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Sigma is published annually during winter semester. Papers for the 2005–2006 issues may be submitted to 745 SWKT, Provo, Utah 84602. We accept papers written on a broad range of topics related to political science and international studies. Authors should submit three identical copies. An abstract and contact information should be included. The author's name must not appear on the pages of the paper. *Sigma* welcomes interested students to participate on its editing and publishing team. Academic credit is available for participation. For more information concerning submitting papers or working on staff, contact the editorial committee at byusigma@gmail.com.

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RELIGION'S INFLUENCES ON THE WALL OF SEPARATION: INSIGHTS FROM ROGER WILLIAMS, JAMES BURGH, AND THOMAS JEFFERSON

Benjamin J. Hertzberg

Abstract

Considering the views of three prominent advocates of a “wall of separation” between church and state (Roger Williams, James Burgh, and Thomas Jefferson), this article critiques some modern Americans’ use of the wall of separation metaphor as an argument against religious influence on political opinion. Inasmuch as some Americans argue the wall of separation between church and state demands purely secular political views, their arguments are in unjustifiable contradiction with the three most prominent early advocates of church-state separation and the wall metaphor itself.

Introduction

When Supreme Court Justice Hugo Black quoted Thomas Jefferson’s Letter to the Danbury Baptists in 1947 to argue that the first amendment demanded a “wall of separation between church and state” (330 U.S. 1), no one knew the radical changes his decision would affect on church–state interaction in the United States. The wall of separation metaphor now dominates American legal and political thought about the proper relationship between the two institutions. Daniel Dreisbach asserts: “No phrase in American letters has more profoundly influenced discourse and policy on church–state relations” (Dreisbach 2002, 5). Philip Hamburger complains that even those “who attempt to wiggle free from the clear implications of Jefferson’s phrase make no effort to shake off the phrase itself” (Hamburger 2002, 9). Today, most Americans believe the first amendment demands a wall of separation.

Given this prominence, it is surprising that scholars have not more rigorously and theoretically analyzed the wall of separation metaphor. The legal implications and historical development of the metaphor have been hashed and rehashed hundreds of times. Certainly the influence and ubiquity of the metaphor demand it receive this type of treatment. Few works, however, analyze the metaphor theoretically—asking, for example, if it can appropriately guide American political thought about the relationship between religion and politics in general. Such a question is particularly important today, as public discussion of the wall of separation metaphor grows more contentious. If America is to move toward resolution of the internecine debate about religion's proper role in politics, the wall of separation metaphor must be carefully analyzed, not only as a legal doctrine mediating the relationship between the institutions of "Church" and "State" but also as a fundamental part of the way Americans understand the relationship between religion and politics.

In order to consider the wall metaphor's proper place in American political thought, this article will analyze the political opinions and biographical context of three early proponents of the wall of separation metaphor: Roger Williams, James Burgh, and Thomas Jefferson. Investigation shows all three thinkers limited their respective walls of separation to public institutions. Each believed church and state should be publicly separated; none of their arguments led them to separate religion from politics in their personal views. All three thinkers consciously considered the political implications of their religious beliefs. In stark contrast, today many cite the wall of separation metaphor to argue that Americans must decisively remove religious influence from politics, even in individuals' private political opinions. Such a construal of the wall of separation fundamentally changes the metaphor, making it restrain instead of protect religious freedom. Analysis of Williams's, Burgh's, and Jefferson's opinions shows they could not have consistently understood the wall of separation in such a way, for they advocated separation of church and state as a result of religious influences on their political thought.

Modern Americans' tendency to misconstrue the wall of separation metaphor as an argument against religious influence on political opinion arises, in part, from the way the democratic mind treats metaphors. Alexis de Tocqueville explains that individuals in a democracy tend to think in broad, general terms; equal social conditions make citizens so similar it

is difficult for them to conceive of meaningful differences between one individual and another. As a result, their thought retreats to general platitudes about human nature instead of rigorous, particular understanding of differences (Tocqueville 2000, 411–15). In many respects, the entire recent history of church–state separation is a manifestation of this democratic penchant for general ideas. The Warren Court in particular is infamous for unyieldingly applying universal formulas like the wall of separation. However, the unyielding application of general metaphors like the wall of separation is not the most serious implication of Tocqueville’s observations. His analysis also suggests that democratic minds push ideas from their intended spheres into other, unintended spheres as they generalize them. Once within the democratic mind; the arenas to which a given idea is applied inevitably expand—the democratic mind does not respect incidental particularities like philosophical or political limits. As Tocqueville implied, American thought has pushed the wall of separation metaphor beyond its intended sphere in just this way. Arguments that particular moral or religious opinions have no place in politics because there should be a “wall of separation between church and state,” or that individuals who vote in accord with their religious views infringe upon the same separation, violate the metaphor’s intended limit to the public sphere. Such a use of the metaphor implies that individuals should gather up their opinions into one sphere labeled “church” or “religion” and another labeled “state” or “politics.” Accordingly, individuals are actually obliged to avoid examining the implications of one sphere upon the other—or at least to avoid acting on those implications. Not only must church and state be publicly separated, religion and politics must be likewise separated, even in individuals’ most private beliefs.

In his recent and acclaimed work on the separation of church and state, Hamburger quite by accident demonstrates the way the democratic mind pushes the wall of separation beyond the public sphere. He accuses those who have supported the separation of church and state of inappropriately compartmentalizing their lives:

The separation of church and state had particular appeal in an age of specialization. Separation often attracted individuals who—whether in fact or in their minds—divided their lives into distinct activities and sought to maintain their freedom within each such activity by restricting the demands of the

others. Jefferson, his allies, and many subsequent Americans attempted, on occasion, to limit religion to a private, personal, or nonpolitical realm so that it would not intrude too much (whether by force of law or only by force of argument) on various other aspects of their lives. To such Americans, the moral claims of an entirely voluntary, disestablished church could seem threatening. Accordingly, increasing numbers of Americans attempted to escape these constraining demands of churches by welcoming various separations between organized religion and other facets of their lives, particularly a separation between church and state. (Hamburger 2002, 16)

For Hamburger, personal compartmentalization of religion and politics is the first step. After citizens separate religion and politics in their private beliefs, they attempt to bring about the same separation in the public realm. Such a formulation may perhaps be true of separationists in more modern eras, the focus of Hamburger's analysis. Yet analyzing the first proponents of separation of church and state—Williams, Burgh, and Jefferson—shows, in direct contrast with Hamburger's assertions, that each rigorously examined the political implications of his religious beliefs. They did not rigidly compartmentalize their thought. Hamburger's failure to notice this important aspect demonstrates how far contemporary Americans have pushed the wall of separation beyond its original intent. If Jefferson and those who influenced him advocated public separation of church and state, Hamburger seems to argue, they must also have separated religion and politics in their private beliefs. But Hamburger fails to notice that early proponents of the wall of separation strictly limited it to public institutions. For them, the wall of separation did not demand that they segregate their religious ideals from their politics; indeed, it was the natural outgrowth of those ideals. Williams, Burgh, and Jefferson, then, could not have compartmentalized their religious opinions from their political views, for rigorous personal analysis of their religion led them to political support for the wall of separation.

Roger Williams: Debunking Massachusetts Bay

Including Roger Williams in an analysis of the wall of separation metaphor is surprisingly controversial. Although the obstinate New England minister was probably the first ever to use a type of wall metaphor to advocate the separation of church and state, his work was not influential

in early America. Williams published his works in England, and colonial American libraries did not carry his writings (Hall 1998, 116–17; Dreisbach 2002, 78). Whatever influence Williams had on the development of the wall metaphor seems to have been indirect.

Yet Williams cannot be dismissed so easily. Timothy Hall argues that while the Supreme Court has historically favored Jefferson's rendition of the wall metaphor, this favoring is "historically untenable" (Hall 1998, 117). He explains that early American separation of church and state owes just as much, if not more, to Protestant dissenters, who were in rich abundance in colonial America. Whether or not Roger Williams's influence on more famous early American political writers can be demonstrated or not is less relevant, for he "is a key theoretician of [the believing, dissenting Protestant] parentage" (Hall 1998, 117). As a dissenting Protestant in America, Williams put forth ideas were the beginning of a tradition that some believe was more influential than Jefferson's thought or that of other Enlightenment-inspired thinkers. Any full analysis of the wall of separation metaphor needs to examine Williams.

Williams, in turn, cannot be understood without examining the historical context of his life and thought. He was born in England, became a Puritan, then a Separatist, and then immigrated to Massachusetts Bay early in the history of the colony (Morgan 1967, 24–25). Massachusetts Bay in the early seventeenth century was an exceptional place. By lucky oversight, the Bay Company's charter did not specify a meeting place for the company members. English trading companies of the day typically met in England, allowing the Crown to oversee their dealings. The mistake in the charter allowed the Bay Company to move their meetings to Massachusetts itself and avoid the Crown's influence (Morgan 1999, 40–41). The Puritans who made up the majority of the company's membership took advantage of this unique opportunity—without royal interference, the Bay Colony would be free to pursue Puritanism without harassment or corruption. The company could become a holy experiment, a "spearhead of world Protestantism" (Morgan 1999, 41).

Engaged in such important work, the Bay Company members had a high sense of their own purpose. They believed themselves to be the inheritors of God's covenant with ancient Israel, and as such, the Old Testament was the model for their ideal society (Hall 1998, 74). Consistent with their focus on the Old Testament, covenants were essential to

Puritans' political thought; they believed both religious and political societies were and should be established by covenant. This process involved two steps which they generally combined. First, individuals covenanted with each other and with God to form a society; next, they chose their rulers in the name of God. Morgan explains: "Although the only visible activity in forming the covenants was on the part of the people or their rulers, God was thought to be a party to all the proceedings. It was his power, not their own, that the people gave to the rulers" (Morgan 1967, 87–88, emphasis added). Because the Bay Colony was a covenant-bound community, its rulers felt obligated to maintain both morality and true religion; they could not tolerate religious dissent in any form. The Bay Colonists felt such dissent was dangerous because it broke God's covenant and threatened to bring down His punishment on them, especially if it was widely disseminated (Hall 1998, 79–80). As a result, though the institutions of church and state were technically separated in the Bay Colony, the Puritans there could not tolerate religious pluralism in any form (Morgan 1965, xxvi). John Winthrop's handling of dissidents like Roger Williams and Ann Hutchinson demonstrates the harsh way the Bay Colony treated the unorthodox (Morgan 1999, 102–37).

Roger Williams's life-long project was a point-by-point refutation of the Bay Colony's conception of politics, and he did so (as would have made sense to him and his contemporaries) from an explicitly religious standpoint (Morgan 1967, 86). Williams's argument revolved around two related points: First, the Catholic antichrist destroyed all authorization to act in God's name during the Middle Ages, and second, without that authorization the Puritan covenant with God was blasphemy. Therefore, the Bay Colonists' attempt to regulate individuals' religious beliefs and practices was also blasphemy, a truly "bloody tenet of persecution."

Williams came to believe God had revoked the authority to act in His name, the authority Puritans claimed in their covenant making, when he was searching for his own divine authorization to preach to the unconverted. Puritans agreed that ministers could legitimately lead their congregations because they were selected by those congregations. Puritans voted on their ministers and instated them in office in a manner very similar to their political leaders (Morgan 1967, 40–42, 87–88). Williams believed that this authorization did not extend to the unconverted, for they were not members of any church and therefore did not participate in selecting ministers.

The unconverted were, in effect, outside of any duly authorized Puritan minister's "jurisdiction" (Morgan 1967, 41). Yet Williams believed with other Puritans that conversion to the gospel came only through hearing God's Word. He thus had to face an unpleasant question: "If conversion must be preceded by preaching, and if ministers must preach only to the converted [members of the church], how is the circle to be broken?" (Morgan 1967, 42, insertion added). Williams desperately wanted to be an evangelist—to preach Christianity to the unconverted, yet he could find no authorization in the Bible to do so. The early apostles received their authority directly from Christ, and their ministry was the only biblical precedent for the type of preaching Williams hoped to do. Without a direct commission from Christ, Williams could not engage in the apostolic ministry he desired.

Yet Williams believed that receiving such a commission was impossible. Churches in his day traced their authority back to Christ through the Catholic Church—Williams's antichrist. It was this very Catholic Church that, in Williams's mind, was responsible for ending the apostolic ministry and corrupting Christ's Church. Williams could not believe that Christ's authority could be traced through the antichrist itself, so he was forced to conclude that the antichrist had permanently ended the apostolic ministry. It could only be restored as it was established—through the personal ministry of Jesus Christ (Morgan 1967, 46–47). Williams did not see this restoration in his day either, and without it both his efforts to preach to the unconverted and the authority claims of all Christian churches were suspect. Lacking apostolic authority, they were merely an earthly gathering of like-minded individuals—God was not in their organization (Morgan 1967, 89).

The political implications of such a conclusion are clear. If Williams held the claims to authority Puritan ministers asserted in contempt, then the political claims Winthrop and others made were at least as illegitimate. As with the Church, Williams sought evidence that God had covenanted with the Bay colonists in establishing their holy society. "Where and when and how, he wanted to know, did God transfer his powers to the people or anyone else?" (Morgan 1967, 88). Without evidence of God's involvement with the Bay Colony's covenant, Williams could not believe that Winthrop or anyone else had the authority they claimed to enforce true religion. God had made his presence and involvement with ancient Israel abundantly clear; they had legitimately claimed His authorization

in government. The Bay Colony, however, was different. Arguing as they did without proper evidence that their government was divine was blasphemy—acting in God’s name without His approval (Morgan 1967, 89). Furthermore, without evidence of God’s authorization, the Puritans’ claim that they were the inheritors of God’s covenant with Israel was likewise suspect (Hall 1998, 76–77). This led Williams to disdain not only the Bay Colony’s public enforcement of religion, but also their entire holy experiment—it was an “unholy delusion” (Morgan 1967, 103). Claiming to be God’s Israel without justification was blasphemy. The Bay Colony, like all other governments and like the various Christian churches, was merely an organization of men, necessary, but not divine.

Williams’s conclusion that governments are purely secular—created without authorization from God—led to his final conclusion: Charging the government to enforce true religion was also blasphemy. Believing that government was authorized to establish true religion meant believing that a secular organization should rule over the church—the only, albeit limited, place where people could interact with God. It was an untenable contradiction as blasphemous as the Bay Colony’s claim to be a modern Israel (Morgan 1967, 94–96). As a result, Williams could argue the following, the source of his own wall metaphor: “When they [members of God’s Church] have opened a gap in the hedge or wall of separation between the garden of the Church and the wilderness of the world, God has ever broken down the wall itself, removed the candlestick, and made his garden a wilderness, as at this day (Williams 1963, emphasis and insertion added). Blasphemously assuming God’s authority in government and thereby seeking to enforce religion with state power was the very reason God had removed His authority from the Catholic Church anciently (Morgan 1967, 96). In Williams’s day, the situation was the same: Government sought to enforce religion illegitimately, and the garden of the church remained a wilderness, bereft of God’s influence.

Williams’s justification for separating church and state was supremely religious. Believing that no secular organization could assume God’s authority, Williams argued that no government, the Bay Colony’s or otherwise, could legitimately enforce religion. If there was someone, somewhere, who could justifiably claim God’s authority, the situation would be different, as it was in ancient Israel. But such a person was absent, and hence the church needed to be kept separate from the wilderness

of the world, for if humans attempted to command God through their desires to establish a state church, God would remove whatever remnants of true religion remained. Williams's wall could not have demanded the strict removal of religious influence from political opinions as some use the wall of separation today. Indeed, such a construal of the wall would undermine the very arguments Williams used to justify it. Without considering the political implications of his religious beliefs, Williams could not have argued for the separation of church and state.

James Burgh: Moral Regeneration and Church–State Separation

James Burgh was a late eighteenth-century Scottish reformer in London who is relatively unknown today despite his considerable influence on the American Founders. Jefferson himself recommended Burgh's most famous work, *Political Disquisitions*, to his son-in-law, and Daniel Dreisbach reports that "Jefferson read and admired the Scotsman's work and almost certainly encountered Burgh's use of the 'wall of separation' metaphor in his extensive readings" (Dreisbach 2002, 79, 81). Indeed, *Political Disquisitions* was a famous, influential text in late eighteenth-century America; its list of "encouragers" included Samuel Chase, John Hancock, Thomas Jefferson, and Benjamin Rush (Burgh 1775). Excerpts appeared in print from Kentucky to Holland (Hay 1979, 111). Although Burgh does not reference the wall of separation in *Political Disquisitions*—the reference comes from his *Crito* (Burgh 1766, 68)—it is likely that this work was as widely read as his others. As with Williams, analysis of Burgh's thought on the separation of church and state shows his position depends on the influence of his religion on his politics.

Burgh held remarkably firm religious convictions. Carla Hay, one of the few scholars to publish extensively on Burgh, explains: "The main-spring of James Burgh's character and conduct was a moral code grounded in his religious convictions. It dominated his personal and professional relationships and occasioned his literary career. Neither Burgh nor his writings can be understood apart from this reality" (Hay 1979, 49). Burgh believed in public worship; he thought that "organized religion was the most valid expression of man's religious needs and duties," and he was a confirmed, faithful Protestant even though he doubted his religious upbringing. He also defended the Bible as "the sole rule of Christianity" and believed in prayer, revelation, miracles, and moral absolutes (Hay 1979,

50–54). Burgh did not simply believe his religion, though—he had to convince others of the truths he knew. Hay calls Burgh “an activist whose concept of Christian commitment made him a natural evangelist, born to strive for the hearts of men” (Hay 1979, 92). This evangelical tendency led Burgh to his publishing career.

Hay records that Burgh was raised in an orthodox Scottish Presbyterian home as the son of a minister and then went to London in search of a viable livelihood. In London, he was shocked at the immorality he observed and “embarked on a lifelong crusade for the moral regeneration of his adopted homeland” (Hay 1979, 92). *The London Burgh* saw was a frightful place for the moral and religious:

The men of new wealth were building homes of unprecedented lavishness. There were clubs of quite another sort. Grocers made rich by speculation, nabobs come back from the colonies, gentry bored with life in their estates flocked to the capital and threw themselves into an unabashed quest for wealth and pleasure. Debauchery spread through the habits of new and old families: to gamble, to drink oneself into a stupor, to dally promiscuously with mistresses and lovers were accepted conventions of a society in which no one knew his place or station and in which obligations had no binding quality. (Handlin and Handlin 1961, 43)

Burgh's outrage led him to his first publications, which were filled with polemical cries for moral regeneration. His interest in politics began later. Significantly influenced by Lord Bolingbroke's ideas of the Patriot-King, Burgh hoped for an end to the corruption and immorality in English society when young George III assumed the throne. Finally, he thought, England had a chance to be led by a truly enlightened monarch, one untouched by the woes of factionalism and political infighting. But Burgh was disappointed; George III became the focal point of intense political conflict and actually increased corruption. Burgh's dismay led him to his first political work, the unpublished “Remarks Historical and Political,” in which he lectured “the new monarch on his moral and political responsibilities as if he were an adolescent schoolboy” (Hay 1979, 92–99). In the next few years, Burgh's disappointment deepened, and he began to fear that Britain's mixed constitution would be replaced by a tyrannical, aristocratic regime. Hay explains: “Believing that ‘no nation ever was very corrupt under a long continued virtuous government, nor virtuous under

a long continued vicious administration' [Burgh] was metamorphosed into one of the earliest and most vigorous spokesmen for radical reform during the first decades of George III's reign" (Hay 1979, 101). The Handlins concur that, though originally interested only in morality, "his environment and the temper of the times" led Burgh to politics (Handlin and Handlin 1961, 42). His political action grew naturally from his firm, religiously inspired, moral beliefs. He eventually realized the importance the political realm had upon the moral state of his country and began to agitate for radical reform in addition to moral regeneration. Burgh's political desires were an expression of his religious morality.

Among the many reforms Burgh advocated was the disestablishment of the Anglican Church, and he uses the wall of separation metaphor to argue for disestablishment. Burgh writes in the *Crito*:

I will fairly tell you what will be the consequences of your setting up such a mixed-mungrel-spiritual-temporal-secular-ecclesiastical establishment. You will make the dispensers of religion *despicable* and *odious* to all men of sense, and will destroy the *spirituality*, in which consists the whole *value* of religion. . . . Put into the hands of the *people* the clerical emoluments; and let them give them who they will. . . . We have in our times a proof . . . that such a scheme will . . . prevent infinite corruption;—*ecclesiastical* corruption; the most odious of all corruption.

Build an impenetrable wall of *separation* between things *sacred* and *civil*. . . . To *profane* . . . a religion, which you pretend to *reverence*; is an impiety sufficient to bring down upon your heads, the roof of the sacred building you thus defile. (Burgh 1766, italics in original)

Burgh certainly did not have a problem with strong condemnations. Just as his firm religious beliefs led Burgh to politics, they also led him to argue for a "wall of separation between things sacred and civil." The selection above demonstrates Burgh's reasoning: Mixing religion with government in the public sphere leads to ecclesiastical corruption as priests and ministers become more concerned with their funding than with saving souls or preaching the Word. Indeed, although those who seek to commingle religion and government do so with the interests of the Church in mind, they actual defile religion with worldly influences. Such commingling not only leads to corruption, it destroys the very religion it attempts to establish.

