally win wars, for example, probably because they take special care in choosing opponents.\(^5\) Others show the limits of the democratic peace. New and unstable democracies may well be more war-prone than other states, although they, too, are reluctant to fight among themselves.\(^6\) This does not mean that democracies are pacifists, however, even when dealing with each other. They sometimes threaten to use force against fellow democracies, and they have come close to war several times.

Even with these qualifications, the democratic peace is a powerful finding with far-reaching implications for both policy and theory. It means that international interactions are profoundly shaped by the way states are governed. Naturally, this finding inspires democracy’s many advocates. But it deeply puzzles theorists, who want to know why it occurs. Their puzzlement echoes an old academic joke: “We know it works in practice. Now we have to see if it works in theory!”\(^7\)

That is exactly the question about peace among democratic states. It works well in practice, but there is considerable confusion about how it works in
theory. The lack of an answer is no joke, however. Despite extensive research, all we have is a remarkable correlation. We still lack a convincing explanation about why democracies do not fight each other.

Knowing why they do not fight is important for both practitioners and theorists. It bears directly on two central issues of international politics: the reasons for war and peace and the problems of sustaining cooperation. It also has serious implications for any general theory of international relations. It poses a specially pointed challenge to those who deliberately ignore the character of domestic governments, a crucial simplifying assumption of neo-Realism. The answer to this puzzle may also say something important about how countries can build relationships of greater trust and reassurance, laying the foundations for enduring peace. In short, it is a prominent puzzle in every sense.

How do we explain this apparent relationship between governmental forms and international outcomes? So far, three basic explanations have been advanced:

1. citizens’ reluctance to bear the costs of war;
2. shared values among democracies; and
3. unique domestic institutions, which restrain elected leaders.

The cost explanation, initially developed by Immanuel Kant, argues that citizens of a republic are less war-prone because they must bear the burdens themselves and can vote to avoid them. Monarchs and dictators, by contrast, can shift the costs of war onto their subjects, who have no voice in the decision.

The normative explanation, also suggested by Kant, is that liberal democracies share certain basic values, grounded in their domestic political life. They settle disputes through neutral courts rather than through blunt force or status differences. They place a high value on individual life and liberty. As they look abroad, they recognize that other democracies also have governments based on popular consent and hold similar values. They then apply these liberal values in dealings with other democracies, where they can expect reciprocity. Relying on these common values, they can adjudicate disputes and compromise voluntarily rather than resorting to military force.

Finally, the institutional explanation underscores the constraints facing democratic policymakers. They face constitutional limits, must share power with other elected leaders, and can remain in office only by winning periodic elections, openly contested. Although there are important differences between parliamentary and presidential systems, both include legitimate opposition, genuine public debate, and procedural limitations on how public policy is made. These institutional arrangements inevitably slow down decisionmaking and make it difficult to launch military operations. If other states are similarly constrained, then neither will fear surprise attacks, and both will have the luxury of time to resolve international crises.
All three explanations highlight important features of democracy, but each is incomplete. If costs alone were the answer, then citizens would be equally reluctant to fight both democracies and nondemocracies. That does not explain why they choose to fight some types of states and not others. Large, powerful democracies have waged wars against small dictatorships, but not against small democracies. Moreover, their sensitivity to costs is not so straightforward. Public opinion in democracies sometimes favors war, as it did in 1898, when the United States fought Spain, which was blamed for sinking the USS Maine in Havana harbor. Monarchs and dictators, on the other hand, are not always eager to fight, since they, too, must weigh the financial costs, political risks, and chances of success. Defeat will not hurt them at the polls, but it could lead to their overthrow, exile, or death.\textsuperscript{15}

If norms alone were the answer, democracies would also be more peaceful toward all other states, not just other democracies. There is now some evidence to support that assertion, at least in mild form. Democracies are probably a bit less war-prone than other states. Even so, it is clear that democracies go to war often. In the twentieth century, for instance, Britain went to war more frequently than Germany.\textsuperscript{16} The United States has obviously been willing to use force repeatedly, both to defend its material interests and to extend its values. Moreover, democracies do not merely respond to provocations by others. They often seize the initiative and sometimes attack first. We need to understand, then, how norms and beliefs could lead democracies to make war against some states but not against others. If their norms encourage them to negotiate, compromise, and use judicial mechanisms, why don’t they do exactly the same thing with nondemocracies, achieving peace with them, too?

Equally important, if democracies are really bound by such strong, pacific norms of conduct toward each other, why do they sometimes threaten fellow democracies with force? Contrary to the normative explanation, democracies sometimes issue military threats against each other and display troops and weapons to make them more credible. They probably do so less often than nondemocracies, but they definitely do issue military threats against each other. They have occasionally launched covert military operations against other democracies or supported coups from within. A purely normative explanation cannot easily grasp this kind of belligerence or fold it into an account of the democratic peace. What we need is a much better understanding of how normative concerns operate, how they dovetail with material interests to define national preferences, and, ultimately, how they shape the choices that yield war and peace.

In fact, common norms, shared values, and even shared interests may not be sufficient to produce peace. They may foster cooperation, but they do not ensure it. That 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).

Finally, if domestic institutions were a sufficient explanation, why aren’t democracies constrained from using force against all types of regimes? Not only do they use force against nondemocracies, they sometimes strike the first blow. The larger problem here is that institutional explanations do not spell out the causal connection between domestic limitations and international outcomes. How exactly are constraining institutions supposed to prevent democracies from going to war? And why do they operate to prevent wars only with other democracies?

All three explanations—costs, norms, and institutions—highlight unique elements of modern democracy and provide insights into the democratic peace. They suffer, however, from the same basic problem. Each is focused on the properties of an individual democracy. The democratic peace is fundamentally an interactive phenomenon. It is not about why one democracy or another is peaceful. It is about why two democracies so seldom fight each other.

The existing explanations merely allude to this central, interactive element of the democratic peace without developing and pursuing its implications. Essentially, they say, “if state A behaves this way, or holds these values, or has these institutions, and if state B does too, then we will have peace.” Sometimes these explanations go one step further and say that states A and B must recognize their shared values or constraints. That is correct, as far as it goes, but it does not go far enough. It glides over the most distinctive feature of the democratic peace: its emergence from the durable bargains and mutually profitable relationships democracies have forged with each other. That is the heart of my own explanation.

My explanation is that constitutional democracies have a special capacity to make and sustain promises with each other, including those about war and peace. They are better equipped to find and capture gains from mutual interests, to sustain them, and to forge durable, mutually profitable relationships. Democratic norms and institutions facilitate this by making bargains easier to identify, less risky, and more reliable in practice.

Because democracies have unique “contracting advantages,” they can usually avert or settle conflicts with each other by reliable, forward-looking agreements that minimize the dead-weight costs of direct military engagement. To do that, states must be confident their partners will live up to their promises or, if they do not, that they can protect themselves from the risks.

After all, in matters of war and peace, there are no effective global courts to punish violators or protect innocent parties. It is a self-help system. States must look first to themselves for protection in a dangerous world. That usually
means arms and fortifications. But states can do more than deter, defend, and attack. They can also help themselves by making mutually profitable deals with reliable partners, both as military allies and as trading partners.

This contracting explanation recognizes that democracies have mixed interests, sometimes overlapping, sometimes diverging. They have good reasons to push hard for their own favored outcomes and may bluff and threaten to achieve them. On the other hand, they also have strong incentives to capture joint interests and prevent the breakdown of cooperation. One of the most important of these joint interests is avoiding the barren costs of war. Their ability to achieve such cooperative outcomes by peaceful negotiations should increase over time as partners learn more about each other and develop profitable working relationships. As they learn, their contracting relationships evolve.

This explanation does not discard the extensive research on democratic norms and institutions. Quite the contrary; it systematically incorporates that work as part of a more comprehensive contracting explanation.