Burgh's religious commitment is evident in the *Crito* passage. Ecclesiastical corruption is "the most odious of all corruption"; it is dangerous because it will destroy religion, not government. This and other religious beliefs led him to advocate separating church and state. Burgh demands purity from the sacred, and this purity requires separation from government's worldly influence. The themes in the *Crito* reference are not isolated in Burgh's work. *Political Disquisitions* contains similar language, though Burgh does not specifically make a wall of separation reference:

Governments have it not in their power to do their subjects the least service as to their religious belief and mode of worship. On the contrary, whenever the civil magistrate interposes his authority in matter of religion, otherwise than in keeping the peace amongst all religious parties, you may trace every step he has taken by the mischievous effects his interposition has produced. (Burgh 1775, 202, italics by author)

This is more of the same: Religion is outside of the government's authority, and government's attempts to influence it have terrible results. He later writes: "By . . . labouring for the establishment of what they are pleased to call the true church . . . they open to themselves a direct path to enslaving the people" (Burgh 1775, 203). When the government controls religion it leads to servitude. What's more, the government could and should use its influence for other, better purposes. The government, he argues, "by guiding [the people] into right, moral, and political principles and manners . . . might enable them to judge soundly of the conduct of those in power, and inspire them with a noble spirit of resistance to tyranny" (Burgh 1775, 203). Establishing religion is a terrible case of misused power. Government could teach the people political virtue—how to avoid tyranny and the inevitable moral corruption it brings. Yet instead, governments support specific churches and corrupt religion instead of enlightening the people. As a result, England is not only deprived of pure religious institutions, it is also deprived of the moral fiber that could enable it to resist tyranny and corruption. For Burgh, separating church and state is one step in getting the state to properly use its power to teach the people morality and resistance to tyranny. His hopes for moral regeneration in England demanded that he advocate the separation of church and state.

Thus, the influence of religion on Burgh's politics is obvious. Motivated by religious conviction to advocate moral regeneration in London,

Burgh eventually realized that moral regeneration was linked to politics. Corrupt politics leads to corrupt people, so Burgh the moralist became Burgh the political radical. His advocacy for the separation of church and state was intimately tied up with these desires. The government was misusing its considerable moral authority establishing religion and thereby corrupting religion while ignoring the political education of the people. Separating church and state was a necessary step in both preserving the sacred nature of the church and getting the government to do its part in bringing about England's moral regeneration. Like Williams's, Burgh's wall of separation was inspired by his religious beliefs. Construing the wall as separating religion from politics even in one's private beliefs would undermine the beliefs that led Burgh to advocate church–state separation. Religion taught Burgh the importance of a nation's morality, and to preserve that morality Burgh advocated the wall of separation.

Thomas Jefferson: Enlightenment Politics and Religion

Analysis of the wall of separation metaphor would of course be incomplete without including Thomas Jefferson, the most famous proponent of the phrase. Jefferson's political and religious views remain controversial nearly two hundred years after the pinnacle of his career. He also presents the greatest possible objection to the argument of this article. Of all the early advocates of church–state separation, Jefferson is both the most rigorous and the most religiously heterodox. Indeed, as cited above, Hamburger feels that Jefferson is the first of a long line of separationists who felt that religion has no place in politics, whether in the public sphere or in individuals' private beliefs (Hamburger 2002, 16). While Jefferson's religious views are indeed heterodox, they still played an important part in his advocacy of church–state separation, especially later in his life. Jefferson, like Williams and Burgh, could not have consistently argued the wall of separation was meant to completely remove religious influence from politics, for his religious beliefs influenced his political opinions.

Understanding Jefferson's religious tolerance begins with his belief in "Nature's God" and Scottish moral sense philosophy. Even early in his life, when he wrote the Declaration of Independence, for example, Jefferson believed in "Nature's God," the Deists' God who created the universe according to regular, natural laws and then left it and the humans he created to occupy it alone (Jayne 1998, 139). Jefferson believed this

Deists' God had given all humans moral sense to enable them to distinguish right from wrong. Jefferson wrote: "The moral sense, or conscience, is as much a part of man as his leg or arm" (Jefferson 1950, 14–15). Richard Matthews explains that for Jefferson, "Morality is a matter of the senses, not of the intellect; appropriately, nature has given to man a moral sense that enables him, without the aid of calculation, to differentiate right from wrong" (Matthews 1984, 60). The implications of this belief are radical, especially for Jefferson's time: If every individual is endowed by Nature's God with the ability to discern right from wrong for him- or herself, then inherited political authority and traditional state establishment of religion lose legitimacy. No longer can the state justifiably proscribe an individual's religious decisions; the individual should choose his or her beliefs alone. Significantly, Jefferson argues that the moral sense works "without calculation"; at another point Jefferson explained that God "would have been a pitiful bungler" if he had made morality an abstract, technical endeavor like science. For every scientist, there are a thousand who cannot understand his or her ideas, and Jefferson wonders "What would have become of them?" (Jefferson 1950, 14–15). For Jefferson, all individuals have, to some degree or another, the ability to choose right and wrong for themselves. This implies that those individuals also have the right to choose their religion. The state should not abridge individuals' moral views by forcing them to believe or to say they believe. Humans should be taught, not coerced.

Religious toleration derives directly from Jefferson's belief in individual moral sense. Allen Jayne explains: "Having endowed each individual with the faculty of reason, Nature's God, the God of reason, left individuals alone to find religious truth and God with that faculty" (Jayne 1998, 139). Regardless of whether scholars speak of moral sense or reason, however, the implications are the same: God gave humans the ability to determine right from wrong individually, and thus, for Jefferson, compelling individuals to believe is morally reprehensible. Jefferson took this belief seriously. When an amendment was proposed to change Virginia's statute of religious freedom to protect only Christians, Jefferson objected and argued that the law was meant to protect not only Christians but also Jews, Muslims, Hindus, even the "Infidel," a position shockingly tolerant in his day (Jayne 1998, 156). Jayne goes on to argue that the reverence Jefferson felt for the first amendment—his desire to separate church and state—stemmed from the moral duty Jefferson felt to tolerate all religions (Jayne 1998, 158).

Believing, then, that Nature's God had endowed humans with the ability to determine right from wrong (either through moral sense or reason), Jefferson could not justify state efforts to compel religious belief, whether through establishing a state church or broadly protecting Christianity.

The preceding are opinions Jefferson appears to have held during the early Declaration of Independence/Virginia Statute of Religious Freedom stage of his life, later during his presidency, and after. Importantly, however, Jefferson became markedly more religious during his presidency. While never joining a traditional Christian sect and still holding many heterodox views, Jefferson began to adopt aspects of Christian morality. It was in this phase of his life that Jefferson wrote the Letter to the Danbury Baptists, in which he mentioned the wall of separation.

At this later stage in his life, Jefferson's personal philosophy became an interesting mix of Epicurus, whom he ostensibly admired throughout his life, and what he termed the "real" teachings of Jesus. Matthews explains that while Jefferson felt Epicurus an effective guide for personal decisions, he also thought Epicurean hedonism inappropriately limited political action and political community. To complement Epicurus, Jefferson added Jesus' moral ideals, unadulterated by the "Platonists." As Matthews points out, this enabled him to believe that political communities were a natural part of human life, distinguishing him from Madison, Hamilton, and other contemporaries dominated by various forms of Lockean liberalism (Matthews 1984, 91–93). For them, political communities were not natural; they had to be agreed upon or imposed. Epicurean hedonisms' over-compartmentalization, its over-privatization of life led, Jefferson to Jesus' moral teachings.

Jefferson also came to believe that God, while not intervening directly in human affairs, would hold men accountable for their actions, and Jesus' teachings were the most pure moral code to teach humans how to conduct those actions (Jefferson 1989, 350). In a letter to Benjamin Waterhouse, Jefferson outlines what he believes to be the pure teachings of Jesus, which "tend toward the happiness of man." His belief and devotion to these teachings allowed the later Jefferson to consider himself a Christian. He explains that the sum of Christ's teachings is

that there is one God, and he is all perfect:

that there is a future state of rewards and punishments:

that to love God with all thy heart, and thy neighbor as thyself, is the sum of religion. (Jefferson 1989, 405)

Jefferson referred to himself as a Christian, though not in the traditional sense. He felt he was a Christian in the sense Jesus himself intended, before his teachings were corrupted by Platonic philosophy (Jefferson 1989, 331, 365). This was Jefferson's rational Christianity, the nearest he ever came to adopting a traditional religion.

Later in his life, Jefferson mixed a hope that his form of rational Christianity would gain prominence in America with his original moral duty to be religiously tolerant. He believed that if only people were free from religious oppression they would come to see the truth of his own position. To Jared Sparks he argues: "If the freedom of religion, guaranteed by law in theory, can ever rise in practice under the overbearing inquisition of public opinion, truth will prevail over fanaticism, and the genuine doctrines of Jesus . . . will again be restored to their original purity" (Jefferson 1989, 402, *italics in original*). Later Jefferson writes similarly: "Had [Jesus'] doctrines, pure as they came from himself, been never sophisticated for unworthy purposes, the whole civilised world would at this day have formed a single sect" (Jefferson 1989, 404). The late Jefferson speaks much like the adherent of a minority religion: Religious tolerance is important because it allows others to see the virtues of his position.

Jefferson's religious toleration led to separation of church and state for other reasons as well. He was suspicious of clergy and theological debate. Not only were the religions and theologies of his day authoritarian, Jefferson's belief in Nature's God and in individual moral sense led him to disregard theology in general. Jefferson explained to William Canby: "I believe . . . that he who steadily observes those moral precepts in which all religions concur, will never be questioned, at the gates of heaven, as to the dogmas in which they all differ" (Jefferson 1989, 350). Instead of theological distinctions, living the teachings of religion was most important to Jefferson. It would be utterly absurd for him to assign political privileges based on religious differences, for doing so gave too much importance to the very theological distinctions he felt were so irrelevant.

With the above background in mind, the consistency between the text of Jefferson's letter to the Danbury Baptists and the rest of his views is clear. Jefferson wrote:

Believing with you that religion is a matter which lies solely between man and his God, that he owes account to none other for his faith and worship, that the legislative powers of government reach actions only, and not opinions, I contemplate with sovereign reverence that act of the whole American people which declared that their legislature should "make no law respecting an establishment of religion, or prohibiting the free exercise thereof," thus building a wall of separation between church and state. (Jefferson 1802)

The Danbury Letter is a summary of Jefferson's views about religious toleration. It is consistent with his ideas as expressed elsewhere. Religion is a personal matter, and government should not intervene in personal matters. In order to protect individuals from such intervention, the first amendment builds a wall of separation between church and state.

At this time in Jefferson's life the wall of separation is a product of several different aspects of his thought. It most certainly stems from his belief in individual moral sense: Because Nature's God has bestowed humans with at least some ability to determine right from wrong individually, the state should not endeavor to take that choice away from its citizens. Jefferson's advocacy of the wall of separation may also reflect the influence of his more religious ideals, his desire to give Americans the freedom to see through the sophistry of traditional Christian sects and come to adopt a more rational, "Christian" Christianity. The question remains, however, if Jefferson's advocacy of the wall of separation resembles Williams's and Burgh's more explicitly religious justifications of it.

Jefferson's views are radically different from both Williams and Burgh. Jefferson was educated in philosophy and his ideas display a familiarity with it that both Williams and Burgh lack. He is also less religious than both of them. However, Hamburger's claim that Jefferson compartmentalized his religious beliefs from his political opinions, implying that his religion did not influence his politics (or, for that matter, that his politics did not affect his religion), is an unjustified exaggeration. He was less religious than many of his contemporaries, and he was suspicious of traditional Christianity, but that is not to say that he was irreligious. Jefferson believed in God. He believed God had given humans their conscience and would hold them accountable for their actions in the afterlife. He did not believe Jesus was divine, but he did believe that Jesus' teachings comprised the best morality he had ever found. These opinions

influenced his thought, especially later in his life when he wrote the Letter to the Danbury Baptists. Though his justification for the separation of church and state is not as explicitly religious as Williams's or Burgh's, it still relies upon the political implications of his religious opinions. Moral sense, an endowment from God, is a religious view, especially in today's context. Furthermore, both Jefferson's religious and political views were similarly radical, and that radicalism was a consequence of his application of moral sense philosophy and the "true" teachings of Jesus to both his religion and his politics. Jefferson's wall, then, like Williams's and Burgh's, cannot be meant to remove religious influence from personal political beliefs. Jefferson's unique, heterodox religious opinions influenced his advocacy of the wall of separation, just as his political egalitarianism and belief in moral sense influenced his religious opinions. Construing Jefferson's use of the wall metaphor as an attempt to eliminate religious influence from political opinion would contradict the roots of Jefferson's own advocacy of the wall of separation.

Conclusions

While Jefferson, Burgh, and Williams were obviously thinkers very different from each other, their differences do not undermine the similarities behind their advocacy of the wall of separation. Each believed in the wall for different reasons. Jefferson's theories of human nature and moral sense demanded releasing individuals from authoritarian political institutions, including state establishments of religion. The individual should be free to choose his or her path and establishing a state church abrogated that freedom. Burgh felt state churches led to the corruption both of religion and of national morality; the government, instead of using state power to educate the nation's political virtues, wasted its energy establishing religion. Separating church and state was a way to get the government to attend to its educational duties. Williams advocated separation of church and state because he felt no government could claim the authority of God Moses exercised necessary to abridge an individual's religious choice. Punishing individuals for their religious views was blasphemously assuming God's authority.

As disparate as their reasons for advocating church–state separation were, all three thinkers had one important point in common: their belief in separation was, at least in part, a result of the political implications

of their religious views. Jefferson's belief that the Deists' God bestowed individuals with moral sense significantly influenced his politics, and Burgh's and Williams's political views both grew directly out of their religious convictions. Burgh's religious desire for moral regeneration led him to advocate church–state separation, while Williams's denial that any human on earth, in religion or politics, held God's authority pushed him in the same direction. All three thinkers' respective "walls of separation" owed much to the influence of religion on their politics.

It is clear, then, that modern Americans' attempt to reinterpret the wall of separation metaphor as a description of the proper relationship between religion and politics in general, including within individuals' personal opinions, instead of its intended use as a metaphor to describe the proper public relationship between the institutions of church and state, inappropriately stretches the metaphor's application. While the metaphor may be an appropriate description of the way Church and State are to interact publicly, it cannot be used to guide the interaction of religion and politics more generally, especially not within the realm of private opinion. All three early advocates of the wall of separation—Williams, Burgh, and Jefferson—did so in part because of the political implications of their religious views. Indeed, all three early users of the metaphor consciously considered the implications of their religion on their politics and vice versa. Construing the wall metaphor as a guide for the relationship of religion and politics in general undermines the foundation upon which the early proponents of church–state separation built their wall, the foundation of religiously informed political opinion. Today, if civil libertarians are concerned about public violations of the wall of separation, they would do well to consider whether the wall crumbles now because Americans no longer seem as concerned about the political implications and demands of their waning religious convictions.

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DIFFERENCES IN LEVELS OF VOTER TURNOUT AMONG THE MEXICAN STATES

David R. Hansen, Errol L. King, and Samuel H. Peterson

Abstract

In the 2000 elections, voter turnout varied widely among Mexican states, from as high as 72 to as low as 52 percent. This article will answer the question: Why did voter turnout vary among the states during Mexico's 2000 presidential elections? We will show how levels of wealth, education, and other resources, as well as indigenous culture, are influential in explaining variations in voter turnout. We will determine the influence of these variables on voter turnout through regression analysis of the thirty-two states of Mexico and case studies of the Federal District, Guerrero, Chiapas, and Yucatan.

Presentation of Research Question and Puzzle

It is important to understand voter turnout because it can indicate the health of democracy in a country or other political unit. As Mark Franklin writes, "Participation is the lifeblood of democracy" (Franklin 1996, 216). Arend Lijphart reinforces this by asserting that political participation through voting is one of several "basic democratic ideals" (Lijphart 1997, 1). Political participation can indicate a strong political culture and high levels of citizen involvement in government. In addition, it enables all groups of society to influence policy outcomes.

Because of its importance, many political scientists have examined variation in voter turnout among countries. In spite of the many efforts to

explain voter turnout using national level variables such as compulsory voting laws, party structure, salience of elections, proportionality of the electoral system, and weekend voting (Franklin 1996, 217; Jackman 1987, 407–09), few have attempted to explain variation in voter turnout within countries outside of the United States. There is much variation among subnational divisions in terms of voter turnout that cannot be explained by an analysis of international variation.

We are particularly interested in the intranational variation of voter turnout in Mexico. In the most recent presidential elections, voter turnout varied by as much as 20 percent between Mexican states, as in Chiapas, which had the lowest turnout levels in the country at 52.2 percent, and neighboring Yucatan, which had the highest turnout at 72.0 percent (IFE [2]). Other examples of neighboring states with high levels of variation in voter turnout included Baja California and Baja California Sur, whose levels of voter turnout differed by 10 percent. The levels of voter turnout of two northern states, Durango and Jalisco, also differed by approximately 10 percent. If geography were the only factor in explaining voter turnout, we would expect voter turnout to be more homogenous within regions, if not nationwide. It is difficult to say that these differences are the result of random variation because, as we will show, significant patterns are visible in the state-by-state data. In this article we will address the puzzle: Why does this variation of voter turnout occur within a country that has the same electoral laws in all of its states?

Theoretical Background

We believe that a combination of resource, instrumental motivation, and cultural theories explains discrepancies in the levels of state voter turnout in Mexico. These theories, as we found in our data analysis, can be mutually reinforcing, and different theories may have varying levels of applicability in different states. In certain areas a history of extreme internal conflict may also affect attitudes toward voting, such as in the case of Chiapas. We will explain the effects of conflict using instrumental motivation theory.

To explain cross-state variations in voter turnout, we intend to use resource theory and instrumental motivation theory, which are described by Mark Franklin in his chapter “Electoral Participation” in the book *Comparing Democracies: Elections and Voting in Global Perspectives*. Simply

stated, resource theory is the idea that “people participate who have the time and money to do so” (Franklin 1996, 220). In this view, the rich, the educated, and those who have time to spare will be more likely to vote than the poor, the uneducated, and those who have little time. Steven J. Rosenstone argues that this is because voting, like all types of political participation, imposes an opportunity cost on scarce resources that the poor or unemployed could otherwise use to improve their economic situation (Rosenstone 1982, 41). According to Lijphart, “the inequality of representation and influence [is] . . . systematically biased in favor of more privileged citizens—those with higher incomes, greater wealth, and better education—and against less advantaged citizens” (Lijphart 1997, 1). Lijphart supports this by referring to a study by Harold F. Gosnell: “Gosnell . . . found that turnout increased with economic status and that ‘the more schooling the individual has the more likely he is to register and vote in presidential elections’” (Lijphart 1997, 2). Thus, if resource theory is correct, we should see higher voter turnout in states with high average levels of education, wealth, and other resources. States with chronic poverty and low levels of education would be expected to exhibit lower voter turnout.

Instrumental motivation theory suggests that voters will be more likely to vote if they feel that their vote will positively influence the electoral outcome. This theory implies that an individual voter makes a cost–benefit analysis, consciously or not, involving the likelihood that her vote will affect public policy, the degree to which such an effect would benefit her, and the costs of voting. One important factor in this cost–benefit analysis is the level of contestation between parties or candidates in the election. A citizen will be more likely to vote in a close election, because she will perceive that her vote is more likely to swing the outcome toward her favored candidate. Thus, we expect that if instrumental motivation theory is accurate, we should see higher voter turnout in states where an election is close, more is at stake, or the costs of voting are lower (Franklin 1996, 221).

One particular aspect of the cost–benefit analysis found in instrumental motivation theory is the effect of the threat of violence on voter turnout. Disruption caused by factors such as armed conflict and extreme social tension can have a negative impact on the willingness and ability of people to vote. This will occur in cases of extreme violence and societal

unrest because of increased danger of violence to those who use their vote to oppose armed groups. Conflict, intimidation, political coercion, and other disruptions may also indicate reduced perceptions of democratic legitimacy, which would increase citizens' reluctance to vote. We have found that this application of instrumental motivation theory is particularly useful in explaining the low levels of voter turnout in the southern state of Chiapas, which has experienced a great deal of armed conflict in the past decade.

In our analysis of voter turnout, we will also employ an indigenous culture theory. We believe that high levels of indigenous culture in certain Mexican states will tend to lower voter turnout. Much of this effect stems from indigenous Mexicans' perceptions of themselves as alienated from the mainstream of their society and from the benefits of representative government. They may not feel that national representative institutions address their particular needs, or they may be uninformed about the larger issues in an election because of limited language skills and insufficient access to media information on elections. Indigenous people may even feel that the national government is hostile toward them and their interests. As Wendy K. Tam Cho writes:

If minorities have informational and social networks that provide unique political information and a different source of political socialization, they may not derive the same sort of satisfaction from affirming allegiance to the political system or have the same sense of responsibility for preserving the democratic process. (Cho 1999, 1144)

In particular, we will examine the effects of large monolingual indigenous language populations on voter turnout. We believe that large monolingual indigenous populations in a state will lead to lower voter turnout. As Cho claims in her study of immigrant political socialization, proficiency in the dominant language of one's country greatly improves the possibilities for political participation. Her analysis implies that at least a minimum proficiency is important in overcoming bureaucratic processes in registering to vote and obtaining information about political issues.

Cho also argues that "minority populations have a tendency . . . to establish ethnic communities or neighborhood clusters" (Cho 1999, 1144). An indigenous village with many citizens that do not speak Spanish will be less likely to feel itself a part of Mexican society than a village where

bilingual or monolingual Spanish speakers predominate. Monolingual speakers of an indigenous language will likely be less informed about election issues and may hold a more parochial perspective than Spanish speakers who have access to a national media perspective. María Paris, writing for the Instituto Federal Electoral, shows that Mexican speakers of indigenous languages are likely to be less tolerant of other races, religions, and political backgrounds than non-indigenous Mexicans (n.d.). This easily leads to alienation from the non-indigenous majority and the mestizo-dominated political system.