My explanation begins by noting that states must negotiate and secure their own bargains, ranging from formal treaties to informal working relationships. To do that, they must locate some common interests, if any are to be found, and divide the potential gains. They must also take care to ensure that their deals (and, indeed, their wider relationships) are self-enforcing. Self-enforcement is vital because there are seldom neutral third parties to interpret and enforce international bargains. They must seal their bargains in the harsh world of international anarchy, where states must help themselves, interpret their own bargains, and enforce whatever deals they make.

In this setting, perceptions and beliefs matter because states are not completely informed about each others’ preferences and behavior, much less about the future contingencies they will face. They must also be concerned about their partners’ institutional capacity to make commitments today and fulfill them tomorrow. The danger is that partners are unable or unwilling to live up to their promises, perhaps because the leader who made the agreement changes his mind, perhaps because circumstances have changed, or perhaps because there is a new ruler or a fundamental change of government.

These concerns arise because in the real world bargains are necessarily “incomplete contracts.” No matter how elaborate treaties are, they cannot anticipate all future possibilities, all conceivable changes or external shocks. Negotiators either fail to foresee them or deliberately choose not to spend scarce time and money dealing with remote eventualities. If these contingencies arise, or if the parties later interpret their bargain differently, then they have to sort out their disputes, adjust the terms, settle on a common interpretation, or, failing that, abandon the agreement. When disputes arise, then, they must look after themselves. If they wish to capture the gains of cooperation and facilitate their ongoing relationship, they have to create some kind of governance mechanisms—formal or informal—to cope with such problems.
Before relying on such incomplete bargains, prudent states must make judgments about their partners’ integrity and reliability. They want to reap the promised benefits, but they also want to be sure others are dealing in good faith and will continue to do so after the bargain is struck. Is their potential partner stable and dependable? Can its performance be monitored effectively at a reasonable cost? Is it able to fulfill its commitments, and will it try? Is it likely to discard its obligations if they become inconvenient, or cheat if its actions are hidden or too costly to punish? When new leaders come to power, will they be bound by earlier promises? Can the participants forge governance arrangements to sort out disputes and fill in gaps when they arise? These are hard questions with serious consequences. For all these reasons and more, states are concerned about the types of partners they are dealing with. That is particularly true in sensitive national security issues, where cheating and betrayal can be a matter of life or death. That is why states look to their partners’ reputations for compliance or opportunism, their transparency to outside observers, their continuity of government, and their institutional capacity to make solid commitments about future behavior.

There are always risks, of course. But they are lower and more manageable when partners are well-established constitutional democracies. Such states are simply better equipped to make long-term commitments, to sustain them across changes of political leadership, and to show others their true preferences and their compliance with existing bargains.

What drives the democratic peace, then, is not so much democracies’ distinctive policy goals—although they may well be less greedy, aggressive, and conflictual—but rather their special ability to locate and capture joint gains and to avoid deadly escalation in dealing with each other.

The key to this explanation is the reciprocal exchange of promises. To work, these promises must be credible, reliable, and durable. Otherwise they would not reassure anxious neighbors. Stable, constitutional democracies have a greater institutional capacity to make such reassuring, self-binding promises, both formally and informally. Their constitutions are designed to make some policies very difficult to reverse, sometimes by requiring supermajorities to change key decisions. They also make major strategic choices visible to all, including other countries, largely as a by-product of public discussion among elected officials and their communication with voters. Because political opponents can openly challenge government policies, other states can judge the depth of support for these commitments and the likelihood, if any, that they will be overturned. That gives partners some protection against devastating surprises.

The mass electorate supports these arrangements in several ways. First, elected leaders generally pursue voters in the center of the political spectrum. This concern with the “median voter” serves as an anchor against dramatic policy changes despite turnover in elected leadership. Second, to win votes, politicians must articulate major policies and commitments to the public,
which spreads information to friend and foe alike. Third, promises made to
the electorate serve as a kind of surety bond. Politicians know it is costly to
break major promises, including treaty obligations. That allows them to make
some foreign commitments more credible and trustworthy by deliberately cre-
ating high “audience costs” among the electorate and often among legislators
as well. These audience costs mean that democratic leaders have political in-
centives to fulfill their commitments, and their partners know it. These incen-
tives, plus the transparency of democratic government, lessens the chances
they are bluffing or deceiving.

Even so, democracies do change course and occasionally break promises.
When they do, however, the process is typically slow and open to outside
scrutiny, which diminishes the risks to partners. The process is slow because
democracies have more elaborate, codified procedures for policymaking and
more locations where policy can be vetoed or amended. The process is more
open because democracies are organized to communicate policy alternatives
to their own citizens and their multiple representatives.

Democracy is a vast, information-generating machine, much like the market
as Friedrich von Hayek describes it. Engaging the public in major policy de-
bates is a fundamental part of the electoral process, which is why press freedom
is essential in constitutional democracies (and a danger to autocracies). Legis-
latures also require extensive information to perform their duties. Their debates
and oversight of the executive continuously disclose information to the public
and, as an inevitable by-product, to foreign friends and foes.

Opposition parties promote this flow of information in several ways. They
prod the government to release data, forecasts, and evaluations. They debate
the wisdom of specific policies and broad strategies. They support or oppose
government policies and, in doing so, signal the depth of national support for
them. Again, all this information is freely available to both allies and adversar-
ies.19

The resulting transparency means foreign partners can gauge the depth of a
democracy’s commitment to specific policies, not only today but over time, as
policies are implemented.

This combination of open debate and slow policymaking gives partners
ample notice of potential changes. That lowers the risks of devastating surprise,
which makes it more feasible to make bargains in the first place. As the comedi-
dian Henny Youngman once said, “It’s good to see you. It means you’re not
behind my back.” That is exactly the point about transparency, and that is why
it is so valuable in making secure international bargains.

These institutional arrangements make it hard for democracies to act nimbly,
but they also make it easier for democracies to contain risks and make durable
commitments. When democracies work with partners that can reciprocate, they
can profitably exchange promises of peace—promises they fully expect to be
mutually rewarding and self-enforcing for the long haul.
Extensions: Implications of a Contracting Theory of the Democratic Peace

If this explanation is correct, it should not only clarify why democracies so rarely fight each other, it should tell us much more about democracies in world politics. We should expect a series of other major empirical findings, closely related to the contracting explanation. These extensions are important for both substantive and methodological reasons. First, they indicate that the democratic peace has wider ramifications for international politics. Second, they allow us to evaluate the contracting explanation beyond simply retrofitting it to familiar evidence. These extensions are crucial to what Imre Lakatos calls a progressive research program. Instead of simply tailoring a theory to fit well-known facts, he urges us to see if the theory also yields new and unexpected discoveries. That is a hard test, but meeting it gives us confidence that the theory has real explanatory power.

If secure contracting really does explain the democratic peace, then we should also expect to find the following:

• Bargaining among democracies should show less concern with sudden betrayal or opportunistic abandonment than similar bargaining involving one or more nondemocratic states. Negotiations among democracies should pay less attention to mechanisms to guard against cheating, betrayal, and renunciation.

• Bargaining among democracies should be less concerned with problems of compliance, verification, and safeguards (although they are unlikely to ignore these matters entirely). These issues should be much more prominent when nondemocracies are involved. When security bargains are reached with nondemocratic states, which are more opaque and less trustworthy partners, they should include much more extensive mechanisms for self-protection. Agreements with them must be amply buttressed against potential breach, if they are to be relied on.

• Although the risks of opportunism and nonperformance are lower among democracies, they are not entirely absent. Since democracies lack perfect information about each other and are not perfectly trustworthy, bargains among them should include some safeguards. Nevertheless, these measures should be less extensive, less costly, and less vital to sealing the bargain than those needed when nondemocracies are involved.

• Alliances among democracies—a crucial type of security agreement—should be more stable and reliable than alliances involving nondemocratic states.