Furthermore, the cultural divide in Mexico appears to be widening, as the populations of speakers of almost all of Mexico's indigenous languages continue to grow, passing on their language and culture to future generations. For example, from 1970 to 2000, the population of people speaking an indigenous language nearly doubled and now comprises over 6 percent of the national population of Mexico (INEGI [4]). In all eleven states where 10 percent or more of the speakers of indigenous languages were monolingual, voter turnout was below the national average. The monolingual population is a reflection of the level of integration of the indigenous population of a state. If indigenous culture is a fundamental determinant of voter turnout, we expect to see lower levels of voter turnout in states with deeply entrenched indigenous communities, as measured by a large proportion of indigenous people in a state, a low percentage of Spanish speakers, and large groups of monolingual speakers of an indigenous language.

In addition to instrumental motivation theory and resource theory, Franklin also uses mobilization theory to explain voter turnout. This theory holds that "citizens . . . are more likely to participate if encouraged to do so" (Franklin 1996, 220). Mobilization theory also stresses the importance of the "activities of groups and organizations (especially political parties)" in increasing voter turnout (Franklin 1996, 220). This theory, although applicable, was not used in our analysis due to a lack of sufficiently detailed information about the mobilization efforts of political and other civic organizations in each Mexican state. To collect the necessary data to examine mobilization theory, we would most likely need to conduct field studies and other more in-depth research into efforts at mobilizing the various groups of Mexican society.

We must keep in mind the reinforcing effect of these theories on one another in predicting voter turnout. One theory may be more generally

applicable and thus capable of establishing a rough baseline prediction for voter turnout, which is then modified by more state-specific variables. Resource theory, for example, is applicable to all states because of its focus on variables that are seen in all states of a country, such as levels of wealth and education. As Franklin points out, instrumental motivation theory and resource theory are often highly interrelated, as citizens whose opportunity cost of voting, in time and effort expended, is higher are probably less likely to vote. Our indigenous culture theory, in contrast, may have high predictive and explanatory power in particular cases, such as that of Chiapas and other states with large indigenous groups, while being unable to explain anything about voter turnout in an area where indigenous culture has no significant presence.

We must also note that causative variables from different theories may be correlated with one another. For example, indigenous culture may affect the amount of education that a person may receive, while an advanced education may cause an individual to reject many aspects of her indigenous heritage. The presence of high correlations between some of our independent variables indicated the possibility of multicollinearity, which can produce unreliable regression results. For example, there was a large correlation ($R=0.77$) between average years of school and per capita GDP. To overcome the problem of multicollinearity, since the variables used to examine a particular theory will most likely be closely related, such as different variables measuring education or wealth, we eliminated some of these redundant variables from the regression.

Regression Analysis

To support our thesis, we ran several regressions on the variables we thought would be most useful in supporting or undermining the theories we used to explain voter turnout. Though we discovered some possible problems with our data, we were able to mitigate them by using statistical techniques. Among the group of variables we examined, we found that indigenous culture had the most significant influence on voter turnout.

To examine the contestation element of instrumental motivation theory, we used the difference in vote share between the top two vote-getting parties in each state in the 2000 legislative elections to indicate the level of competition in state elections. To assess the theory that states with high percentages of indigenous population have lower voter turnout, we

Table 1: Influences on Voter Turnout

Independent Variable	Coefficients (t-ratios)	Coefficients (t-ratios)	Coefficients (t-ratios)
Percentage monolingual indigenous	-0.245* (-3.141)	-0.181 (-1.702)	--
Percentage Catholic	0.113 (1.315)	0.0957 (1.087)	0.111 (1.220)
Difference between vote share of top two parties	0.0985 (1.085)	0.0945 (1.036)	0.0752 (0.803)
Per capita GDP	0.0359 (1.196)	0.0368 (1.221)	0.0551** (1.888)
Chiapas and Oaxaca Dummy	--	-3.547 (-0.884)	-0.439* (-2.677)
Constant	52.697* (6.392)	53.843* (6.427)	50.582* (5.995)
Adjusted R ²	0.391	0.386	0.343
F-ratio	5.984*	4.905*	5.052*

Dependent variable: Percentage voter turnout

* indicates $p \leq 0.05$ ** indicates $p \leq 0.10$

measured the level of indigenous cultural influence as the percentage of a state's indigenous population that speaks only an indigenous language. We found this to be a more accurate depiction of the depth of indigenous culture in an area than the percentage of the population that spoke an indigenous language without regard for other languages spoken because it takes into account the level of indigenous integration into or alienation from mainstream Mexican society. We collected data on gross domestic product (GDP) per capita in each state (INEGI [7]) in order to test resource theory's implication that people with more wealth tend to vote more. We also found data on the percentage of people who identified themselves as Catholic in a given state, which enabled us to control for religious affiliation, which varies widely among the states (INEGI [10]).

Regression 1 in Table 1 analyzes the relationship between the dependent variable of voter turnout (IFE [3]) and four independent variables:

difference in vote share (IFE [3]), the percent of indigenous people who are monolingual (INEGI [9]), per capita GDP (INEGI [7]), and percentage of Catholics (INEGI [10]). We chose the first three independent variables to test the relative importance on a national level of each of our principal theories (instrumental motivation, indigenous culture, and resource theories, respectively). We also included the level of Catholicism (INEGI 10) in a state to check for possible religious effects on voter turnout. Because our analysis did not find levels of Catholicism to have a significant influence on voter turnout, we did not include it in our case studies.

The most statistically significant correlation was with the indigenous monolingual variable, which showed a p-value of 0.004. Its regression coefficient value of -0.245 showed that, for a 1 percent increase in the percentage of monolingual speakers of indigenous languages, voter turnout decreased by 0.245 percent. In contrast, on a state-by-state level, the level of Catholicism, the average number of years in school, and the difference between the top two vote shares proved ineffective at predicting voter turnout. The correlations of these variables with voter turnout were not statistically significant ($p > 0.2$), and their associated regression coefficients were too small for the variables to have much substantive effect on voter turnout.

Taken together, the regression using these four variables had an R^2 value of 0.391, meaning that the regression equation using these four variables can explain 39.1 percent of the variation in voter turnout across states. The regression's F-ratio of 5.984 indicates that the variables in the regression, taken together, have a statistically significant effect on voter turnout with a p-value of less than 0.01.

Our model's R^2 value of approximately 0.4 shows less predictive significance than several studies of cross-national variation in voter turnout. For example, G. Bingham Powell, Jr., claims several R^2 values of 0.9 or greater in his study of the effects of various electoral laws and sets of political institutions on voter turnout (Powell 1986, 25). Robert W. Jackman obtains R^2 values as high as 0.97 in his comparison of voter turnout among industrial democracies (Jackman 1987, 412–16). Though we cannot claim such high values of statistical significance, the relative difficulty of obtaining such predictive power is exacerbated by the small sample size and limited scope of our study to one election year. Idiosyncratic factors not easily captured in such a limited study, such as regional weather

conditions and the details of local electoral races, may play a role in explaining voter turnout. Theories that we were unable to examine, such as Franklin's mobilization theory, might also explain some of this variation.

Statistical Concerns

It appears that Chiapas and Oaxaca may be outliers for some of our independent variables, especially Catholicism and monolingual indigenous percentages. To determine how significant the effect of these outliers was (regression 2 in Table 1), we created a dummy variable for Chiapas and Oaxaca (1=Chiapas or Oaxaca; 0=all other states) and tested it with the variables that we used in our previous regression. When we performed the regression with the dummy variable, the R^2 value decreased slightly to 0.386, but the overall regression retained a high level of statistical significance ($p=0.003$), with the F statistic decreasing to 4.905. The monolingual indigenous percentage variable, however, became only marginally statistically significant and lost some of its predictive power, with its p -value increasing to 0.101 and its regression coefficient declining to -0.181. Including the dummy variable in the regression had little effect on any of the other variables.

To determine whether the level of monolingual indigenous population has an influence on voter turnout apart from the influence of outliers, we performed the regression again without the monolingual indigenous variable, but including the dummy variable (regression 3 in Table 1). We found the presence of the monolingual indigenous variable in regression 2 greatly reduced the statistical significance of the dummy variable and increased the R^2 value, indicating that the dummy variable is not as effective as the monolingual indigenous variable in explaining voter turnout.

Since Chiapas may be an outlier, we will study its situation more in depth in this article to determine some of the factors that affect its low voter turnout and that will help us to determine whether it is an exceptional case or merely an extreme example of the effects of these state-level variables. This analysis also prompts us to study more carefully the role of indigenous culture in affecting voter turnout.

In addition, our quantitative analysis is limited by the fact that we are using state-level variables to attempt to explain variation in voter turnout, a variable that is inherently based on individual decisions and characteristics. For example, while measures of indigenous culture are positively correlated

with voter turnout on a state-by-state basis with a significant degree of predictive ability, we will take care to strengthen this correlation and show causation by providing data to show the same influences in the behavior of individual voters. For this reason, we will perform several case studies to show the workings of our theories on an individual level.

Case Study of Mexico D.F.

Though technically not a state, the election laws in the Federal District of Mexico (Mexico D.F.) are very similar to those of other Mexican states with regard to federal elections. Since the Federal District has its own electoral districts and follows the same electoral law, we will include it in our study, treating it like a state. In the 2000 elections, Mexico D.F. recorded the second highest voter turnout in the country behind Yucatan with a voter turnout of 70.59 percent (IFE [3]).

Resource theory best describes voter turnout in Mexico D.F. According to resource theory, an individual's proximity to a polling site could encourage or deter her from voting. On a national level, seven out of eleven states that have more than 0.10 polling sites per square kilometer have above-average voter turnout, while only four out of the twenty-one states with less than 0.10 polling sites per square kilometer have above-average voter turnout (CNIRT; IFE [3]). In the 2000 elections, Mexico D.F. had 11,130 polling places, which means that there were almost seven and a half polling sites per square kilometer. Most citizens of Mexico D.F. could walk to their polling site within a few minutes. The citizens in rural areas of the rest of the states, however, would normally have to drive or ride longer distances to reach their polling sites. A typical state such as Chihuahua, for example, had only 0.02 polling places per square kilometer. The level of voter turnout in Chihuahua, at 58.2 percent, is significantly lower than Mexico D.F.'s 70.6 percent (IFE [3]). Even if the citizens of Mexico D.F. were not better off economically, they would still have more time to vote than residents of rural areas since most polling sites in the capital are just a stone's throw away.

The high per capita GDP and levels of education of the Federal District of Mexico also support resource theory's contention that the rich and educated are more likely to vote. Mexico D.F.'s per capita GDP of 131,790 pesos is considerably higher than the average national per capita GDP of 52,090 pesos and is almost double Chihuahua's 74,820 pesos

(INEGI [7]). In addition, one study showed the average person older than fifteen years of age in the Federal District has completed 9.4 grades compared to the national average of 7.3. In contrast, states like Chiapas, Guerrero, and Oaxaca all average six or less grades of schooling completed (INEGI [8]). Mexico D.F. also has the highest literacy rate: 97 percent compared to the national average of 90.5 percent (INEGI [3]). Thus, the combination of proximity, income, and education in Mexico D.F. all help to explain its unusually high voter turnout.

Cultural theory also helps explain Mexico D.F.'s high voter turnout. The indigenous population is almost nonexistent in the Federal District, accounting for only 1.8 percent of the total population. To make this even less significant, only one person in every 10,000 is a monolingual indigenous-language speaker. Since there is little deeply rooted indigenous culture in Mexico D.F., this factor does not lower voter turnout.

The level of contestation in Mexico, D.F.'s 2000 elections was probably not a significant factor in Mexico D.F.'s high level of voter turnout. The vote shares of the top two parties were separated by 7 percentage points compared with a slightly higher national average of 10 percentage points.

Case Study of Guerrero

In order to further understand the effects of these variables on voter turnout we will look at the state of Guerrero. This state is nearly an exact opposite of Mexico D.F. While the Federal District has the second highest voter turnout, Guerrero had the second lowest voter turnout in Mexico. Resource and cultural theory both play a role in explaining Guerrero's low turnout.

Guerrero is one of seventeen states with less than 0.10 polling sites per square kilometer with below-average voter turnout. With 0.06 polling sites per square kilometer, the average citizen of Guerrero has to travel a considerable distance to reach the nearest polling site (CNIRT; IFE [3]). In addition to Guerrero's largely rural population, the state's per capita GDP is among the lowest in all of Mexico. At 27,800 pesos, the per capita GDP in Guerrero is about half of the national average and only one-fifth of that of Mexico D.F.'s (INEGI [7]). With such a low income in a rural state, a trip to the polls could be out of the question for many voters. Guerrero's economic adversity helps describe its low voter turnout.

Education in Guerrero is also anemic compared to national levels. The average person over the age of fifteen in Guerrero has only completed six years of school and only three out of four people in the state are literate compared to Mexico D.F.'s 97 percent literacy (IFE [8]; IFE [3]). It is difficult for populations with low levels of education and low literacy rates to become educated on political issues. Since Guerrero has such low education and literacy levels, its citizens have few incentives to get out and vote.

In addition, the percentage of monolingual speakers of indigenous languages in Guerrero is the second highest in the country. Since Guerrero has the second highest level of monolingual speakers of indigenous languages, the state may be failing to integrate its population into the national political culture and society as a whole (IFE [4]). This is yet another factor that discourages citizens of Guerrero from voting.

Instrumental motivation theory, in contrast with these explanations, would predict a somewhat higher level of voter turnout in Guerrero, since the vote shares of the top two parties in Guerrero were separated by only seven and a half percentage points. This is comparable to the Federal District's level of contestation but not far off the national average, so its impact on voter turnout would be minimal at best.

Case Study of Chiapas

In the 2000 presidential elections, Chiapas had the lowest level of voter turnout in Mexico. The state's level of turnout, 52.19 percent, is remarkably low compared to the national average of 63.97 percent (IFE [2]). Chiapas is far behind the rest of Mexico in its level of voter turnout for two reasons. First, the state is the poorest and least educated in Mexico. According to resource theory, this poverty of resources causes people to focus more on mere survival than issues such as politics and voting. Second, violent conflict has existed in Chiapas for years. Instrumental motivation theory affirms that this violence increases the perceived costs of voting, thus decreasing voter turnout.

According to resource theory, poverty has an effect on voter turnout. As one author writes, "when a person experiences economic adversity, his scarce resources are spent on holding body and soul together—surviving—not on remote concerns like politics" (Rosenstone 1982, 26). This is apparently the case in Chiapas.

Due to Chiapas's undesirable status as the poorest and least developed state of Mexico, the people of Chiapas are the least likely to have the time and money to vote. According to INEGI, the average citizen of Chiapas makes 10.7 Mexican pesos per hour (slightly more than a U.S. Dollar). This average wage is the lowest in the country and is a little more than half of the national hourly average wage of 18.7 pesos (about 2 USD) (INEGI [2]). Another indicator of Chiapas's poverty is the state's GDP, which is also the worst in the country. The state GDP of 20,700 Mexican pesos is less than half of the average state GDP of 51,090 pesos (INEGI [6]).

Another factor affecting the low rate of voter turnout in Chiapas is the level of social instability and political violence. Social instability, violence, and their consequences have been particularly apparent in Chiapas, where a state of upheaval has existed since 1994. Conflict in this state has substantially decreased its level of voter turnout. Firsthand accounts and other reports confirm the idea that instability and violence have created an environment that is hostile to certain segments of the population due to their political affiliations (Humanitarian Law Project).

To understand the instability and violence that exist in Chiapas and their effect on voter participation, one must first understand something about the source of such violence. On January 1, 1994, a guerrilla group known as the Zapatista Army of National Liberation (EZLN) started an armed uprising. Although the revolt quickly lapsed into an unofficial ceasefire, the region is said to be in a continuing state of low-intensity war. Violent extralegal groups, such as the EZLN and their paramilitary opposition, known as "Peace and Justice," continue to operate in the region. These groups, as well as the police and the Mexican army, have been accused of human rights violations "involving everything from harassment to murder" (Dent 2002, 303–04).

The effects of this "low intensity war" are particularly visible in the voter turnout of the 1997 election. In this election the state had a turnout of only 35.81 percent, strikingly low compared to the 1991 turnout of 65.82 percent (IFE [5]). Although one IFE document attributes this to the "low reliability of electoral data," other sources provide ample evidence that suggests that low voter turnout is attributable to disruption from the regional conflict (IFE [4]).

One report from the International Service for Peace (SIPAZ) cited several electoral irregularities that occurred as a result of the conflict in the

region. For example, "polling booths were being set up adjacent to military camps, or in zones controlled by the PRI or by the paramilitary group, 'Peace and Justice'; Zapatista-controlled towns acted to prohibit polling booths in their communities; and military patrols stepped up activities in Zapatista strongholds" (SIPAZ). The report also states that on the day of the election,

voters were reportedly drafted or coerced into participating; there were attacks and ambushes on voters by armed groups; some voting booths did not allow for privacy; voting instructions and voter lists were incorrect or incomplete; political propaganda was distributed by partisans at polling places; election officials were absent at some polling places, etc. Abuses includ[ed] reports of stolen and burned ballots, highway blockades, and other actions that otherwise impeded or made voting difficult. (SIPAZ)

Under these conditions many could not "go to the polls because of the insecurity and violence that reigns in that region" (SIPAZ).

Another source of evidence of the poor electoral conditions arising from violence in the region is a report by the Humanitarian Law Project (HLP). This report, titled "Chiapas: Burned Ballots and Absent Voters," details the experiences of a team of five sent to observe the election process. This group cited various instances of intimidation. One example occurred in the town of Tumbala, Chiapas, where "six heavily armed policemen stood just to the right of the voting region. Given recent arrests in this town which are being contested as politically motivated, their very presence contributed to the air of intimidation." Another example was cited from an unidentified town of Chiapas. According to the observers, as one man was explaining to them the recent state of threats and violence, the approach of another man caused the first to change his criticism to praise of the progress of the elections. The group of observers concluded "the conditions in this region were not conducive to fair elections," and "the people in this region did not feel conditions were either safe enough or fair enough to warrant participation" (HLP).

Despite IFE's affirmation that "preparations to carry out fair elections were in place," other organizations cited a "lack of guarantees" (IFE [4]). Organizations like "citizen's councils, the PRD, the Diocese of San Cristobal de las Casas, Civic Alliance, and indigenous and peasant organizations" protested the lack of better conditions (SIPAZ).

Although not as severe, the violence and social tension that affected voter turnout in 1997 was still present during the 2000 elections. According to one report, men associated with security forces loitered around polling places and “occasionally snapp[ed] pictures of the people lined up to receive their ballots.” The report also mentioned the existence of fear of attacks by “paramilitary groups along the road out of sight of the election observers stationed at the polling booths” (Nelson). This continuing intimidation was almost certainly one cause of Chiapas’s low levels of voter turnout in the 2000 elections.

Case Study of Yucatan

Yucatan is another particularly interesting case, especially when contrasted with Chiapas. This state, in spite of its poverty and underdevelopment, has had very high levels of voter turnout. Yucatan’s voter turnout for the 2000 presidential elections, 71.96 percent, is the highest state level in the country (IFE [3]). This elevated voter turnout is surprising, given the state’s poverty. High levels of contestation in the state might lead us to expect instrumental motivation theory to explain this phenomenon.

Yucatan’s high voter turnout is not explained by resource theory. Like Chiapas, Yucatan is one of Mexico’s poorer states. The average wage in Yucatan is only 13.7 pesos per hour. This is about three pesos more than the average wage in Chiapas but still significantly less than the national average of 18.6 pesos (INEGI [2]). The state economy as a whole, indicated by the state GDP of 41,660 pesos, is higher than that of Chiapas but still not up to par with the national average of 51,090 pesos (INEGI [6]).

Although resource theory fails to describe the high voter turnout in this economically poor state, instrumental motivation theory succeeds. In Yucatan there has been a high level of contestation between two parties, specifically between the Partido Acción Nacional (PAN) and the Partido Revolucionario Institucional (PRI). This contestation is manifested in the results of the 2000 presidential elections when PAN received 47.10 percent of the vote and PRI received 46.08 percent of the vote. The next closest party received only 3.90 percent of the vote (IFE [3]). A high level of contestation existed because neither party dominated the election. This contestation indicates that instrumental motivation theory may be helpful in explaining the high level of turnout that exists in Yucatan.

Conclusion

In summary, education, wealth, and other elements of resource theory predict much of the variation in voter turnout. In addition to this, indigenous cultural theory enables us to understand how alienation and marginalization of indigenous populations can lead to lower levels of voter turnout in states with large indigenous components. We discussed in our article how monolingual speakers of indigenous languages, in particular, can feel separated from the center of Mexican society. Though it has less effect in most cases, instrumental motivation theory explains the case of Yucatan, where the other theories' predictions fail. Chiapas's social breakdown and violence exemplify the devastation that violence and its aftermath can wreak on democratic participation. Thus, the most accurate predictions of voter turnout in individual cases include the interaction of several variables.

The complexities of this analysis show the importance of understanding the interactions between different causative variables explaining voter turnout. We have been limited by the small sample of states available to us, which has forced us to examine only a few of the variables that can have the most influence on voter turnout. An interesting topic for future study might involve taking a larger group of countries, controlling for national-level variables, and examining the factors that influence intranational variation in voter turnout in this larger sample. We were not able to fully analyze such influences as the level of urbanization in an area, the effect of religion, and differences in civic culture across regions. We would also like to explore Franklin's theory of mobilization by examining organizations and methods that might differ across states in their ability to mobilize citizens to vote.