• Changes of political leadership should have a greater impact on bargains involving nondemocracies. Leadership changes should have less effect on bargains and relationships among democracies since new policymakers are more constrained by prior commitments and constitutional rules (including voting rules that heighten the influence of median voters and therefore stabilize policy choices).
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- Democratic bargains should be most reliable when they involve
  - Two states dealing directly with each other about
  - Bilateral issues that the two parties themselves can control.

They should least reliable when multiple partners are involved and when issues lie beyond their immediate control. Agreements involving multiple partners pose problems because all states, including democracies, have incentives to free ride, to let others shoulder the burdens of collective action. Democracies, like other states, have incentives to shirk individual expenses, pass the buck to others, and avoid the costly task of punishing those who violate their commitments.

- The democratic peace should have the weakest hold over (a) new and unstable democracies and (b) marginal democracies. Both are less reliable partners. Even if they share the normative commitments, transparency, and formal institutions of older democracies, their preferences and future behavior are still highly uncertain. Reliance on them is risky. Potential partners cannot be sure if the domestic regime will survive, if it will remain democratic, or if it will be replaced by a radically different alternative. As Vice President Dan Quayle once remarked, “We are on an irreversible trend toward more freedom and democracy, but that could change.” It certainly can change for individual states. Aside from the risk of rebellion and coups d’état, new democracies are less reliable because they have no track record or long-term relationships to build on. This same shroud of uncertainty surrounds states that are only marginally democratic, especially if partners are unsure about what type of government they will have in the future. They, too, should be largely outside the democratic peace because of their instability and unreliability as partners.

- As a closely related proposition: the democratic peace should be weaker when democracies are internally threatened and unstable, when they must confront enormous economic and political shocks. During such periods (or in unstable regions), greater uncertainty about the permanence of democratic regimes weakens their reliability as long-term partners.

- Among well-established democracies, peace should become increasingly stable over time as they develop confidence in their relationships as contracting partners. This learning effect is an integral feature of contracting. It develops as states gain experience in their relationships and gain knowledge about their partners. They learn from their successes (or failures) in resolving conflicts short of war. They gradually acquire more information about their partners’ preferences and capabilities. As they construct a nexus of successful bargains and sustain them over time, they also build confidence in each other’s trustworthiness.

This evolution resembles bargaining and cooperation among firms. “The literature is agreed that interpersonal trust in business relations is rarely offered spontaneously but requires an extended period of experience,” according to industrial sociologist Christel Lane. “During this time, knowledge about the exchange partner is accumulated through direct contact or is acquired indi-
rectly through reliable third parties.” We expect the same kind of learning among states. Partners that resolve a series of major problems successfully, without fighting, should gradually develop deeper, more stable forms of cooperation. Thus, lengthy periods of joint democracy should produce increasing peacefulness, rationally grounded in experience. Even though states may still have significant policy differences—differences that could grow as well as diminish—military threats should decrease markedly within such long-standing democratic partnerships. This learning effect predicts, for example, that the unbroken relationship between the United States and United Kingdom should produce a stronger, deeper peace in the twentieth century than in the nineteenth.

- Bargains and long-term relations among democracies should not be free of diplomatic rivalry or strife. After all, these are independent states, and they have a mixture of common and conflicting interests. These mixed interests have important consequences in the contracting explanation of the democratic peace. States want to capture joint gains through cooperation, but they also want to win the lion’s share of any gains. To prevail in these distributional struggles, democracies may signal their resolve by issuing threats, even against fellow democracies. Likewise, they may use threats to ensure compliance with existing bargains. Our contracting explanation does not preclude military threats or even the occasional use of force in relations among democracies, but it does expect them to be very rare.

Democracies should be especially reluctant to threaten military action against each other for at least two reasons. First, democracies are more transparent, so there is simply less private information to reveal. Second, when democracies need to show their private level of commitment, they have more policy instruments to do so. Because their societies, polities, and economies are more open, they have more extensive transnational ties with each other. That allows them to use a wide range of sanctions to show their resolve. It gives them valuable options short of military action, which carries high costs and risks.