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THEORIES OF PRESIDENTIAL DECISION MAKING:

WILSON, ROOSEVELT, AND THE SOVIET UNION

Jeremy Lloyd

Abstract

This article presents a case study of Presidents Wilson and Roosevelt in regards to diplomatic recognition that demonstrates personality does have an effect on foreign-policy decision making. In using a comparative study of two decisions regarding diplomatic recognition, this article demonstrates how two facets of presidential personality—worldview and political style—cause the president to see things a certain way and act accordingly. As such, the findings serve as an alternative to theories that utilize rational actor models and discount the importance of the president himself in making foreign policy.

A President's Dilemma

A pressing matter had come to the attention of the President, and on April 12, he wrote his Secretary of State and requested a special meeting to consider the diplomatic recognition of a new regime. The next week the cabinet and President assembled and discussed the current political situation of the country in question. The current leaders of that country were guilty of gross atrocities: executions of the common people occurred daily, prisoners were massacred on a regular basis, basic rights and privileges had been revoked, and church property had been confiscated. The power of the legislature had been severely diminished, the courts ceased to operate, and the only real vestiges of government were dominated by the revolutionary party, with a tyrannical nine-member committee presiding (Walch 1954, 1).

The cabinet debated the situation and reached a unanimous decision: the new regime should be recognized. The Secretary of State defended the decision by explaining: "We certainly cannot deny to other nations that principle whereon our government is founded, that every nation has a right to govern itself internally under what forms it pleases, and to change these forms at its own will; and externally to transact business with other nations through whatever organ it chooses, whether that be a King, Convention, Assembly, Committee, President, or whatever it be. The only thing essential is, the will of the nation" (Walch 1954, 2).

This meeting might have been in 1933. The evidence above certainly holds true for the Soviet Union, whom Roosevelt recognized later that year. This description might also apply to China and any number of Presidents, ranging from Truman and Eisenhower to Nixon and Carter. One might also think of Eisenhower and Cuba in 1959 or other recent examples. Who was the President in question?

The meeting described above occurred on April 19, 1793, and included George Washington, his Secretary of State Thomas Jefferson, and other cabinet members. The country was Revolutionary France, which was embroiled in the Reign of Terror. The United States issued a proclamation of neutrality on April 22 and agreed to receive the French ambassador (Gênét), ensuring that the new government would be recognized.

The example illustrated above highlights the dilemma of extending diplomatic recognition to certain nations. In many cases the president recognizes truly despicable regimes, those headed by tyrants who oppress their people and whose practices are contrary to U.S. ideals. And while recognition usually reflects merely rubber-stamping a *de facto* regime, the United States is one of the few nations that uses morality as a criterion for recognition. The example of Washington's recognizing Revolutionary France calls into question the actual reasoning behind the decision. Did Washington believe recognition necessary because of the nature of the international system, that is, that France would prove a desirable balancing mechanism against a possible British threat? Or was the decision the result of compromises between the President and members of his cabinet, such as the former French ambassador and current Secretary of State Thomas Jefferson? Or perhaps the decision resulted from Washington's own predispositions, as a former head of a revolutionary army himself and his memories of vital French aid during the perilous Revolutionary War just a decade earlier.

This article will make the case for the latter: the greatest factor in the case of diplomatic recognition is the president himself. Diplomatic recognition is a constitutional power granted solely to the president and as such the will and mind of the president become important factors in explaining why certain nations are recognized by the United States while others are not.

Brief Recognition History: The Soviet Union

In 1917, Vladimir I. Lenin led a successful coup that overthrew the monarchy of Czar Nicolas II and established a new regime led by the Bolsheviks. Embroiled in "the war to end all wars" and suspect of the new communist government, Woodrow Wilson chose to deny recognition to the new Soviet Union. Sixteen years later, in 1933, Franklin D. Roosevelt, a newly elected president dealing with the effects of the Great Depression, decided to reverse the decision of his Democratic predecessor, Wilson, and extend recognition.

Which Level of Analysis?

Three basic levels exist with which to analyze foreign-policy decisions: individual (first level), state or bureaucratic (second), and systemic (third). These levels can be further distilled to a simple dichotomy of approaches: analytic and deductive. Second- and third-level approaches claim that by examining the structure of an international system or the bureaucracy/state we can deduce how the decision-maker will behave. A first-level approach instead attempts to "get inside the head" of the decision-maker and analyze what prompted his/her actions and behavior. Thus a basic difference exists between the first level and second or third levels of analysis: whether or not the cognition of the decision-maker affects the outcome of foreign-policy decisions. Simply said, will all decision-makers behave the same way under similar circumstances or do variations occur as a result of different manners of thinking, perceiving, and acting on foreign-policy decisions?

Advocates of systemic and state/bureaucratic levels of analysis argue that decision-makers "are cognitively competent to match means to ends and to rank options accordingly" (Stein and Welch 1997, 52). This theory of rational choice thus contends that by examining the systemic and/or bureaucratic factors that influence the decision-maker we can reliably explain and predict the behavior in a variety of contexts (Stein and Welch 1997, 52). This concept is often illustrated with phraseology such as

“states are a black box/billiard ball,” meaning that states are unitary rational actors that merely fend for their own interests by logically weighing options and deciding which foreign-policy choices are in their best interests. The rational choice approach thus eliminates the need to examine the life histories, biases, or motivations of decision-makers by replacing them with the abstract idea of the state personified as a single actor. Statements such as “the Soviet Union is becoming too aggressive” or “the United States must protect its allies” reflect this type of thinking.

While rational choice theory is parsimonious (i.e., simple and compact yet wielding great explanatory power) and useful in predicting behavior in certain situations, it has many shortcomings. It fails to explain how two persons faced with similar circumstances arrive at different conclusions (Jervis 1976, 36). Rational choice theory is also inadequate in explaining why decision-makers make irrational decisions. Robert Jervis clarifies this definition of irrationality: “‘Irrationality’ here describes acting under pressures that the actor would not admit as legitimate if he were aware of them” (Jervis 1968, 456). A first-level approach becomes necessary to account for the influence of these pressures (individual beliefs, biases, misperceptions, etc.) in decision-making that result in irrational decisions.

Why Examine Decision Making in Cases of Diplomatic Recognition?

The case of recognizing the Soviet Union demonstrates clearly the importance of selecting the appropriate level of analysis in order to determine why recognition was extended or denied in each case. Second- and third-level approaches do not fully explain the behavior of the two presidents involved in the case (Woodrow Wilson and Franklin Roosevelt). Wilson refused to recognize the Soviet Union when nearly all of our allies had already done so (Subcommittee on Asian and Pacific Affairs 1979, 2). Yet Roosevelt reversed the decision of a previous president who belonged to his same political party while risking Congressional and public support in order to take what he felt was the correct action. Both of these examples call attention to the fact that systemic and bureaucratic models do not fully detail the rationale behind such occurrences. A first-level approach is needed to lend more explanatory power and take into account the president himself as an important factor. James David Barber, in *The Presidential Character*, gives a compelling argument as to why it is important to focus on individual presidents:

Who the President is at a given time can make a profound difference in the thrust and direction of national politics. . . . Even the most superficial speculation confirms the common-sense view that the man [president] himself weighs heavily among other historical factors. A Wilson re-elected in 1920, a Hoover in 1932, a John F. Kennedy in 1964 would, it seems very likely, have guided the body politic along rather different paths from those their actual successors chose. (Barber 1992, 3)

This is the basic argument for utilizing a first-level approach: *who the president is does matter*. Just as Johnson acted in a singular manner and made decisions that Kennedy would probably have avoided (as many argue of the Americanization of the Vietnam War), so did the behavior of Wilson and Roosevelt deviate from the path other presidents would have taken. Not all presidents behave in the same way under the international and bureaucratic pressures they face, as rational choice theory assumes; therefore, it is impossible to deduce a rational pattern that they will follow. The failure of rational choice requires us to analyze individual psychological and cognitive factors in order to determine why certain behaviors occurred.

The arguments up to this point have explained why second- and third-level strategies are inadequate in analyzing expected presidential behavior. These inadequacies lead us to turn to a first-level approach for adequate explanatory power. In the cases of presidential behavior regarding diplomatic recognition, certain decision-making theories prove helpful in breaking down patterns of action and response. It is useful to examine the development of this decision-making approach in order to assess which tenets of this theory will be most useful in explaining how recognition may be explained. With respect to presidential decision making, especially with regards to the issue of diplomatic recognition, the theories of three political scientists prove particularly useful: James David Barber, and Alexander and Juliette George.

Barber argues in his seminal work, *Presidential Character: Predicting Performance in the White House*, that decision-makers must be viewed as actual persons, not as nondescript embodiments of state interests. Each president brings "an individual character, a worldview, and a political style" to the office, factors that definitely affect how foreign-policy decisions are made. Presidential character, which Barber defines as "the way the president orients himself towards life," is posited as the most important

of the three personality aspects. Character types are classified into four categories—active-positive, active-negative, passive-positive, and passive-negative—and Barber explains what tendencies each type causes and predicts what kinds of behaviors logically follow each type. The worldview of the president “consists of his primary, politically relevant beliefs, particularly his conceptions of social causality, human nature, and the central moral conflicts of his time.” Style, on the other hand, refers to how the president fulfills his political roles of speaking to the public, interacting with government officials, and managing the matters that present themselves to him (Barber 1992, 1–11).

The validity of evaluating the decision-maker’s personality to explain foreign policy is echoed by Alexander and Juliette George in *Presidential Personality and Performance*, which devotes an entire chapter to defending the basic premises of Barber’s argument. George and George readily admit the shortcomings of Barber’s work, mainly its lack of theory and methodology, but defend its intentions, and also its successes (George and George 1992, 151). They recognize the need for Barber to define more specifically and operationalize the aspects of presidential character, worldview, and political style. They therefore attempt to clarify and correct aspects of character and worldview in chapter five of their work. The final chapter of the book applies the notion of presidential style to several administrations, beginning with Franklin Roosevelt and ending with Bill Clinton.

My work seeks to complement that of James David Barber, and Alexander and Juliette George by focusing on the worldview and style of the president with regards to diplomatic recognition. While character may play an important role in determining patterns of behavior, I believe it just as important to examine how the president views the world around him and how he receives and evaluates information in order to analyze and explain foreign-policy decisions. As Yaacov Vertzberger explains, “the critical input in the decision-making process is thus the perception of the environment rather than the real environment” (Vertzberger 1990, 35).

My Approach

My study will utilize the qualitative comparative case study approach in order to analyze the influence of presidential personality on diplomatic recognition. My comparative analysis examines the cases of recognition (or nonrecognition) of the Soviet Union by Presidents Wilson and Roosevelt. My dependent variable is the *de jure* recognition of a nation by the

United States, while my independent variable is the decision making of the two presidents in question. I examine each president in terms of two independent variables: worldview and political style. My basic hypothesis is that two factors, the way in which the president sees the world and how he receives information from advisors, affect foreign-policy decision making.

The cases I have selected are indeed comparable in the fact that they contain many important similarities. Both presidents were members of the same political party (Democratic) and were described as religious in nature. Presidents Wilson and Roosevelt dealt with the same nation (one which had been formed by a violent revolution that replaced a government the United States had previously supported). Finally, both presidents dealt with widespread distrust among the American public and Congress towards communism. Because the cases share these similarities I can focus on the two aspects of presidential personality—worldview and political style—that do actually vary between the two presidents and evaluate whether these variables affected their decisions to extend or deny recognition to the Soviet Union.

I realize that other factors, such as domestic politics or the balance of power in the world, could also possibly account for the outcome which I seek to explain in my case study. I will control for these variables by focusing primarily on first-level factors. Although I realize other factors also affect the decision-maker, I will assume that presidential personality is the strongest influence in determining foreign policy and that other factors are not as significant.

Operational Definitions: Worldview and Political Style

According to George and George, Barber's overemphasis on character as the most important aspect of personality slights the scope and definitions of the president's worldview and political style. I thus employ modified definitions in my thesis because I feel they better express what each should reflect in my treatment of the cases. Categorizing both worldview and political style into set types permits the analysis and explanation of the effects of personality on foreign-policy decision. The main points of my findings are organized into Table 1 and are subsequently detailed in the case study that follows and the conclusion.

I define the worldview of the president in the same manner as James E. Dougherty and Robert L. Pfaltzgraff: factors including education, religion, ideology, belief systems, critical life and historical experiences,

Variables/Outcome	Wilson	Roosevelt
Worldview (independent variable)	1. Idealism 2. Individualism 3. Democracy best form of government 4. Moral mission of the U.S.	1. Pragmatic politics 2. World politics = Local politics writ large 3. Politics of inclusion
Political style (independent variable)	Formalistic	Competitive
Recognition extended? (dependent variable)	No	Yes

Table 1: Summary of findings. Findings demonstrate causality in both cases between managerial style and recognition, and causality between worldview and recognition.

professional training, foreign travel, mental and physical health, and previous political activities that influence how the president views the world (Dougherty and Pfaltzgraff 1990, 473). Because of the limited scope of this article, my research will focus on factors that ultimately affect foreign-policy decisions and will not examine domestic factors. I operationalize the worldview of the president by creating three or four main characteristics of how the president perceived his environment. Examples include realist or idealist perceptions of the world, how politics operate in the world and how a politician should act, and the role of the United States in world politics.

For presidential political style I utilize the definition of Alexander George (along with Eric Stern): the way in which the president organizes and manages his cabinet and bureaucracy, the way in which information is received by the president, and how he generally utilizes said information (George and George 1998, 152–54). I classify each advisory system in terms of organization and then describe whether the president’s utilization of that system created diverse opinions and sources of information, and thus significantly influenced his thinking or just acted as a tandem of “yes men,” helping shape new policy and implementation of legislation, etc.

The way in which the president organizes his cabinet and bureaucracy falls into one of two categories:

1. *Formalistic*: Staff and advisors organized so as to provide structure, a rigid hierarchy, and order. This approach stifles dissenting opinions and promotes unity and harmony within the executive branch.

2. *Competitive*: President encourages diversity of opinions and advice by pitting departments and agencies against each other. This results in overlapping jurisdiction, redundancy, ambiguity, etc.

Case Study: The Soviet Union

President Woodrow Wilson

Worldview. Of all of the forty-three presidents the United States has had, none entered the White House with better academic experience than Woodrow Wilson. Prior to his ascension to the presidency, he spent over three decades studying, analyzing, theorizing, and writing about the dynamics of politics. Religion, education, and political and professional experiences created a truly unique view of how one of the United States' most complicated heads of state perceived the world in which he lived.

Born into a poor family in the heart of the South, Wilson knew much about overcoming hardship and adversity. Most scholars agree that the young Wilson suffered from dyslexia, a condition that would cause him not to be able to read until the age of eleven. Wilson conquered his condition, however, and became an apt pupil, devouring dozens of books and writing prolifically on a variety of subjects. Wilson studied history and politics and received his doctorate from Johns Hopkins University in 1886 for his treatment of cabinet government in the United States. After teaching at various universities, Wilson landed a job at Princeton University in 1890, and twelve years later he was appointed its president in part because of the fame he garnered for promoting progressive ideals. In 1910 Wilson accepted the invitation to run for governor of New Jersey, and after winning he enacted several reforms, such as laws limiting monopolies and labor abuses. These reforms propelled him into the national spotlight and provided the foundation for his successful presidential candidacy in 1912 (Braeman 1972, 1–15). Wilson's religious upbringing furnished him with a clear sense of right and wrong within the world and what role he should play in order to correct the evils that existed. His education allowed him to explore and articulate these views, while professional and political experience gave him a chance to propose ideas and work for the good of humanity. Wilson's outlook can be categorized into four elements: idealism,

individualism, the superiority of democracy, and the role of the United States as righteous leader.

Idealism, the first general theme of Wilson's worldview, stemmed from his Presbyterian roots and became the unifying force in his political life. Wilson believed that the only way to secure peace in the world was through a policy of liberal internationalism, that is, one in which self-governing democratic nations would peacefully negotiate conflicts instead of resorting to war. This idealism was later explicitly manifested in the formation of the League of Nations. Wilson believed that foreign policy should not be defined in terms of materialism but should instead be "more concerned about human rights than about property rights" (Trani 1958, 443). This differed greatly from past administrations' hardheaded realism that sought to ensure the security and economic well-being of the United States first and foremost.

Individualism stands as another pervasive feature of Wilson's perception of the world. As a wholehearted believer in the Presbyterian faith, Wilson adopted a Calvinistic view towards the individual: that one could achieve both the approval of God and earthly success through hard work and concentration on goals. Wilson embodied this principle himself, overcoming poverty and dyslexia to receive a Ph.D. and also attain positions of influence and importance. Subsequently, Wilson felt that because God had blessed him and permitted him to become president of the United States, his ideas about politics and government were also supported by God and were morally right (Latham 1958, 91). Wilson felt he should work tirelessly to ensure that such ideas were implemented, and not compromise in the face of conflict or adversity.

The third aspect of Wilson's worldview is the belief that democracy is "the most humane and Christian form of government" (Latham 1958, 153). Wilson's entire adult life was spent studying, theorizing, and practicing the essential aspects of democracy, the only form of government built upon principles of equality and freedom, and the only one that can guide men to achieve peace. Placing democracy on a philosophic pedestal was coupled with similar positive beliefs in the inherent goodness of man (Christian optimism) and the progressive nature of organic life (social Darwinism). These three beliefs led him to the conclusion that democracy must some day achieve its potential as the universal rule of political life. As a corollary of this belief, Wilson deduced that the only hope for a

peaceful world community would be one in which democracy had triumphed and public opinion reigned as the means of guiding the people. It was therefore his responsibility "to make the world safe for democracy."

The final aspect of Wilson's worldview was perhaps a culmination of the other three in that he defined the role of the United States through the lens of idealism, individualism, and democracy. Wilson believed that the U.S. should form relationships with the world that reflected our unique contributions to humanity. The United States and its political system embodied the principles of equality, freedom, and morality while societies in Europe and Asia were still mired in the results of class divisions and ethnic quibbles. Wilson saw America's ultimate goal not as the attainment of wealth and power, but rather as the fulfillment of its noble obligation to advance peace and world brotherhood. Scholar Harry Notter summarized Wilson's worldview:

[America's] mission was to realize an ideal of liberty, provide a model of democracy, vindicate moral principles, give examples of action and ideals of government and righteousness to an interdependent world, uphold the rights of man, work for humanity and the happiness of men everywhere, lead the thinking of the world, promote peace-in-sum, to serve mankind and progress. (Notter 1937, 653)

Wilson felt that as leader of the only moral and free nation on the face of the earth he must promote this idealistic vision in order to advance the causes of God and promote the well-being of all humanity. Wilson's interpretation of this divine role of the presidency led him to judge nations as either moral or immoral. Moral regimes were legitimate because they promoted the interests of their citizens and helped other nations to accomplish the same.

Political style. Woodrow Wilson came to office with extensive experience as an administrator, having already presided over Princeton University for over a decade and having spent two years as governor of New Jersey. Wilson had definite policy aims in mind and structured his advisory system to give him a free hand in developing foreign policy and personal projects. His system also permitted progressive cabinet members to shepherd programs such as tariff reform, child labor laws, and the creation of the Federal Reserve and a graduated federal income tax through Congress. Cabinet members, however, were chosen either for their political value

in helping support Wilson's ideas or for their progressive accomplishments. This fact became most evident in Wilson's selection of a Secretary of State: William Jennings Bryan. A reformer and perennial presidential candidate, Bryan received Wilson's nomination because of his reputation as the Democratic Party's leading reformer and because Wilson was afraid he might oppose potential legislation if left out of the administration (Clements 1987, 90).

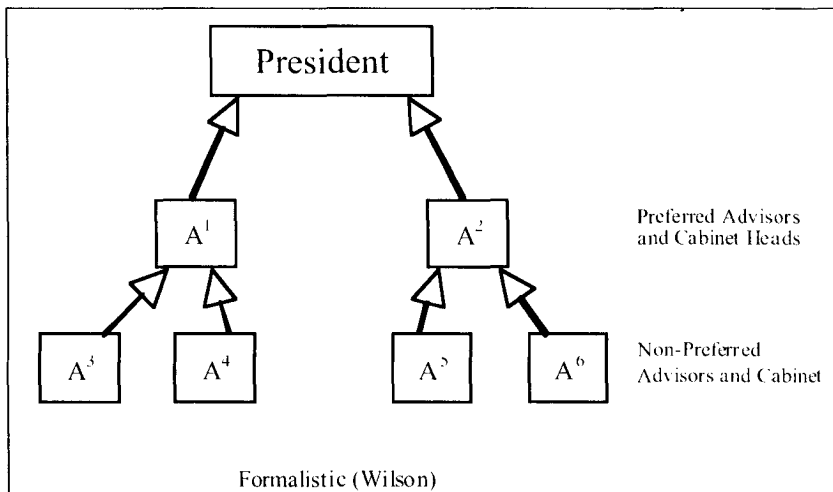


Figure 1: The formalistic model under Wilson. This system filters information and opinion through clear hierarchy of advisors, especially preferred ones.

Wilson created an extremely formalistic advisory system, one in which all valuable foreign-policy advice, and to a certain extent domestic advice as well, was funneled through a few advisors (see Figure 1). Wilson's exclusive relationship with one such advisor, Colonel Edward House from Texas, has been well documented by political scientists and biographers alike and cannot be overstated (George and George 1998, 67–89). House and Wilson became acquainted during the summer of 1909 as Wilson was gearing up for his gubernatorial campaign. The two men developed a mutual friendship and respect that would culminate in House's unofficial placement as Wilson's personal confidant in the White House. During the transitional phase as president-elect, Wilson consulted exclusively with House in determining potential candidates for all of the cabinet and advisory positions and even offered House his pick of any of these positions.

House refused to have his influence narrowed to a single area of policy, preferring rather to be a “free-lance” and “to advise with him regarding matters in general, and to have a roving commission to serve wherever and whenever possible” (Clements 1987, 91). House became the President’s key advisor on many issues. Wilson, he observed, “never seems to want to discuss things with anyone, as far as I know, excepting me. Even the Cabinet bore him with their importunities, and he often complains of them” (cited in Latham 1958, 18). Even William McAdoo—the trusted Secretary of Treasury who would later become Wilson’s son-in-law—complained of the faithlessness of the executive in the judgment of any of his official advisors (Latham 1958, 18).

The clear hierarchy that developed within the administration, coupled with Wilson’s quirky behavior, served to limit the amount of information the President received. Wilson generally detested meeting with cabinet members, congressmen, and lobbyists and thus created a rigid meeting system. All interested parties were required to solicit an appointment with his main White House aide, Joseph Tumulty, who effectively screened unwanted visitors. All appointments were kept to ten or fifteen minutes, so that the President could play golf in the afternoon, as he was accustomed to doing. When support was needed for bills, Wilson would either strong-arm the necessary congressmen or appeal to the public or party faithful in order to garner the necessary votes.

Wilson’s system did have an interesting side effect, however: it gave an unprecedented amount of power to his cabinet members because he largely ignored them. Secretaries with progressive ideals were provided a free hand to promote their reforms. McAdoo, for example, was able to provide the blueprint of the Federal Reserve System to Wilson, who later aggressively promoted its passage, because he was afforded freedom by an aloof executive. Secretaries provided many key ideas and initiatives to the President but were largely excluded from the decision-making process. Wilson did have many policy programs and ideas for reform, but these were usually very narrow in scope. In general, Wilson concentrated on large domestic reforms, such as child labor laws and tariff reductions, and more particularly on matters of foreign policy. Wilson consulted with his Secretary of State occasionally, in order to keep up appearances, but, as one can imagine, Wilson’s formalistic system put matters of foreign policy largely into the hands of the executive and his most trusted advisor, Colonel House.

Explanation. Wilson held particularly strong worldviews with regards to issues of sovereignty and involvement in world politics. His idealism led him to desire a world in which nations fairly represented the interests of those they ruled, one where all mankind could benefit from superior types of political and economic systems like the ones the United States had implemented. Wilson felt that he played an important role in forming this new world order: he led the most moral nation on earth and held divinely approved ideas about politics and government. As such, he had the ability to make important judgments and declare nations moral or immoral. Not only did Wilson affix this stamp of illegitimacy to various regimes, he also fought against these nations in order to secure their downfall.

As previously mentioned, Wilson's advisory system allowed him a free hand in conducting foreign policy. His formalistic system gave him very few inputs; again, evidence supports the notion that Colonel House and nearly no one else was consulted in the question of recognizing the Soviet Union. Wilson had his mind made up on the Soviet Union long before the revolution of 1917. Wilson was a rabid anti-tsarist who hated the repressive actions of Tsar Nicolas II. When the Bolshevik Revolution occurred Wilson was originally hopeful that the new regime might be an improvement over the previous rulers. Wilson was sorely disappointed when he realized that gross atrocities were being committed by Lenin and his cohorts in order to stay in power (Trani 1976, 443–44). He subsequently wrote the regime off as immoral and refused to extend recognition. Wilson would even go as far as sending in troops to attempt to overthrow Lenin's government and establish a legitimate one in its place (Latham 1958, 25).

This was not an isolated incident. In 1914 Wilson was faced with a similar situation when Victoriano Huerta violently overthrew the established government in Mexico. Wilson was indignant that a moral regime had been overthrown by an immoral one and declared, "I will not recognize a government of butchers." Wilson's comments to the American people on the subject of recognition are especially pertinent because they represent his views towards all peoples of the world, and not just one nation (e.g., Mexico) in particular:

The peace, prosperity, and contentment of Mexico mean more, much more, to us than merely an enlarged field for our commerce and enterprise. They mean an enlargement of the field of self-government and the realization of the hopes and rights of a nation with whose best aspirations, so long

suppressed and disappointed, we largely sympathize. (Dallek 1982, 352)

Robert Dallek states poignantly the implication of Wilson's remarks, that "in a word, [he] had enunciated the proposition that, for all practical purposes, Mexico's internal affairs were subject to the same standards applied in the United States" (Dallek 1982, 352). Wilson, as the leader of the nation that was a "light on a hill" for all of the world, thus set a standard for extending recognition and did not hesitate to pass judgment on regimes that he felt failed to represent the interests of their citizens.

President Franklin D. Roosevelt

Worldview. The presidency of Franklin D. Roosevelt offers a marked contrast to the ideological approach taken by Wilson and the laissez-faire style of Roosevelt's Republican predecessors. Roosevelt felt entirely at ease in his position of great authority and believed that his skills and competence were a perfect fit for the office of president. His time in office would be characterized by optimism, involvement, courage, and progress, all of which reflected the personality of the President, especially his perception of the world around him.

Biographers classify President Franklin Roosevelt as the most cosmopolitan president the world had ever seen, perhaps with the exception only of his cousin, former president Theodore Roosevelt. Like his older cousin, Franklin came from the upper class, graduated from Harvard, practiced law, and served in the Navy. Roosevelt became involved in politics soon after a short career as a lawyer, winning a seat in the New York State Senate. His progressive ideals garnered the attention of President Woodrow Wilson, who appointed him assistant secretary of the Navy. After successfully fulfilling this duty during the turbulent years of the First World War, Roosevelt ran for vice-president on the ticket of James Cox. After losing in the landslide victory of Herbert Hoover in 1920, Roosevelt struggled to stay in the center of the political scene of the Democratic Party. In 1921, Roosevelt was taken ill with poliomyelitis, which robbed him of his ability to walk. Always the warrior, Roosevelt fought against the illness and continued to practice politics from his wheelchair, a remarkable feat considering the stigma present during the time period that handicapped persons were unfit for political leadership. FDR's historic battle with polio left him a different person, someone with greater understanding for the

underdog: in essence the type of people the Democratic Party claimed to represent. He successfully reentered politics in 1928 by launching a successful gubernatorial campaign in New York. Four years later he parleyed his popularity and success in the Empire State into the new hope of the nation as president.

Franklin Roosevelt had a truly unique perspective of the world, the presidency, and his role in both. Roosevelt's worldview may be classified into three broad categories: pragmatic politics, world politics as local politics writ large, and politics of inclusion. Roosevelt stated clearly what the president of the United States would have to do to meet the crises of 1932 and all other future crises as leader of the nation: press forward with "bold, persistent experimentation" (Barber 1990, 287). Critics are quick to point out that Roosevelt had no "grand design" or overarching political philosophy, but he instead based his presidency on the simple fact that "our nation is in trouble and it is the responsibility of the government to do something about it" (Dallek 1995, 35). Roosevelt was a man of action, one who inspired hope and optimism because he was willing to take risks in order to help others.

Secondly, Roosevelt believed that politics should be practiced the same at the world level as at the local level. Alliances, power, and personality should play into the equation for the interaction of the president as well as every mayor, councilmember, etc. Just as the leader of a town or city could take extraordinary measures in order to deal with crises, FDR took matters into his own hands upon ascending to the presidency. He shut down the banks the day after he stepped into office, passed an amount of legislation previously thought unimaginable to curb the effects of the Depression, and asked Congress for all power possible to fight poverty, the same as if a foreign invader had threatened the liberty and freedom of the United States (Dallek 1995, 25). Roosevelt viewed crises as his time to shine, and he employed the same tactics that got him into the White House to fight against the problems that plagued society.

Finally, Roosevelt also viewed politics as a process in which everyone should be included. Support for his programs and initiatives were always gathered through coalitions, in order to include as many people as possible. In the international sphere, Roosevelt felt the same way about other peoples and cultures. During his presidency four essential human freedoms became the clarion call for aiding persons of all nations: freedom of

speech, freedom of worship, freedom from want, and freedom from fear. Roosevelt once stated that “our liberty is linked to the destiny of the world,” and as such “democracy must be supported in all corners of the earth” (Dallek 1995, 79). Roosevelt’s vision included the idea of collective security and international cooperation. The United Nations was Roosevelt’s brainchild, his manner of creating peace for all members of the earth by including them in the decision making, the security, and the economic stability of the entire world.

Political style. Experts classify Franklin D. Roosevelt as the first president to utilize a modern system of bureaucracy. My analysis of Roosevelt’s managerial style concentrates primarily on his first year in office, 1933, because the Soviet Union received official diplomatic recognition later that year. Though his later modifications to the advisory system (e.g., creation of the Executive Office of the President) would most clearly reveal his political style, his managerial trends were evident even from the very beginning.

Roosevelt’s organization of White House aides and cabinet secretaries is basically the prototype for competitive models (see Figure 2). As George and George eloquently state, Roosevelt “deliberately exacerbated the competitive and conflicting aspects of cabinet politics and bureaucratic

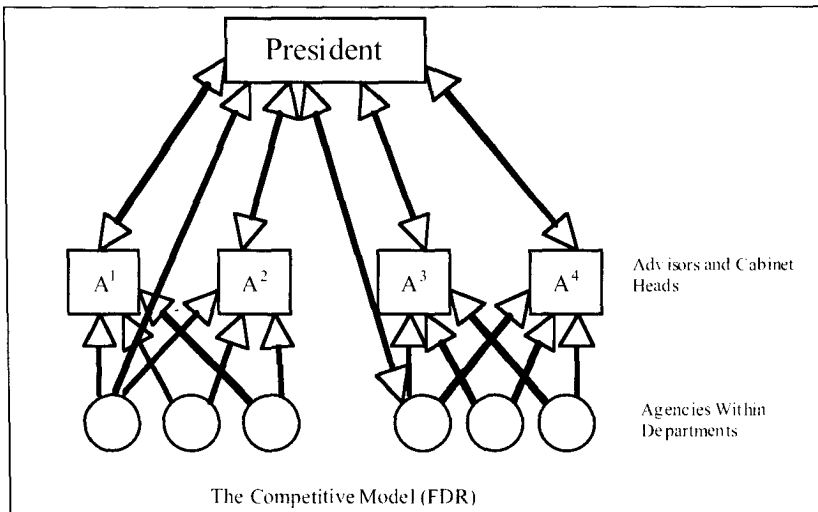


Figure 2: Competitive model employed by Roosevelt. It encourages variety and multiple sources of information and permits the president to consult anyone.

politics" (George and George 1998, 204). In a conversation with Frances Perkins, his Secretary of Labor, Roosevelt revealed how he thought cabinet members should relate to each other: "A little rivalry is stimulating you know. It keeps everybody going to prove he is a better fellow than the next man. It keeps them honest, too" (George and George 1998, 205). Roosevelt denied the collective importance of the cabinet, preferring instead to consult with individuals on various policy issues. Cabinet meetings, though held weekly, discussed little of substance and were basically only a venue for individuals to find the President afterwards and discuss issues face-to-face.

Roosevelt successfully created an atmosphere of chaos in the administration, one that only he could sort through. He purposefully made ambiguous and duplicitous assignments to secretaries in order to promote competition and blur the lines of jurisdiction between departments. Under secretaries received their nomination not from the secretaries of their departments, but from the President himself, thereby forcing cabinet heads to accept Roosevelt's nominees instead of their own men. Presidential aides from the White House were forced into cabinet positions as well and often drew themselves into conflict with their superiors, whom they were supposed to support. Roosevelt operated without a chief of staff and preferred selecting White House aides and cabinet secretaries who held general rather than specific knowledge of issues (with a few notable exceptions of course, such as Secretary of State Cordell Hull). Anonymity became the preferred attribute of those who advised him (Hess 1988, 32).

Roosevelt drew on a large network of friends and acquaintances inside and outside of the bureaucracy. Drawing on contacts made in his years as a state senator and governor of New York, and as assistant secretary of the navy under Woodrow Wilson, he consulted whomever he pleased on a given issue. Samuel Rosenman, for example, served as an integral part of Roosevelt's gubernatorial administration and was solicited often for advice on policy issues. Rosenman eventually began writing all of Roosevelt's speeches and had to quit his job as a New York Supreme Court Justice in order to keep up with the workload. Friends and acquaintances, such as William Bullitt and Frances Perkins, quickly found themselves with influential positions within the new administration (Ambassador to the Soviet Union and Secretary of Labor, respectively) and as such were consulted more frequently than their peers. Even Franklin Roosevelt's wife, Eleanor, was a prominent figure in advising the President (Barber 1990, 279).

Roosevelt had little respect for institutional boundaries or ideological differences between subordinates. Several instances have been recorded in which Roosevelt took different cabinet secretaries or aides who were at loggerheads and made them come to a unified decision. Instances also arose in which Roosevelt would force strict, overbearing timetables upon those around him in order to whip up competition and conflict and resolve tough matters quickly.

All of these items served to create an atmosphere of controlled chaos in the administration—controlled at least until the pressures of war strained the system almost to the point of breaking. Roosevelt was able to employ his office effectively as a “bully pulpit,” just like his rough-riding cousin, in part because of this atmosphere he created. It served to give him multiple sources of information and create unity around only one person, himself. While this created enormous problems in implementing policies and procedures, it did prove effective in permitting Roosevelt to push his own projects with minimal interference, whether it was New Deal legislation or the recognition of the Soviet Union.

Explanation. Roosevelt viewed the issue of recognizing the Soviet Union as something that could only help, and not hurt, the United States. He thought it absurd that our nation should reject a country just because of its ideologies: “purely doctrinaire ideas, as, that communism automatically outlaws interacting with a nation, should be discarded” (Bennett 1985, 6). He believed that he should end the “abnormal relations” between the two nations and that “frank, friendly conversations” could have that effect by eliminating misconceptions and promoting a new chapter in U.S.–Soviet relations (Greer 1958, 162–63). Roosevelt believed in including all nations of the world in politics, and he hoped interacting with the Soviet Union would promote a peaceful world order and create benefits for both nations. Roosevelt mentioned often the huge potential for trade between the two nations and thought that such a benefit was worth overlooking the conflicting ideals of communism with capitalism (Maddux 1980, 13).

Roosevelt’s advisory system served to reinforce the idea that he should extend recognition to the Soviet Union. As was his nature, Roosevelt consulted with many persons inside and out of the administration to understand fully the situation and its implications. One advisor pointed out “. . . he could not go forward until he had tested the ground, studied

all the reactions, and weighed all the risks” (Maddux 1980, 11). Having consulted many sources of information, most of whom expressed support for the idea, Roosevelt moved ahead with plans and contacted Stalin’s representatives. The negotiators that represented the United States in these discussions on recognition briefed the President personally and even brought Soviet representatives to the White House so that Roosevelt could further persuade the Soviets to come to terms with the demands of the United States. In the end, Roosevelt’s personal lobbying proved a decisive factor in ultimately convincing the Soviet Union to establish formal relations with the United States (Maddux 1980, 14).

Advisors of the President pointed to the growing threat of Germany and Japan as the primary motives in Roosevelt’s ultimate decision to recognize the Soviet Union (Bennett 1985, 5–6). While these were certainly factors in the Roosevelt’s thinking, it appears that other factors weighed just as heavily on his mind. Roosevelt genuinely desired a new world order where all nations would be included and violent confrontations could be avoided. These plans would later come to fruition in the creation of one of Roosevelt’s ideas: the United Nations. Increased trade would benefit citizens of the U.S. and U.S.S.R. alike and would hopefully lead to even better relations in the future. Roosevelt, as a popular leader who knew he could garner the necessary support at home and abroad for the idea, used his bully pulpit of the presidency and made the necessary arrangements to extend recognition.

Roosevelt best expressed these sentiments himself in his first Inaugural address in 1933:

In the field of world policy I would dedicate this nation to the policy of the good neighbor—the neighbor who resolutely respects himself and, because he does so, respects the rights of others—the neighbor who respects the sanctity of his agreements in and with a world of neighbors. (Greer 1958, 158)

Roosevelt hoped that mutual trust and aid could become the core of international relations, instead of mere power politics and conflict. As the leader of an influential nation, Roosevelt tried to pursue policies that would promote this type of cooperation. The recognition of the Soviet Union in 1933 serves as a quintessential example of how Roosevelt’s views of the world thus influenced his foreign-policy decision making.

Conclusion

My research supports the notion that studying the role of the decision-maker in foreign policy has merit. By examining two facets of a president's personality, his worldview and his managerial style, in relationship to diplomatic recognition, I was able to establish a degree of causality. Table 1 summarizes my basic findings, showing first that both presidents had certain aspects of their worldview in common, namely a belief in American exceptionalism and a desire to become more involved in the politics of the world. In other words, each president believed that America enjoyed the benefits of the very best economic, political, moral, and military systems and should help other nations of the world progress towards that point as well.

This similarity in ideology between these two democratic presidents begs one to question why Wilson refused to extend recognition if he, like Roosevelt, wanted to include other nations in the political process and help them to attain the same prosperity the United States enjoyed. The answer lies in one particular aspect of worldview: labeling. Wilson set clear distinctions (i.e., "labeled") between nations he viewed as legitimate or not. For Wilson this litmus test was one of morality. Legitimate nations were moral if they permitted their citizens basic freedoms and worked towards their development and livelihood. On the other hand, regimes that deprived their own citizens of these basic rights could not be trusted and must be shunned by the international community as a whole, and especially the United States as the moral leader of the world. This would force such regimes to correct their erroneous behavior and adapt to the superior ways of the United States and its allies. Wilson's view that God had implicitly placed him in the presidency because of his hard work and moral lifestyle reinforced the view that he alone had the responsibility to deny recognition to immoral foreign regimes. Wilson's divisive worldview was complemented with an advisory system that severely limited the amount of dissenting information he received in matters of foreign policy. These factors boil down to a simple fact: that Wilson's labeling of the Bolshevik regime, one he felt had usurped power and was depriving citizens of their rights, placed them in the realm of illegitimacy. He thus felt it his duty to refuse recognition.

Roosevelt, however, saw potential benefits in extending the official recognition that their predecessors had denied. He felt that if lasting peace

was to be created in the world, then all nations, regardless of regime type, must necessarily be included. Roosevelt used an extraordinary amount of political capital—even lobbying personally with representatives of the U.S.S.R.—working out a deal behind closed doors to extend recognition. Although Roosevelt might have agreed with the categorizations that Wilson had made, he refused to let his own personal beliefs and ideologies stand in the way of recognition.

My findings show that worldview affected the decision to extend or refuse recognition to the Soviet Union. Worldview, especially the labeling mechanism previously described, is the primary factor in how presidents come to make decisions on recognition. Presidential style, while not the primary factor in the question of recognition, cannot be ignored. How the president sets up his advisory system and how he receives information concerning foreign policy act as a reinforcing mechanism and should thus be categorized as an intervening variable.

Table 1 illustrates this point: Wilson created a formalistic system to simplify the process of receiving information. The few advisors he trusted were given inordinate amounts of power in influencing the president, yet these advisors largely reported information that would reinforce the previously held views of the president. Thus when Wilson labeled the U.S.S.R. as immoral there were no advisors to dissent from this opinion. Had Wilson set up a competitive model of advisement the outcome might have been altered. Forceful aides and secretaries might have aided Wilson in removing the labels they had placed on the U.S.S.R. and might have helped him realize that the political inclusion they desired required the recognition of all types of regimes as a starting point from which to work.

Roosevelt, on the other hand, had such a system in place. His advisory systems were largely competitive, and as such provided a wide array of opinions and information on any given topic. Rather than merely reinforcing ideas of the president, these systems forced the president to decide from among many given options. This also served as a reinforcing mechanism, in that Roosevelt initially considered the idea of recognizing the Soviet Union and then found support from within his own cabinet. Roosevelt found many within his administration who supported his ideas, which reinforced his views enough to ignore the protests of the State Department and influential members of Congress.

My case study of Presidents Wilson and Roosevelt in regards to diplomatic recognition demonstrates that personality does have an effect on foreign-policy decision making. My research supports the idea that “who the president is matters” in cases of diplomatic recognition. The United States is one of the few nations on earth that makes recognizing another country a matter of moral approbation (rather than mere reflection of which regime is in power). This tends to make the issue of recognition a matter of the conscience of the president rather than a vital national security interest. I believe that utilizing personality or other first-level approaches in such cases is highly beneficial. My work complements that of James David Barber, and Alexander and Juliette George by focusing on the worldview and style of the president. In using a comparative study of two decisions regarding diplomatic recognition, I have proven the claim that presidential personality affects foreign-policy decision making. I demonstrate how two facets of presidential personality—worldview and political style—cause the president to see things a certain way and act accordingly. My findings serve as an alternative to theories that utilize rational actor models and discount the importance of the president himself in making foreign policy.

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THE RISE OF THE SPANISH SILVER *REAL*

Rachel Piccolo Moisés

Abstract

The Spanish silver real, or eight reales, dominated international financial markets from the sixteenth to the eighteenth centuries. This article explores the history of the real and defines the factors contributing to the coin's rise as the premier international currency. While Spain's monetary policies and wealth of silver bullion were instrumental in the real's rise to ubiquity, the demand for dependable silver currency in Asian trade markets assured international demand for the real long after the Spanish Empire entered its decline.