- Because established constitutional democracies are better able to govern their relationships and settle conflicts by reliable agreements, they should perform better toward each other than do nondemocracies at every level of interstate conflict. Relationships among democracies should involve
  - fewer military threats,
  - fewer actual displays of force,
  - fewer skirmishes or low-level conflicts, and
  - fewer outright wars,

compared to relationships involving nondemocracies.

- The contracting explanation is fully consistent with defensive anxiety about national security, even in relationships among democracies. Yet these Realpolitik fears should be dampened among democracies for two main reasons.
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First, the inherent openness of democracies allows outsiders to observe their foreign-policy choices and military posture. Their openness should reduce “worst-case” fears and lessen any exaggerated concerns about their aggressive motivations and expansive (offensive) policies. That is, it should facilitate more realistic and informed assessments.

Second, as positive contracting experience builds over time, partners’ fears should recede, assuming the experience is pertinent. Both effects should reduce the security dilemma for any partner of a democratic state. The effects should be greater, however, in relations with other democracies, where mutual transparency and diplomatic experience should diminish suspicions and encourage more accurate inferences. Among democratic partners, these effects short-circuit the cycle of fear and response that so often characterizes international politics.

If democracies do go to war against each other, they are much more likely to fight about fundamental, existential issues, which are extremely difficult to resolve, rather than about peripheral matters. They are unlikely to fight each other because of confused perceptions or inflated fears.

Democracies should be better at locating profitable compromises, where they exist. Such compromises should be more accessible for peripheral matters. As a result, costly conflicts over such matters should be rare.

Because democracies have better information about each other and less private information about their own preferences and intentions, they should be less likely to fight each other because of confusion and misinformation.

Taken together, these mean that if democracies do fight each other, their disputes should deal with basic issues of physical and territorial security and core political issues, central to the organization of state and society, not secondary issues like colonial expansion.

These inferences cover a wide range of international relationships. If they are borne out, they would give us more confidence in the contracting explanation. They would meet Lakatos’s test of uncovering new and unexpected facts. They would also indicate our theory has real breadth, a useful test proposed by Mancur Olson. Theories are much more persuasive, he says, when they can explain a diverse array of facts.25

Four Sources of Democracies’ Contracting Advantage

All these inferences—which we will test later—assume that democracies have a systematic advantage in locating and sustaining international bargains with each other. This contracting advantage is no fluke or historical accident. It is deeply embedded in the character of democratic states and their setting.
within civil society. Four basic traits are most important for securing international agreements:

1. democracies’ openness to outside scrutiny;
2. the continuity of democratic regimes;
3. visible electoral incentives for leaders to keep important promises; and
4. the constitutional capacity to make enduring commitments, which cannot be easily overturned by current elected leaders or their successors.

These are deep-seated features of established constitutional democracy, features that facilitate international agreements and lessen fears. They allow democracies to reassure each other in ways that nondemocracies simply cannot, creating an informal governance structure for their bilateral relationships. In other words, the institutional capacities of constitutional democracies allow them to strike mutually profitable bargains, erect mechanisms for durable cooperation, and resolve conflicts peacefully.

While no international promises are ironclad, those of democracies are more reliable because they come from institutions that transcend individual leaders, are likely to persist, and are relatively open to outside inspection. The result is that democratic promises are generally more convincing and enduring. They are less subject to surprise breach.

This does not eliminate the pulling and hauling of international politics, the divergence of interests, or even the occasional threat of force among democracies. Diplomacy among democracies is not a Quaker Meeting. But it is not a brutal Hobbesian anarchy either, where lethal danger lurks behind every tree, promises are worthless, and treaties are mere scraps of paper. Rather, democracies have a unique capacity to exchange promises based on strong foundations of rational confidence and lower risk, relying on credible commitments, not mere hopes and dreams.