Introduction

Looking back on history, one can easily identify particular currencies that rose to prominence and became the preferred global currency. What is it about a currency that motivates both allies and enemies alike to seek after it and prefer it over their own currency? In this article, I will investigate the case of the Spanish silver *real* or *eight reales*, which some have called “the world’s most famous silver coin” (Pond 1941, 12). From the sixteenth to the eighteenth centuries, the *real* dominated the international financial market and was the most sought after and trusted coin in the world. I seek to explain this phenomenon.

Generally a currency prospers simultaneously with the nation that controls it, but that was not the case with the *real*. According to Dennis Flynn, the pinnacle of the Spanish empire was in 1580 (Flynn 1982, 139) and from then on the empire steadily weakened until it lost its position as a great power in the mid-seventeenth century (Elliot 1961, 52). During its decline Spain suffered from an abundance of ultimately overwhelming difficulties. These included the burden of administering an empire larger in area than the Roman empire at its peak, the massive strain and

expense of numerous wars, the depopulation of the mother country as a result of emigration to Spanish colonies and the expulsion of the Moors, the invasion of foreign goods into the domestic economy, poor government financial administration, and Spain's over reliance on precious metals for wealth (Chapman 1948, 335–36).

The *real* persevered as the primary international currency for another two hundred years despite the Spanish empire's collapse and continued weak domestic economy. How is it that a country with countless domestic economic flaws could support such a currency? I propose that a weak domestic economy and a strong international currency need not be mutually exclusive; in fact, some of the policy choices that most hurt Spain's home economy simultaneously helped the *real* gain international distinction. Once the *real* had been propelled into international circulation, it became virtually independent of Spain due to strong international demand for it.

To further examine the position of the *real* I will establish the historical background of the Habsburg Spanish Empire to illustrate the conditions of the empire and continent in which the *real* originated. Next I will offer a historical overview of the origin of the *real*, how widely it was used, and when it ceased to circulate as an accepted currency. I will then address how and why the *real* became the preferred international currency. I will also discuss the critical role China played in the *real*'s rise in South East Asia, Europe, and the Americas. Finally I will return to the questions posed earlier and expound on the reasons for the *real*'s long life of success.

Historical Background on the Habsburg Spanish Empire

The struggle of numerous kingdoms to rise to continent-wide power and attain both political and religious dominance characterized sixteenth-century Europe. Paul Kennedy explains that this struggle for European predominance signaled a change in the nature of warfare in Europe from regional conflicts to large-scale international contentions. He attributes this change to two main factors: first, the Reformation, which divided Europe between the North and the South and between middle-class city dwellers and the lower feudal orders; second, the rise of the Habsburgs, whose possessions formed a "network of territories which stretched from Gibraltar to Hungary and from Sicily to Amsterdam" (Kennedy 1989, 32).

The Habsburgs secured the position of Holy Roman emperor and thus gained considerable influence in European affairs. Nevertheless, their

most effective means of increasing in territory and power was through strategic marriages. Through the arrangement of such marriages Maximilian I of Austria brought the Habsburgs the inheritances of Burgundy, the Netherlands, Hungary, Bohemia, and, of greatest consequence, Spain. By 1526 Maximilian's grandson, Charles V, was Holy Roman emperor and inherited the rule of these newly acquired kingdoms (Kennedy 1989, 32–33).

Despite the heterogeneous composition of the Habsburg Empire and the resultant difficulties in maintaining their unified domain, the empire's neighbors took the threat of Habsburg power seriously. Habsburg lands encircled the French state, which dedicated itself to checking Habsburg power. Habsburg expansion also distressed the German princes who had fought diligently to restrain the Habsburgs from exercising power within German territories. The popes were also critical of the increasing Habsburg power (Kennedy 1989, 33–34). With such a wide range of enemies, no amount of territory or political clout could assure the Habsburgs would become victors in the battle for European predominance.

According to Kennedy, the Reformation instigated religious clashes which turned political animosity into bloody hostility. Due to Habsburg monarchs' staunch defense of Catholicism, political power and religious matters were inseparably connected, and thus the divisions of the Reformation spilled into the political arena (Kennedy 1989, 33).

In the mid-1500s, the Spanish Habsburgs were forced to defend their Italian territory against a series of attacks by the French. Between 1520 and 1550, Francis I of France waged war against Spain despite repeated defeats and treaties. Charles V had sufficient resources to defend his territory against the French, but due to his position as Holy Roman emperor he had additional enemies with whom to contend. Among those foes the most formidable were the Turks from the Ottoman Empire, who threatened Charles V on many fronts. The empire's inland territories were in danger of attack by forces advancing from the Hungarian plains, and Spain and Italy were vulnerable to attacks by sea. Charles V also met much difficulty in Germany, where the Protestant Reformation had destroyed all political stability. Finally, Spain had revolts in the Netherlands to deal with in what is now known as the Eighty Years War (Kennedy 1989, 34–38).

In addition to outside threats, the Habsburgs strained themselves by engaging in offensive actions to expand their territory. In 1580, Philip II

annexed Portugal along with its colonies. In response, England determined to check Spain's power by supporting the Dutch rebels in the Netherlands. Thus what had begun as a local rebellion became an international struggle for power; in time, Dutch and English privateers extended the fighting to fronts as far away as West Africa and the Caribbean. In addition to the Portugal offensive, in the 1590s Spanish armies invaded France in a campaign that lasted nearly a decade.

In 1598 the constant warring between Spain and its enemies began to subside with the Peace of Vervins; Spain agreed to refrain from interfering with France. In 1604 Spain and England agreed to cease fighting. Five years later Madrid negotiated a truce with Dutch rebels heralding a short-lived peace (Kennedy 1989, 34–38).

In 1618 another wave of wars swept the continent. Within Germany the rivalry between the Protestant Evangelical Union and the Catholic League had been intensifying for a decade, and because of many outside interests “It appeared as if most of the States of Europe were lining up for a final settlement of their political-religious antagonisms” (Kennedy 1989, 39). The Protestant Bohemian states revolted against Ferdinand II, the new Holy Roman emperor, and thus began the Thirty Years War of 1618–1648. Germany, the Netherlands, France, and England all joined in the conflict. Even after the Treaty of Westphalia in 1648, Spain and France continued to fight for more than a decade. Finally, in 1659, Spain conceded to peace and signed the Treaty of the Pyrenees, which signaled the end of Habsburg power in Europe (Kennedy 1989, 39–40).

The aforementioned political conditions of Europe during the fifteenth and sixteenth centuries greatly affected the political and economic stability of Spain both domestically and internationally. Now I will examine how Spain's stability affected the rise of the *real*.

Historical Overview of the Spanish *Real*

The *real* was first minted in the fourteenth century under the direction of the King of Castile and Leon, who was known as Pedro the Cruel (Pond 1941, 12). However it was not until 1497 when Ferdinand and Isabella initiated monetary reforms, called the *Pragmatica de Medina del Campo*, that the *real* was established as a unit of account in Castile and Aragon. Under the new system the *maravedi* was the basic unit of account. The silver *real* was equivalent to 34 *maravedis*, and 375 *maravedis* equaled

the gold *excelente* (Sumner 1898, 608). The *real* was further divided into eight fractions, hence its alternative title, the *eight reales*. Although other coins such as four *reales* and two *reales* were minted, they were merely fractional coins of the eight *reales* (Carothers 1930, 27).

John Porteous boldly claims, "The Pragmatic of Medina del Campo was one of the best timed monetary reforms ever made." Spain could not have foreseen the impending inflow of bullion from the Americas, yet the kings reformed their minting system in a manner that prepared it to handle a massive influx of bullion. As Porteous goes on to note, "By providing from the start for the issue of indefinite multiples of . . . the *real*, they met the demand for larger coins which a big influx of precious metals was bound to create" (Porteous 1969, 153). The previously incompetent Spanish monetary system was replaced with one adequate to meet the needs of the forthcoming Spanish Empire. When Spain began receiving massive flows of Spanish-American bullion, it was fully equipped and prepared to increase production of the silver *real*.

The *Pragmatica* established the organizational framework to begin regular minting of the *real*, but other factors initiated the increased minting: Portuguese voyages to Asia revealed Asia's great demand for silver, and Spain's discovery of America provided a seemingly unlimited supply of the precious metal. In what would turn out to be a pivotal intersection of events, the demand for Spanish silver increased almost simultaneously with an increase in its supply (Busschers 1999, 10–11). The reform of 1497 established the *real* as a unit of account and prepared Spanish mints to cope with the dawning invasion of Spanish-American silver.

How far did the *real* spread as an accepted currency? J. Busschers quotes a scholar as saying, "In worlds [*sic*] history, no coin whatever, has got so wide spreading over both the hemispheres. From the Gobi desert to the banks of the Amazon and the Hudson, and from the Great Chinese wall to the Australian continent, this piece is prevalent" (cited in Busschers 1999, 50). One cannot dispute that the *eight reales* earned its title as an international currency. Throughout its life it took on various appearances as successive Spanish kings altered its design and occasionally its weight and value, but its popularity in all corners of the earth endured regardless.

In the Western Hemisphere the *real* dominated as the primary currency in all of Spanish America, which included most of South America, all of Central America, and much of the Caribbean. The *real*, or *peso*, as it was

known in much of Spanish America, prospered in these areas until each country gained its independence during the nineteenth century and began minting national coins. Even so, the present currency standards of all Central and North American countries are derived from the *real* (Carothers 1930, 22). For instance, after independence Mexico modeled its “Mexican dollars” or “pesos” after the Spanish *reales* it was accustomed to minting. The new *peso* quickly dispersed within the *real*’s area of circulation, and the international community either did not distinguish it from the Spanish *real* or accepted it as an appropriate substitute (Andrew 1904, 321).

The Mexican dollar went virtually unchallenged until the late nineteenth century when Mexico’s silver output dramatically plunged. The United States, Great Britain, and France each attempted to replace the *peso*’s use in their respective overseas colonies. Each nation independently attempted to “displace the Mexican coins, first by attempting to force its own money into circulation, then by issuing an imitation of the Mexican dollar, and now at last by the proposed adoption of a gold “exchange standard” (Andrew 1904, 342). It took many failed attempts for the nineteenth-century great powers to displace the Mexican dollar in their own domestic economies and throughout their colonial possessions. Although the Spanish government did not mint the Mexican dollar, its success is attributable to the prestige and stability of the *real*.

In the English Colonies, despite the official currency of English pounds, most coin payments were made in *reales*. After American independence, Congress “declared the dollar [the American term for *peso* or *real*] to be the ideal monetary unit for the United States,” and it continued as legal tender in the United States until 1857 (Andrew 1904, 326). The *real* also prospered in Europe, particularly in countries interested in trade with South East Asia and China, “the most important area of circulation” for the *real* (Busschers 1999, 93). The Chinese came to trust the *eight reales* to the extent that they would not accept substitutes even if those coins’ weight and value exactly equaled that of the *real*. With the advantage of such confidence, the *real* maintained a stable position in the Chinese economy until 1914 when it was replaced by a Chinese silver dollar called the ‘Yuan Shi Kai Dollar’ or simply *yuan* (Kann 1928, 159).

The *real* freely circulated throughout most parts of the globe and was the predominant currency in nearly the entire civilized world from the late

fifteenth century into the nineteenth century. Having established that, I will now turn to an explanation of the rise of the Spanish *real* as the international standard.

Rise of the Spanish *Real* as an International Currency

Worldwide demand for silver dramatically increased in the mid-sixteenth century as Europe experienced a liquidity crisis and China entered its “silver century” (Von Glahn 1996, 113). Fortunately for Spain, the discovery of huge amounts of silver in its American colonies coincided with this worldwide surge in demand for silver. This simultaneous increase in demand and supply of silver was a necessary precondition for the *real* to emerge as an international currency. Were it not for the Chinese demand in particular, the *real* would not have attained nor maintained its international status. As the global demand for silver began to change, Spain instigated domestic economic policies that concurrently crippled its economy at home and thrust the *real* into international usage. The *real* began circulation in the European community and eventually made its way to North and South America, South East Asia, and China. In time international demand led by China became so great that Spain’s only task in maintaining the *real* was to offer the world a steady supply of the coveted money.

The *real*’s rise was predicated upon a worldwide increase in demand for silver. Busschers explains that around the time Spain began minting the *real*, gold coins “were the most important coins in international trade” (Busschers 1999, 11). At the time, Europe heavily traded with the Arabs who brought oriental products from the East. However, when Portuguese explorers made their way to India in 1498 they soon found that local merchants eagerly accepted silver and rejected gold. This change in monetary priority was due to the fact that “Gold was plentiful in the Indies, whereas silver was in demand there” (Porteous 1969, 142).

Portuguese trade thus created two new markets for silver, an Asian market that demanded silver currency for transactions, and a European market eager for funds with which to trade in Asia. Although this early Asian demand for silver catalyzed a greater demand for silver in the West, it did not have nearly the far-reaching effects that the Chinese demand would have over fifty years later. However, for the sake of chronological clarity I will postpone discussion of Chinese demand until after

having established how the *real* became the coin to meet the early increase in demand for silver.

How did the *real* earn its initial popularity? As mentioned previously, the sudden wealth of silver flowing from the Americas into Spain's coffers was a necessary precondition for the eventual popularity of the *real*: Spain never could have supported an international currency of such magnitude with solely its domestic silver supply. Before the discovery of Spanish-American silver, there was insufficient silver to supply the world with large volumes of silver coins. Piatt A. Andrew's observation that more than four-fifths of all the silver produced for use in the civilized world between 1493 and 1850 came from Spanish-American mines illustrates the central role American silver had in increasing the world supply and making the *real*'s international growth possible (Andrew 1904, 322).

Nevertheless, merely having the capability to supply massive volumes of silver coins does not guarantee the international community will accept and seek after one's currency. Another necessary condition is that the coin has a stable, high value that can compete with other coins in the market. The *real* exhibited these qualities.

The Spanish government maintained the high value of the *real*. Andrew reports that "[Spanish] standard of weight and fineness has suffered comparatively few alterations since their institution." The *real* underwent no serious debasement until the eighteenth century when it was only slightly devalued on two occasions. Miraculously, between 1497 and the early twentieth century the value of the coin decreased by only 5.9 percent. For a long period while Spain's contemporaries were debasing their coinage, the *real* maintained a stable value and "their exceptional goodness caused them to be the more eagerly sought abroad" (Andrew 1904, 323–24).

The reason for the Spanish monarchy's dedication to a stable *real* was largely one of self-interest. Spain well understood the potential for competition from other European states, and were the *real*'s demand to be compromised by that competition, long-run seigniorage, or taxes received by Spain from New World mints, would decrease. Although revenues from seigniorage were not the largest source of Spanish income, they provided a significant and steady flow of earnings to the Crown. Akira Motomura notes that these revenues were particularly vital during times of war as they were generally unimpeded by military conflicts. Thanks to

Spain's notable emphasis on preserving a strong currency for use in foreign transactions, the Spanish *real* was the most stable and highly valued silver coin of the period.

Although the *real*'s intrinsic value was superior to that of its contemporaries, it still required augmented exposure to foreign markets to increase its circulation and popularity. In 1552, Spain took drastic and domestically unwise measures to battle high inflation caused by massive silver imports. The new policy encouraged cheaper imports while discouraging exports. In fact, it went so far as to ban the export of many goods including "wool and silk textiles, tanned leather and other goods" (Busschers 1999, 22). As a result, wool exports peaked in 1550, and over a short period of time dropped over 175,000 *arrobas* per year, the equivalent 4.3 million pounds (Phillips 1982, 779). Naturally such a policy contributed to domestic economic disaster as local producers were cut off from the international market and faced a flood of new foreign competition. Thus Spain instigated the devastation of its own economy by spending its silver abroad in an attempt to control inflation.

The battle against inflation was not the only cause of silver outflows from Spain: the extravagance of the royalty and overspending on war ensured a steady flow of money out of the country. Porteous suggests, "Both Charles V and Philip II were encouraged to overspend wildly on war and grandiose diplomatic projects" (Porteous 1969, 171–72). Earl J. Hamilton further notes that "Extravagance of the royal family and courtiers, intrigues of Philip II, and disturbances in the Spanish possessions in Italy, Holland, Portugal, Flanders, Germany, Austria, and Africa helped to multiply the financial burdens awaiting Philip III (1598–1621)" (Hamilton 1965, 74). The result of such extensive overspending was massive exportation of silver, and despite the steady flow of wealth from the Americas, Spain plunged into extensive debt.

By 1600 the only domestic concern over inflation was directed towards the locally used *vellon*. When Philip III took the crown in 1599 he faced a national debt that could longer be ignored. His predecessors, Charles V and Philip II, had been committed to maintaining "sound money" and had managed to withstand pressure to use debasement as a means to increase government revenues. Philip III, however, lacked the strength to resist political pressure to do something about the unbalanced budget. Although he dared not touch the *real* because of potential

international competition, Philip quickly authorized debasement of the *vellon*. The *vellon* is a petty currency originally composed of both silver and copper that was used within Spain among the common people for virtually all transactions (Hamilton 1965, 75). In fact, the Spanish economy was comprised of two nearly distinct markets: one for large-denomination gold *ducats* and silver *reales*, and another for small-denomination *vellones* (Motomura 1994, 106). Beginning in 1599 and continuing throughout the economic decline of Spain, the *vellon* suffered repeated devaluations at the expense of the public (Hamilton 1965, 75).

The first of many alterations to the *vellon* was to re-mint it as a purely copper coin. Less than three years later his Majesty reduced the *vellon*'s weight by half. Later that same year, he increased the fees for coinage and fixed the maximum price for copper. The purpose of these policies was to increase government revenue, and that is exactly what they did. The first and second debasements each increased net revenue by 100 percent, and the fixed copper prices increased Crown revenue by approximately 254 percent (Davies 1961, 94). In the following years the *vellon* was devalued and re-minted on several different occasions, each time accruing profits to the Crown and putting more *vellones* into circulation. Hamilton notes, "These inflationary measures drove *vellon*, which had circulated at or above parity for more than a century, to a discount and evoked bitter criticism from the kingdom" (Hamilton 1965, 75–76).

The purpose of this article does not permit an in-depth analysis of the series of *vellon* devaluations, but the effects on Spain's domestic economy, and indirectly on the *real*, are of interest. *Vellon* inflation increased the cost of all goods and services in Spain, which prompted merchants to sell to the Spanish domestic market while shunning Spanish export goods (Davies 1961, 95). Once again Spanish producers and merchants faced a situation in which they could not compete with foreign products flooding the market, nor could they sell their products abroad. When Philip IV (1621–1665) took the throne Spain faced the problems of inflation and massive public debt left by Philip III. These strains upon the country were only exacerbated by a worsening of general economic conditions due to increased emigration of young men, heightened international competition from northern Europe, decreased Crown revenues due to the alienation of most taxable income sources, and large commitments of both revenue and manpower to the recently begun Thirty Years War (Hamilton 1965, 79).

Under the reign of Philip III most inflationary problems had been sufficiently controlled that the *vellon* continued to circulate practically side-by-side with silver at only a small discount. However, the problems under Philip IV, including continued *vellon* devaluation, soon generated a steep rise in the price of *vellon* and a premium on silver coins. In 1626 the premium on silver rose to approximately 50 percent, and Philip IV's attempts to counter the increase were so unsuccessful that by 1642 the premium had risen to 200 percent. Under these circumstances Gresham's Law, which posits that bad money drives out good money (Britannica n.d), took effect, and silver *reales* disappeared from circulation in Spain (Davies 1961, 96–98). Spain's economic struggles boosted the *real*'s international circulation as many *reales* previously reserved for domestic use were shifted to foreign exchange.

Even as Spain entered a period of economic disaster, the *real* began its era of greatest popularity. Early Spanish policies of the mid-sixteenth century designed to stifle exports helped the *real* embark on its first major campaign abroad. The rest of Europe—particularly the Netherlands, France, and England—benefited from Spanish imports by exploiting the hungry Spanish market. In return, those countries reaped silver, in the form of *reales*, which compensated for their own domestic lack of silver. Spain's neighbors welcomed this source of silver, and because of the *real*'s stable value they generally refrained from melting them down or using them for other non-monetary purposes.

After the *real*'s initial exposure to foreign markets, Spain's massive spending on war and extravagance continued to pump silver out of the country, evidenced by the enormous debt accrued during the reigns of Charles V, Philip II, and Philip III. "The flood of precious metals from the Indies, it was said, was to Spain as water on a roof—it poured on and then was drained away" (Kennedy 1989, 55). The Crown's attempts to remedy the public debt by devaluing the *vellon* eventually led the price of *vellon* to skyrocket, which in turn accelerated the drive of silver *reales* out of the country into foreign markets.

In today's world it seems counterintuitive that a country could promote its currency abroad by initiating policies that were ultimately detrimental to its domestic economy. We associate a strong international currency with a strong domestic economy, but that was not the case for Spain. On the contrary, were it not for the stifling of exports and encouragement

of imports, the *real*'s international success might have been delayed. That is not to say that the *real* would never have risen to become an international currency, but there would have had to have been some other mechanism for putting the coin into foreign pockets. As it is, Spain's large volume of imports and expenditures on war and royal extravagance served as the means to introduce the *real* to the world.

Once significant amounts of *reales* were circulating internationally and Europeans continued to offer a willing market for them, the *real* was on its way towards becoming a universal coin. However, the *real* did not reach its full potential until it expanded beyond the boundaries of Europe. Its first destination on foreign land was Spanish America. When Spanish settlers began establishing the empire in the New World they encountered several problems concerning the use of currency. American indigenous peoples did not use coins as a medium of exchange but rather used other goods such as cacao beans, seashells, and mother-of-pearl, as well as forms of commodity money (Seeger 1978, 168). In the New World the *real* and other Spanish coins were established as the official currency, but the money supply was limited to the small amounts that settlers brought with them from Spain. Due to the severely deficient money supply, Spanish settlers had no choice but to use gold and silver as commodity monies and trade with the natives according to the weight of the precious metals. As the Spanish population in the New World grew, a lack of currency continued to plague the settlers (Aiton 1931, 199).

After years of petitioning the royal crown in Spain, the Queen finally approved a royal *cédula* on 11 May 1535 which authorized the viceroy of New Spain to organize a royal mint (Aiton 1931, 201). Coins were to be minted in accordance with the regulations established by the Catholic kings in Spain and were to strictly adhere to the weight, size, and design of the existing Spanish coins. Furthermore, the minting of gold coins was expressly forbidden (Seeger 1978, 177–78). Since the natives would not accept copper coins, the New World mint exclusively produced silver coins (Porteous 1969, 170).

The exclusive and abundant minting of silver coinage in Central and South America, along with the decree that the coins be accepted as legal tender throughout the Spanish Empire, contributed to the international success of the *real*. Without competition, the *real* dominated the Spanish-American market as the most sought-after coin. The most significant

reason for the *real*'s spread across Spanish America is that all peoples of the Spanish empire, indigenous and ladino, were required to accept Spanish coins as legal tender. In other words, Spain forced the *real* on its colonies and the new mints on the continent made the coins readily available to the population. As local economies began to expand, the demand for currency increased and use of the *real* grew (Porteous 1969, 225).

Spanish domination of Central and South America, along with the demand created by Spanish settlers, facilitated the spread of the *real* throughout those lands. In North America the driving factor behind the *real*'s spread to the British colonies was the shortage of coins. For most countries, the late sixteenth and early seventeenth century was a time of irregularity in type and quantity of coins. Because of constant fluctuations in bullion supply and the lack of uniformity in the type of coins available, "every country encouraged circulation of whatever foreign coins it could entice into its territory" (Carothers 1930, 18). The American colonies suffered from a severe shortage of coins and the people eagerly procured coins of any country through trade. Although coins from most Western European countries circulated in the colonies, the predominant coin was the Spanish *real*, which the colonists referred to as the "Spanish dollar" (Martin 1977, 1009). The colonies received the largest quantity of *reales* from their prosperous trade with the West Indies. Additional Spanish coins migrated to the colonies from European settlements along the Gulf of Mexico and pirates frequenting the Atlantic ports further supplemented the supply (Carothers 1930, 22).

Throughout the eighteenth century the colonists continued to depend on Spanish dollars to provide an adequate supply of coins. As previously mentioned, the colonies had become so accustomed to reckoning in terms of the Spanish dollar that when the Continental Congress determined to establish an official currency standard throughout the country, the most viable option was to base the system on the Spanish dollar (Carothers 1930, 38). The new system maintained American dependence on the Spanish dollar. During the next century, Congress made several attempts to eliminate foreign coins from circulation, but the large quantity of Spanish *reales* in circulation and people's historic use of the coin led to its continued use until 1857 (Martin 1977, 1010–20). The American account demonstrates one situation in which the *real* reached a country through trade in response to demand for silver coinage. Once

the *real* began circulating, the common people became highly trusting of and dependent upon the coin. A similar phenomenon occurred in China.

How did the *real* make its way to China? Busschers explains the possibility that some *reales* arrived in China via Portuguese trade routes to India. The Portuguese empire, which relied on the *real*, regularly traded with India and China (Boxer 1970, 459). Busschers estimates that in the second half of the sixteenth century, Portugal exported some 750,000 *reales* annually to Asia (Busschers 1999, 26). Until the late sixteenth century few *reales* made it to China through that route because the Portuguese took advantage of an embargo prohibiting Chinese sailors to trade with Japan and used Japanese silver to make a large profit on their trade with China. Since the Portuguese primarily used Japanese silver to trade with China, most of the *reales* went to India, where they were melted down and converted to local currency (Boxer 1970, 460). Nevertheless, estimates indicate that during the late sixteenth and early seventeenth centuries between 6,000 and 30,000 kilograms of Spanish silver were shipped annually to Macao, China.

Despite Portuguese trade, the *real* did not substantially penetrate South East Asia and China until Spain began trading there. Beginning in 1565 Spain regularly traded with Manila through a small fleet called the Manila Galleons that traveled between Mexico and the Philippines. The Galleons traded in an interesting cycle: the trip back to Mexico brought Chinese silks and other oriental goods, which were purchased in the Americas with *reales*. After exchanging its goods for silver, the ship returned to Manila with *reales* destined to purchase more oriental products that could be sold for silver in America. After a decade of continuing transfer of Spanish-American silver to South East Asia, the Viceroy of New Spain with charge of the Philippines added to the flow of *reales* by sending 100,000 *pesos* of *eight reales* to Manila annually (Madriaga 1968, 59).

The substantial amount of silver flowing from Spanish America to Manila had not yet reached its final destination. Upon arrival in Manila, Spanish merchants used the silver primarily to purchase Chinese goods. Chinese merchants wanted silver and the Spanish wanted exotic oriental products; the result was that Chinese vessels dominated the Philippine market as they searched for and profited from Spanish trade. Between 1611 and 1612, 91.5 percent of Manila's customs revenues came from Chinese vessels (Von Glahn 1996, 123). Chinese dominance of the market

and the fact that Spanish vessels returned home laden with Chinese goods clearly indicates that masses of Spanish silver in Manila were being traded to China. One estimate suggests voyages from New Spain shipped five million *reales* annually to Manila and thence to China. In 1597 alone, an estimated twelve million *reales* reached China via Manila (Boxer 1970, 464).

A third and final route for Spanish-American silver to end up in China came from bullion originally shipped to Seville and thence either legally or illegally sent to Amsterdam and London. Beginning in the 1600s, both the Dutch and East India Companies began transporting some of this silver to South East Asia to purchase oriental goods. Although smaller amounts of *reales* reached China through this route, in comparison to the Spanish–China trade out of the Philippines, it provided a consistent flow of silver to help meet Chinese demand (Atwell 1982, 75).

Now we return to the question of why Chinese merchants so eagerly accepted Spanish *reales*. What created the Chinese demand for the *real*? The Chinese monetary system was based on bronze coins minted by the Ming government, but due to a shortage of bronze, coins became scarce. Consequentially private bronze coins and various forms of silver began to compete with the Ming coin in an attempt to feed the Chinese market's demand for money. After 1600, the Ming state debased its coin, and notwithstanding increased imports of foreign silver, the silver coin exchange rate rose progressively (Von Glahn 1996b, 430–31).

Just as the Chinese state decreased the quantity and value of the official money supply, the demand for money drastically increased due to a “commercial revolution” in China. Von Glahn lists several factors which contributed to the augmented demand for money: the “monetization of public finance as well as private exchange, dissolution of servile social relations and the emergence of free labor markets, regional specialization in agricultural and handicraft production, rural market integration, and the stimulus of foreign trade” (Von Glahn 1996b, 432). These factors increased demand for money throughout Chinese society as more and more people and institutions began engaging in monetary transactions.

As the gap between the money supply and demand for money expanded, silver mining in China experienced a compensation-driven boom. However, in a matter of decades Chinese domestic silver supply waned, forcing the Chinese to look elsewhere to supplement their inadequate money supply. Ironically, it was at this time, the 1530s, that Japan

discovered “abundant silver deposits” which welcomed in what is known today as East Asia’s “silver century.” Despite a ban on overseas trade, Chinese merchants quickly began trading with Japan in pursuit of silver. As time went by, China found other sources of foreign silver, prominent among them the already mentioned Portuguese traders in Macao and Spanish-American silver in Manila (Von Glahn 1996b, 432).

China’s need for money motivated the search for foreign resources, but that does not explain why the Chinese people chose silver instead of other forms of bullion such as gold or bronze. Richard Von Glahn explains, “The source of profit from silver . . . was the high value silver commanded in China compared to other forms of specie” (Von Glahn 1996b, 433). Silver had twice the value in China as it did in Europe: the gold–silver ratio in China was 1:6, while in Europe it was 1:11–12 (Busschers 1999, 24). C. R. Boxer intrepidly states, “This was the basic reason why China remained for so long the suction-pump which absorbed silver from all over the world” (Boxer 1970, 461).

Savvy merchants quickly discovered the profit of trading with countries that placed a relatively low value on silver and then returning to China to reap a hefty arbitrage profit. This practice was so profitable that many merchants went abroad for the sole purpose of procuring silver to sell in China (Von Glahn 1996, 126). Given the premium price silver commanded in Asia, European traders “could buy cheap and sell dear” so long as they had an ample supply of *reales* (Boxer 1970, 463). Considering this set of circumstances, the flow of silver into China seemed destined to happen.

Though China was interested in silver in general, why did the *real* in particular become so popular in China compared to other contemporary silver coins? At this time China had an established system of bronze coinage for its official currency, but it used silver as commodity money (Von Glahn 1996, 142). As a commodity, silver was valued according to its weight, and because the *real* had both high and constant silver content the Chinese quickly accepted it (Busschers 1999, 24). Not only did the *real* have a high value as a commodity, but it was also readily available due to the high volume of trade between Spanish America and Europe with South East Asia. A further advantage for the *real* was the fact that it was the first foreign coin to enter China in significant quantities (Kann 1928, 128). These factors combined to produce both wide usage and acceptance of the Spanish *real* in China.

The demand for the *real* in China was essential to the *real*'s consistent prosperity for three centuries. Were it not for the massive Chinese demand, the *real* would have been significantly more vulnerable and likely to fall with the Spanish empire. Since China and most of South East Asia accepted only the *real*, any nation desiring to participate in the lucrative Asian trade had to acquire a sufficient supply (Busschers 1999, 33).

Until the 1590s, Portugal and Spain dominated trade with Asia. Other European nations eventually began to realize the profitability of trading directly with Asia, and in 1597 the Dutch challenged Portugal's monopoly of the Indian trading route. Two years later England ventured to trade directly with the East. The two nations soon established regular trade relations with Asia, but neither England nor the Netherlands was pleased with their dependence on Spain to supply them with trading coins because the *real* was scarce and because it was a tactical weakness to be dependent on one's enemy. In 1600 the English attempted to substitute the *real* with its own silver trading coin, which exactly equaled the weight and alloy of the Spanish *real*. The Dutch, who suffered most from the *real*'s scarcity, also coined their own *real*. Unfortunately for both countries, the Chinese rejected both mock-*reales* (Busschers 1999, 33–34).

Busschers attributes the rejection to two things. First, "because the Spanish coins had been counterfeited by other nations . . . the Asians mistrusted any new coinage" (Busschers 1999, 33). The Chinese had come to so trust the *real* that even coins of the same weight and alloy were quickly dismissed as suspect counterfeits. Second, millions of *eight reales* were already circulating in South East Asia, and the amount of new coins supplied by other European nations was insufficient to overthrow the firmly established *real* (Busschers 1999, 34).

After the Chinese snubbed *real* substitutes, the international prestige of the *real* surged. It was then undeniable that if a country wanted to trade with China, it would have to obtain Spanish *reales* for the transactions. High demand for *reales* in South East Asia and China boosted demand for the coin in the West to a degree that even the British East India Company made its transactions in China primarily with Spanish dollars. Eduard Kann estimates that between 1710 and 1759 the East India Company alone traded £26,833,614 of silver in the form of Spanish *reales* with China (Kann 1928, 126–27).

Once again we encounter a trend that conflicts with modern-day conceptions of what increases a currency's international demand. Generally one expects that if a nation engages heavily in exporting, its currency will be highly demanded internationally. In this case, however, it was Spain's imports that initially diffused the *real* throughout Europe, not its exports. By the time worldwide demand for the *real* began to peak, the Spanish empire was already entering its decline and was not engaging in extensive foreign trade. Although Spanish-American trade initially spread the *real* to South East Asia, it only indirectly influenced the *real*'s success. Indeed, it was China's tremendous demand for the *real* and the world's desire to trade with China that made the *real* the ubiquitous world currency that it was.

Conclusion

The Spanish Empire first introduced the *real* to the world at a time when its power was unquestioned. However, as time went by and the Spanish Empire's grip on power began to slide, the *real* continued to prosper. At first glance it is puzzling that the *real* managed to prosper in spite of Spain's concurrent decline, but upon closer examination one sees that after having achieved a measure of international success, the *real*'s popularity became independent of the empire that produced it.

Spain's economic policies marred its domestic economy but promoted the *real*'s use by the international community. After this initial promotion of the *real*, it became the universal trading coin and was in high demand throughout the world, irrespective of Spain's position in the world power-system. Chinese demand supported the *real*'s position as any nation wishing to trade with China had to have sufficient *reales*. China's thirst for silver and its wealth of coveted goods maintained the international ubiquity of the *real* in spite of Spain's supposed inability to support an international currency in the face of a national downturn.

Acknowledgments

I would like to thank Professor Scott Cooper of the Brigham Young University Political Science Department for his many suggestions for improvement and assistance with the research and content of this paper. Most importantly, I appreciate the support and encouragement I have received from my sweet husband.

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TAX REFORM IN RUSSIA: ENCOURAGING VOLUNTARY COMPLIANCE THROUGH PERSUASION

Camille Jackson

Abstract

Despite tremendous difficulties in the past, the current Russian tax system is performing surprisingly well. However, while Russian government officials have effectively tackled many of the economic and logistical problems embedded in the laws themselves, one area still calls for reform: voluntary compliance. This factor alone sets the Russian tax system apart from most systems in the U.S. and Europe, as Russians have tended away from tax compliance for centuries. I use an explanation of persuasion to show how the Russian government can—and is—garnering voluntary compliance from its citizens, using a persuasion chain in which persuasion transfers from international officials to Russian government officials to Russian citizens. This chain combines with existing theoretical ideas that Russians are ready, but not willing, to accept democratic standards and that better performance will increase trust (and tax payment) in democratic regimes. I use data from the New Russia Barometer and interviews with Russian citizens to test this explanation, concluding that it is too early to tell if persuasion methods have been effective, but that there is definite potential for the development of voluntary tax compliance in Russia.

The final days of 1991 brought unprecedented changes for Russia. The fall of Soviet rule and the struggle toward Western-style democracy—or at least away from communism—had been a long, hard, and trying process for Russia and her citizens. National output shrank considerably, inequality increased, and poverty became a reality for many. These calamities stem from the difficult yet necessary restructuring process—a process marked by difficulties and sometimes failure. An area in which the country

has met with extreme difficulty is taxation. Russia has been notorious for widespread tax evasion and corruption, problems caused by ill-conceived tax laws and a cultural tendency away from tax compliance (Åslund 2001). Contrary to popular belief, however, the past few years have also seen surprising success in tax reform initiatives (Åslund 2001; Institute of Economics, Moscow 2002).

Indeed, amidst all the suffering and calamity, Russia has been making progress in its transition, and the new tax code adopted in stages between 1999 and 2003 is remarkable evidence of this progress. In the course of change, Russian officials have lowered both income and corporate tax rates, tightened compliance by using personal identification numbers on tax returns, and worked incessantly to improve federal–regional tax relationships. As a result, tax receipts have increased from 69% of expected tax revenue in 1996 to around 120% of expected revenue in 2000, and the growth rate of tax revenues almost tripled between 2001 and 2002 (Aaron 1996; Pravda 2002).

Some of this success is attributable to new tax laws that have increased clarity and transparency while decreasing an almost intolerable tax burden. Other success is attributable to higher oil prices and their subsequent boost of the Russian economy. Even in the face of these successes, however, Russian tax law will not become fully effective until the new laws meet with voluntary compliance. Indeed, this aspect alone is the most significant difference between the Russian tax systems and those operating in the United States and Europe: in Russia, there is no cultural norm that one must pay one's taxes; on the contrary, there is a norm that one should evade paying taxes to the greatest extent possible.

How, then, does the Russian government overcome this obstacle? I use an explanation of persuasion, or using dialogue to win a party over to your beliefs, to demonstrate how the Russian government can facilitate—and in some cases is already facilitating—voluntary tax compliance from its citizens. This idea begins with international tax assistants who first convince the Russian government that facilitating voluntary compliance should be a priority. Russian government officials then take this idea down to the level of citizens, where they set up programs and launch campaigns to garner voluntary compliance.

To provide a context to discuss this process, I will begin by laying out some of the problems associated with Russian tax compliance, problems

I identify as “unwritten rules” of the tax system and “social/historical rules” that have evolved over time. It is these rules the Russian government is struggling against—a struggle made more difficult by the fact that these rules have been cultivated for over a century, becoming embedded in Russian culture over time.

The Russian Tax System: A Tiger Tamed?

For most of the 1990s, the Russian tax system gained a reputation for ineffectiveness, complexity, and corruption—and for good reason. Tax revenues were low (1997 tax collections were only 65.9% of those anticipated), tax laws were complicated and nearly incomprehensible without the aid of an accountant, and deals both with and within government helped facilitate low tax compliance (Institute of Economics 1997, 5). The tax system became a tiger imprisoning the government, rendering Russia incapable of providing social benefits, offering economic incentives through taxation, or attracting foreign investment through transparency. With unemployment averaging 10.3% between 1990 and 1999, wage arrears equaling around \$40,000 in 1997, and age-adjusted mortality rising by 33% between 1990 and 1994, social benefits were sorely needed yet crippled by low tax receipts (Eggars, Gaddy, and Graham 2004; International Labor Organization 1997).

Necessarily, the system needed reform: the tiger had to be tamed. What lay in the heart of the tiger were tax institutions—the rules that govern how people and organizations act within the state and society. These ineffective institutions can be broken into three primary categories: faulty and uncoordinated “written rules” created by the government, “unwritten rules” that have arisen in both government and society, and “social/historical rules” that have been centuries in the making. Of these three, the Russian government has transformed written rules the most, and this reform has proven surprisingly successful. Voluntary compliance, however—the focus of this article—is primarily affected by changes in unwritten and historical/social rules, which cannot be so easily changed by a parliamentary vote. Unlike written rules, these two categories have yet to be fully tamed. Before understanding how such taming can occur, however, one must understand where all three types of rules came from, what they are, and how they have crippled the Russian tax system.

Three Sources of the Complex System

Badly written rules. The Russian government is responsible for creating the official, written rules of the Russian tax code. Since the fall of communism in 1991, these rules have been amended, changed, and added to, subsequently becoming more complex if not mutated and greatly deformed. Beneath all this adding and amending a number of forces were at work, shaping the rule-making process until it became blind to the realities of the system and produced rules that only added to the complexity.

One of these forces was government tolerance of an inadequate system. According to Vitaly Artyokov, head of the Russian State Tax Service until 1997, the Russian government “passed a law whereby taxes are considered to have been paid when a payment authorization is issued by the client, not when the funds are received by the budget” (cited in Varnavskaya 1997, 8–9). In addition, firms apparently had a legal right not to pay, and the government considered tax offenses only an economic crime, not a crime against the state (Varnavskaya 1997, 8). One example of such leniency was the corporate institution of “middlemen” used to avoid taxation. These middlemen buy products from a mother company, sell those products, then use the resulting profits to obtain inputs and supplies for the mother company. Thus, while the “middlemen” are actually working for the company, they are legally tax exempt and not recorded on the books as corporate agents (Filippov 1997, 2). With a parliament overly sympathetic to corporations making such lenient laws—which are ultimately contrary to the goal of increasing tax revenue—there was bound to be confusion and low compliance.

Another problem contributing to the undue complexity of the tax system was lack of coordination between the legislature and executive branch. Especially in the mid-1990s, the Russian legislature focused on creating tax laws that were lenient while the executive branch focused on compliance and rule of law. Explanations for the lack of political coordination include clashes between parties within the Duma and government officials who were put into office by—and therefore loyal to—certain companies. Between 1992 and 1995 especially, politics within the Duma prevented the body from passing effective laws that might have aided tax administration by the executive branch and greatly simplified the system. Within parliament, the left and right prevented each other’s agendas from being passed, creating a blockade to effective tax reform

(Silenikov-Murylev and Trofimov 1997, 1). In addition, early, lenient tax laws enabled some companies to become wealthy and acquire power, power that they then used to put certain candidates into office (Norberg 2004). Coming into office partly through the assistance of non-tax-payment, these politicians had a certain loyalty to the lax taxation laws and little incentive to improve the system (Vishnevskaya 1997, 1).

In the face of lenient tax laws, the executive branch attempted to ameliorate the problematic situation through strict enforcement of existing tax law. The most extreme and notorious example of this is the Russian Tax Police, which was given such wide discretion in collecting taxes that Russian tax collection practices bore a striking resemblance to intimidation by the mafia (Gregory and Brooke 2000). In addition, Russian tax administration became bloated over time, with a 5,000-position (17%) increase in personnel between 1992 and 1995 (Åslund 1995, 194).

Behind this inconsistency between creation and execution of the tax laws lay problematic ideological divides regarding reform. A World Bank report on assisting Russia's transition notes that "the period through late 1999 was characterized by ideological and political splits over market reforms, perceived risk of backsliding, frequent shakes and major decisions within the government itself—including . . . parliamentary opposition to the reform efforts" (Zanini 2003, 40). When the writers of rules lean toward clemency and the executors toward severity, the rules tend to become muddled and interpreted disparately by the different groups.