It is this foundation that allows democracies to move beyond the immediate task of safeguarding individual promises and short-term relationships. As democracies become more confident in their mutual dealings, they reap a major benefit: they can promote wider, more enduring ties of interdependence at lower risk. Their dealings give them considerable information about each others’ political and economic interests and calculations. By hard experience, they gain a better sense of whether their partners will adhere to bargains, even when those bargains are inconvenient, or drop them at an opportune moment. Moreover, the density of their mutual ties gives them powerful levers to ensure compliance. Close, multiplex ties may even promote shared expectations and beliefs, which, in turn, strengthen the bargains themselves in a virtuous circle.

This cooperative framework, together with the protection of property and contractual rights in liberal democracies, profoundly affects the global organization of production and trade. States and corporations can seeks out the larger gains that come from specialization and an international division of labor.
These gains are secured within a web of voluntary, self-enforcing cooperation, at least among established democracies.

These are not just gains from *economic* exchange. They are gains from exchanging all kinds of commitments, from trade to environmental issues, from national security to criminal justice. In all these areas and many more, solid agreements encourage democracies to depend on each other in the widest sense. They also provide a more stable framework for private citizens and firms to travel, trade, provide services, and invest abroad.

This intermeshing of civil societies is an important by-product of the democratic peace and doubtless reinforces it. The development of global corporations, for example, makes domestic politics more visible to outsiders and raises the costs of breaking economic ties. But forming such links in the first place requires an overarching political framework based on interstate arrangements, a framework that establishes rules for commerce as well as institutions for dispute resolution.

To capture these gains from specialization and interdependence, states must not only make agreements, they must be able to rely on them. Otherwise, the agreements would be hollow, little more than empty promises to ensnare the naive and trap the ill informed. Genuine gains from trade come only when agreements can be counted upon with some confidence. It is this reliance that induces real changes in actors’ behavior and a more efficient allocation of resources.

The problem, of course, is that it is often risky to rely on international agreements. To rely on others is to become more vulnerable to their choices, including the chance that some partners will simply break their bargains when it suits them. Since there are no arrangements to compensate innocent parties (as there usually are in domestic contracts), states must take care or suffer the consequences.

States constantly struggle to protect themselves from these risks while still capturing the benefits from international cooperation. They do both simultaneously, and our theories need to recognize this duality. In a world where states are interconnected strategically and economically, they have twin concerns: *self-protection* and *self-improvement*. Self-improvement, mainly greater economic prosperity, is valued in its own right by modern states. Elected leaders are held accountable for its successful pursuit, just as they are held accountable for national security. In a world where technological advances are central to military effectiveness, prosperity can be a source of security. But this does not mean economic growth is merely the handmaiden of military effectiveness or is sought mainly for that purpose. It is equally true that states value self-protection so that they can pursue greater wealth and freedom, and other aspects of self-improvement.

Sometimes self-improvement is purely a domestic affair, but often it is not. It requires some measure of international cooperation and coordination, which
supports a wide range of profitable exchanges. Even under the most difficult circumstances, states try to figure out ways to capture these gains from exchange if only they can adequately contain the risks.

These risks never completely vanish, no matter what kinds of states are involved. On the other hand, the risks are not constant either. They are significantly lower when well-established constitutional democracies deal with each other. The reason—to reiterate the main argument of the book—is that these states are more reliable partners because of four basic features of their state structures:

1. high transparency, which allows outsiders as well as interested citizens to observe policy choices, grand strategies, and major regime discontinuities in a timely way, as well as to see the sources and intensity of support and opposition to specific commitments;

2. continuity of governance, based on clear rules for selecting senior officials and ensuring orderly succession, so policies evolve within the framework of stable domestic regimes;

3. high audience costs, which political leaders must pay if they break important promises to a mass electorate; and

4. constitutional governance, in which settled arrangements define and limit the powers of public officials and ensure due process in official acts, including government commitments to its own citizens and to other states.

These complementary attributes raise the confidence of partners and reduce the dangers of surprise defections. They are basic—and unique—elements of constitutional democratic governance. Taken together, they form the contracting advantage of democracies. Democracies do have disagreements and conflicts of interest, sometimes serious ones. But they are also more reliable partners, better equipped to settle disputes among themselves by durable agreements short of war.

These advantages cumulate in two ways. First, they are reflected in multiple bargains and extensive relationships among democracies, especially in economic and security affairs. These bargains not only provide them with more information about each other; they give them multiple tools to ensure compliance. Their individual bargains do not stand alone. They are embedded in a dense network of profitable relationships. Democracies are not bound together by one thick rope but by Velcro, with its innumerable strands. Second, as these relationships develop over time, partners learn more about each other. If their relations are successful and survive temptations to defect for short-term gains, they build mutual confidence. These multiple bargains, and democracies’ capacity to learn from them, give them unique capacities to manage relationships, avoid the costly escalation of disputes, and settle even serious conflicts with other democracies by durable agreements rather than by deadly fighting.
This explanation is summarized in figure 1.1.

A Roadmap for the Book

That is the argument in a nutshell. The remainder of the book explains the causal mechanisms, evaluates them in light of the empirical evidence, and considers alternative explanations. After that, I extend the argument by showing how secure contracting affects numerous relationships among democracies beyond war and peace. Before delving into all this, however, we need to be sure we are explaining something real and important.

In the chapter that follows, I ask, “Is There Really Peace among Democracies?” Some scholars have protested that peace among democracies is an illusion, that the findings are statistically insignificant. Before trying to explain the democratic peace, I need to show that it is real and not a statistical quirk. In chapter 2, I briefly review the empirical evidence and consider its most important critiques. I reach two main conclusions. First, democracies really do fight each other less often. A wide range of empirical studies show that there is something real here to be explained. Second, 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” and shown that the diplomacy looked very different from benign visions of the democratic peace. From that, 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. Still, the critics do raise a legitimate challenge. A convincing explanation not only needs to predict the outcomes accurately, it needs to explain the causes in a way that tracks and clarifies the diplomatic record and makes sense out of states’ actions.
Chapter 3, “A Contracting Theory of the Democratic Peace,” outlines my own explanation, beginning with a rationalist theory of war. It shows why, according to such a theory, constitutional democracies should fight each other less often. The essence of the rationalist theory is that war stems from private (hidden) information and commitment problems, the inability to project promises dependably into the future. Stable constitutional democracies have systematic advantages in both areas, which should allow them to avoid war by reliable bargains. Getting to these bargains, however, may not be an easy ride. Although democracies have advantages, they still have some hidden information, some lingering doubts about compliance, and a normal desire to win the largest share of any joint gains. That means democracies will bargain hard and, in the process, could well threaten each other. On the other hand, they are better equipped than other states to settle these disputes without incurring the grave costs and risks of war.

In chapters 4 and 5, I analyze the sources of this contracting advantage in greater depth and discuss the general problem of self-enforcing international bargains. These chapters develop the causal logic and show how democracies use their contracting advantages to forge dependable partnerships. This explanation incorporates some features of existing accounts of the democratic peace, which stress either democratic values or institutions, and folds them into a more comprehensive explanation. Chapter 4 is entitled “Why Democratic Bargains Are Reliable: Constitutions, Open Politics, and the Electorate.” Chapter 5 is “Leadership Succession as a Cause of War.”

This explanation, as I have already mentioned, predicts that democracies will have other distinctive relationships beyond the fundamental achievement of peace. The contracting advantages of democracies should yield a web of agreements, covering a wide range of mutually profitable exchanges. Chapter 6 evaluates these predictions as well as the limits of the democratic peace.

Chapter 7 is the conclusion, “Reliable Partners and Reliable Peace.” It quickly reviews the findings of the book, presents them in a straightforward table, and discusses the implications for world politics and for policymakers in democratic states.

Our first task, however, is to make sure we are explaining something real. In the next chapter we ask: Is the democratic peace a meaningful finding or a statistical fluke?