Lack of government foresight is another factor that led to bad rules. During *perestroika*, when Russia first began the transition to private enterprise and was only imagining what a new tax system ought to look like, the government required little accountability from new enterprises, thus failing to condition firms to the reality and necessity of taxation (Zanini 2003, 40). The Russian government also applied shortsighted crisis management to deal with financial emergencies, often introducing "short-term and frequently improvised policy reaction . . . rather than . . . the implementation of a longer-term and comprehensive stabilization and reform blueprint" (Zanini 2003, 40). This lack of foresight produced institutions that were neither sustainable nor realistic for a market economy.

Unwritten rules. In addition to the obvious *written* tax rules of the Russian government, there are also *unwritten* rules created by both government and society that have hindered the Russian tax system. Some

of these were meant to be compatible with government regulations while others were meant to help firms and individuals get around regulations. One of these unwritten rules, nonpayments, has become extremely prevalent in—and detrimental to—the Russian tax system. The system of nonpayments provides for noncash payment or payment through goods instead of money, a practice engineered by businessmen and government officials in an effort to decrease inflation but that has led only to currency devaluation and defaults on loans (Aitken 2001).

The Russian government's heavy involvement in the system of nonpayments has led to especially detrimental effects: the government is often tardy with its payments for goods and services, which in turn makes government-serving firms tardy with their tax payments (Pinto, Drebenstov, and Morozov 2000). Local governments have played a part in the promulgation of this system by allowing and even inventing non-monetary tax payment systems—such as barter—to exact even marginal tax compliance (Woodruff 2002). *This creates a cycle that might work theoretically (nobody pays nobody and all debts are forgiven), but that in practice creates economic inefficiencies because many of the companies to whom debts are forgiven are obsolete and unneeded (Aitken 2004).* In the end, the nonpayments system compounds fiscal difficulties (Woodruff 2002).

In addition, the nonpayment system creates two business systems: one monetary and the other barter-based (Randall 2001, 152). Barter systems have become surprisingly prevalent in Russia, especially since the financial crisis of 1998, and government tax provisions have only further encouraged such practices. Barter systems are economically inefficient as they require a double coincidence of wants; transaction costs increase greatly as both buyers and sellers must find what they want from someone who wants what they have to sell.

Keeping multiple, misleading business records is an unwritten rule that has additionally plagued the Russian tax system. According to Linda M. Randall, “several managers described their strategy of keeping three sets of books: one for government tax collectors, one for organized crime, and one for the manager” (Randall 2001, 151). These separate, misleading records are not considered dishonest, but simply an appropriate way of doing business. This practice reflects the Russian approach to dealing with taxes, an approach that can be traced back further than a century.

Social and historical rules. Many of the problems and inefficiencies that existed in the Russian tax system were present in the late 1800s during Russia's last attempt at creating a comprehensive tax system. Then, like today, increasing corporate taxes, collusion between taxpayers and tax collectors, and a blurred line between tax avoidance (considered legal) and tax evasion (illegal) plagued the system (IMF 1997; Bowman 1993, 272). Evidence of the same problems constantly reoccurring suggests that many of the inefficiencies in the tax system are the result of Russian culture and the Russian way of looking at taxation, which differs greatly from social conceptions of taxation in other countries. An anecdote illustrates this point:

During a business seminar in Novgorod, Russia, managers openly discussed the mechanism that they use to avoid paying taxes. A first question directed to American seminar leaders sought explanation of the ways U.S. managers avoid paying taxes. The instructors admitted that there are a number of loopholes that with a good accountant and tax planning allow Americans to reduce their tax burden and still hold to the letter of the law. Still puzzled, the Russians asked how Americans who cannot take advantage of loopholes avoid taxes. In response, faculty members pointed out that Americans run the risk of getting into trouble with the U.S. Internal Revenue Service if they attempt to avoid paying taxes. This exchange of information convinced the Russian managers that Americans are not aggressive and not good managers. (Randall 2001, 151)

While this attitude is prevalent among Russian business managers, what is more disconcerting is its prevalence among Russian lawmakers. The current attitude regarding tax avoidance among Russian citizens is exacerbated by lawmakers who appear more interested in accommodation of tax evasion than they are in combating it. Highly publicized leniency for tax violators has produced a public that does not fear prosecution for tax violations. Indeed, as noted by Erik Berglöf and Romesh Vaitilingam, "non-compliant taxpayers have interpreted each amnesty as a promise of further forgiveness, and acted accordingly" (Berglöf and Vaitilingam 1999, 11). In closing, while Russian culture may have a historic trend toward tax evasion, badly written rules and tax-evasion prone unwritten rules have only worsened the situation.

Persuasion: The Key to Voluntary Compliance?

I take part in this debate by contending that legal reform alone cannot change imbedded social norms or historical rules—Russian's historical tendency to evade taxes. Social norms—and the unwritten laws contingent upon them—are reconciled largely by administrative reform, not policy (tax-code-changing) reform. I argue that persuasion is the guiding factor in both motivating administrative reform and garnering voluntary compliance. This process, in effect, creates a persuasion chain, as represented in the following diagram:

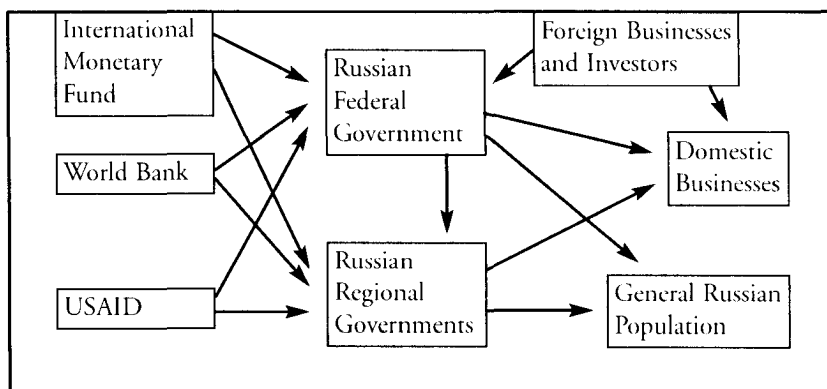


Figure 1. Persuasion Chain

Persuasion chain. Here, persuasion “begins” with international technical assistance—officials with the IMF, World Bank, USAID, and OECD, who transfer an understanding of economic principles. International officials interact with Russian government officials, offering advice that is considered, analyzed, experimented upon, and then absorbed into both Russian tax laws and administrative practices. After incorporating these suggestions and ideas, built on an understanding of economic principles, Russian officials then transfer these ideas, ways of thinking, and understanding about how new laws and practices should function on to Russian taxpayers, persuading them to comply with these new laws based on economic principles. Here, the transferred idea is that the new tax system must act like a principled tax system as opposed to simply looking like one. This persuasion is directed both toward Russian companies, from which most tax receipts are received, and Russian individuals who pay taxes. Persuasion

of both companies and the Russian population in general is achieved through two primary methods: (a) literature, propaganda, and advertisement of the new changes in the tax law; and (b) assistance for taxpayers. The first embodies an education initiative—programs to educate taxpayers as to what their responsibilities are, as well as how the changes are in their favor. The second is also educational in nature, but focuses on the nuances of compliance and is an attempt to show government support for those who comply.

Existing explanations and extension. Explanations of voluntary tax compliance within Russia have not been widely formulated or researched, but scholars have done extensive work regarding Russian culture. Since I intend to use a largely cultural argument for voluntary tax compliance, I will build upon this area of research to create a theoretical foundation.

Numerous articles in Russian culture literature address Russia's prospects for effective democracy. One prominent study incorporating numerous interviews with Russians from all walks of life found that Russians support democratic values but are unsure whether their current institutions will effectively uphold democracy (Carnaghan 2001). In other words, Russian culture is prepared for democracy and the incorporation of Western attitudes and behavior, but Russians themselves feel that their institutions are not capable of such behavior. The study further finds that Russians see a strong need for institutional reform but have little interest in changing these institutions. If, however, institutions were changed with the assistance of international organizations and analysts, these reformed institutions might then foster democratic ideals. Ellen Carnaghan does not consider this, but I would like to present it as a possibility.

Some theoretical support for this possibility is embedded in William Mishler and Richard Rose's work on regime approval (Mishler and Rose 2002). These authors contend that the performance of institutions—particularly economic performance—is the driving factor behind regime support. If democratic institutions perform well, then citizens will support democratic regimes, while ill-performing democratic institutions will have the opposite effect. Although this research focuses on regime support as opposed to tax compliance, I contend that tax compliance reflects regime support. After all, it only makes sense that support of a democratic regime would be reflected by democratic behavior within democratic institutions.

An earlier study by Mishler and Rose investigated the role and status of trust in post-Soviet countries, a concept central to the functioning of an effective democracy (Mishler and Rose 1998; Bianco 1994). This study found that post-Soviet citizens are not necessarily distrustful of their government, but that they were not entirely trustful either. Instead, post-Soviet citizens reflected skepticism, an in-between characteristic that allows one to draw only limited predictions for the future of democracy in post-Soviet countries. Although the study did not yield strong predictive results, it did effectively paint a picture of post-Soviet levels of trust. This finding was reconfirmed, albeit not directly, in Carnaghan's study.

By combining these findings, one can form a picture of how politics and democracy should work in Russia. Russian citizens are skeptical of their government and believe current institutions will not effectively support democracy. At the same time, Russians do harbor democratic attitudes, and if democratic regimes performed well and brought economic success, Russians would, in theory, fully support those regimes and institutions. Recently Russian institutions have performed well. Tax revenues are high, compliance has greatly improved, the federal budget is under control, and the Russian government can now pay off its loans instead of defaulting on them. Will this shift create enough support for democratic tax institutions to create voluntary compliance, or has voluntary compliance actually preceded this shift? I contend that persuasion initially prompted reform and now this reform may prompt a two-way process that will eventually lead to greater compliance. More specifically, once persuasion has convinced Russian taxpayers to comply (which some evidence already supports), the improved tax performance created by persuasion will earn added support and, by extension, promote even greater compliance. It is important to note, however, that for this process to work persuasion at the outset is a necessary requirement.

Method. To evaluate the accuracy of my ideas I have examined data on regime support, trust, and attitudes toward tax evasion from the *New Russia Barometer* for the years 1996, 1998, 2000, 2001, and 2003. In addition, I have interviewed Russian citizens in Moscow, investigating their knowledge of and opinions on the recent tax reforms and whether they have perceived increased compliance over time.

Data from the *New Russia Barometer* yields mixed evidence. Over time, support for the democratic regime, and especially for the president,

has increased (Figures 1 and 2). Presidential support, however, can be attributed to a change in the president as opposed to a change in the population's perspective on the presidency in general. Regime support is similarly ambiguous and may, as Mishler and Rose hypothesize, reflect increased performance of the democratic system.

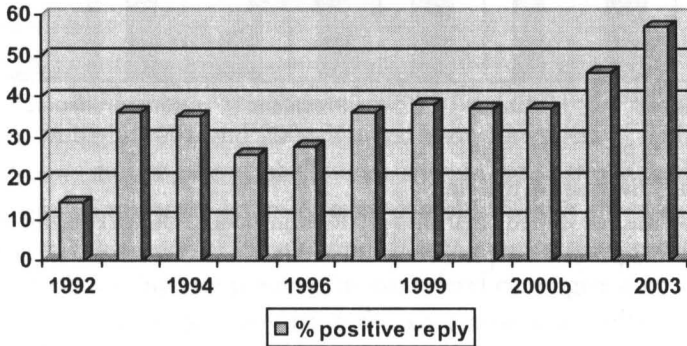


Figure 2. Russians Favoring Current Regime

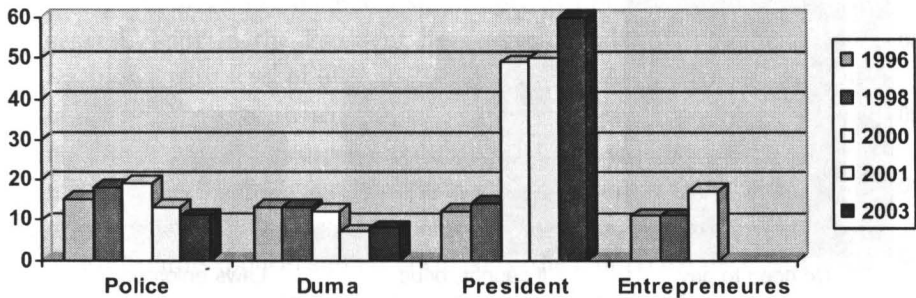


Figure 3. Trust in Russia.

Percent of Russian citizens that trust Russian police, Duma/Parliament, the president, and private entrepreneurs.

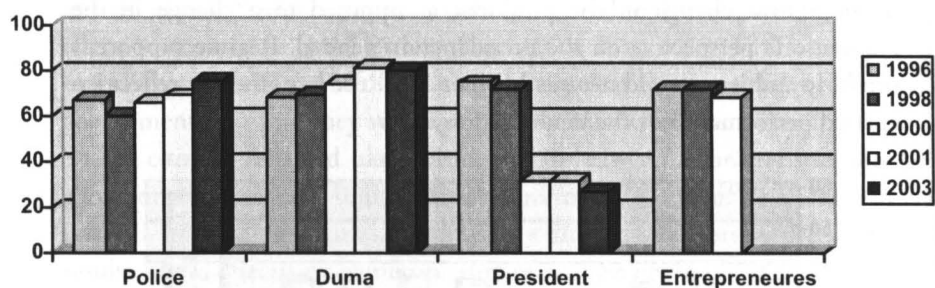


Figure 4. Distrust in Russia.

Percent of Russian citizens that distrust Russian police, Duma/Parliament, the president, and private entrepreneurs

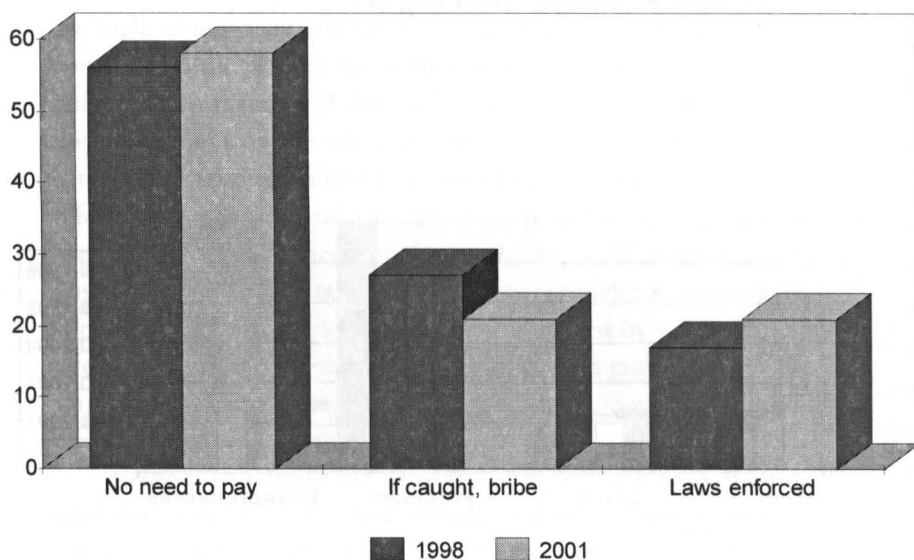


Figure 5. Attitudes about Tax Evasion, 1998 and 2001

Source: *New Russian Barameter*

It is difficult to draw conclusions concerning trust in the government from the available data for a number of reasons. One problem is that the *New Russia Barometer* asks about trust in specific groups or organizations within government (Figure 3), as opposed to trust in government as a whole. While this is an effective and precise manner of gauging trust, the way it was carried out by the *New Russia Barometer* produces two potential issues of incommensurability. The *New Russia Barometer* is not consistent in the entities it asks respondents to evaluate. For example, between 1996 and 2000 the *Barometer* asked about the Duma or parliament in general, while in 2001 and 2003 it asked about members of Parliament. In addition, the *Barometer* asked about trust in international officials in 2000, but in no other years. A second problem with the *New Russia Barometer* is that none of the questions it asks concern trust in tax collection officials, or any group whose approval level could give a very precise idea of how much Russians trust the government to collect and use taxes fairly. The best estimates of this kind of trust are likely derived from public perceptions of the police, a part of which oversees tax collection and administration, and of the Duma, which ultimately oversees changes in tax law. Fortunately, the *New Russia Barometer* measured both groups every year. Unfortunately, measurements indicate that trust in both groups fell between 1996 and 2003. Trust in the Duma has plunged the most, taking a large hit in 2001 when the New Russia Barometer began asking about Duma members specifically as opposed to the Duma in general. Trust in the President has increased substantially since 2000, reaching a trust level of 60% in 2003 (Figure 3). Also included is a measure of trust in entrepreneurs, a trust that has increased over time and may be related to higher corporate compliance with tax laws. Most of these numbers, however, leave us with more puzzles than before. The data from the *New Russia Barometer* cannot clearly answer why trust in tax law administrators (police) and tax lawmakers (the Duma) has decreased while support for a democratic regime in general has increased.

Only one question from the *New Russia Barometer* directly addresses tax evasion, and, unfortunately, the *Barometer* asked this question only in 1998 and 2001. According to this data (Figure 5), general attitudes have changed slightly during that time. Respondents felt that tax laws were more strictly enforced in 2001 than in 1998 and that it has become more difficult to evade taxes by paying a bribe. However, only 2% more respondents felt

there was no need to pay. In other words, the Russian population has seen tax administration increase, but this increased administration has not brought about a shift towards voluntary compliance or a sentiment that *taxes should be paid*. *This is an interesting finding, suggesting that although there is greater perceived enforcement this has not been accompanied by cultural change or the emergence of a belief that taxes should be paid.*

A deeper look into the situation through interviews

Interviews with Russian citizens and officials shed further light on this relationship between the perception of increased enforcement and a concurrent lack of change in cultural attitudes. While speaking of corporate (as opposed to private) taxes, one Russian respondent expressed the view that the new, lower tax laws made it easier to own a business and pay taxes; it was the laws alone, and not attitudes, that have increased the number of businesses and amount of business tax compliance. Along those same lines, Derek Norberg, executive secretary of the Russian American Pacific Partnership, expressed that businesses now see it as profitable to pay taxes: doing so is less costly, increases transparency, and increases the company's legitimacy in the eyes of the community and international investors (Norberg 2004). The attitudes of businessmen have not changed, but the new laws and lower tax rates have made compliance a much more feasible and profitable option. This same idea has been expressed by other officials and citizens; the new tax rates make it more profitable for companies to pay taxes (Dobrolyubova 2004).

In addition to lower rates making compliance easier, new administrative measures have made compliance imperative. For example, previous income tax laws left a gaping hole for Russian citizens with more than one job: They could report only one form of employment on tax forms and Russian officials would never know that they had two or three other jobs. Recently, however, Russia has instituted a tracking system that identifies each individual with a number. This system has made it more difficult to hide multiple jobs and income sources. Thus, both statistical and qualitative evidence seem to suggest that Russian attitudes toward paying taxes have changed very little and that any increased compliance must be attributed to a change in laws.

The evidence of increased perception of enforcement and increased compliance in general reflects an overall trend in Russian domestic

government. Known as Putin's "rule of law," this is an ideal strongly enforced by Putin in many facets of Russian society, including the media, elections, crime, and, of course, tax payment. Strong administrative measures such as the arrest of Yukos Oil Company owner Mikhail Khodorkovsky have shown Putin's desire to come down hard on tax offenders, and the public largely supports the government in this endeavor. Currently, 36% of Russians support the government against Yukos, 8% support Yukos against the government, and 17% are unsure (Public Opinion Foundation 2004). This trend, however, may simply be a starting point for garnering compliance. In the United States, most of us would say we comply because there is widespread knowledge of the IRS and how it punishes noncompliance. If a similar knowledge is cultivated in Russia, voluntary compliance may form over time. This change, however, must be facilitated through persuasion, persuasion the government has already initiated through a series of programs.

Studies conducted by the World Bank point out the importance of programs geared toward creating voluntary compliance and indicate that Russia has launched educational initiatives and set up taxpayer services within some regions—with international pressure (Gill 2003). Before 2000, compliance initiatives were not a high priority for the Russian government. The government saw tax payment as simply an obligation of all Russian citizens to keep the government running; it would be ludicrous to fund programs geared toward getting citizens to pay taxes with the very funds these programs were meant to raise. Over time, however, the Russian government saw the importance of voluntary compliance—a change that came about primarily through international dialogue as officials with the World Bank convinced Russian government officials that voluntary compliance is an area of the tax system that must be addressed, even if doing so requires the paradoxical use of taxpayers' rubles (Dobrolyubova 2004). Since then the government has launched advertisement campaigns to educate Russians about the new tax laws. These campaigns have included slogans such as "pay your taxes and sleep calmly" and analogies such as an apple slice that illustrates the decrease in income tax (Dobrolyubova 2004). Other programs have included taxpayer services, where tax inspectorates can answer questions for taxpayers, and even a tax book for school children—an educational initiative meant to teach children at an early age the importance of paying taxes.

Perhaps it is too early to observe the effects of these voluntary compliance initiatives. Indeed, for a country with a historical trend away from tax compliance, such initiatives will take time and may have a limited effect at first. I contend that this premature state is largely responsible for the mixed statistical results presented in Figures 2–5 and the tremendous evidence that new laws alone account for compliance. Over time, new laws coupled with new administration—and especially administration initiatives geared toward voluntary compliance—have a potential for success. This is partly supported by Mishler and Rose's theory: the positive economic performance of a regime (in this case, the present tax system) will elicit support for that system or regime. This support, coupled with compliance programs, could in turn create more support—support that can change the thinking of taxpayers over time. Aside from this theoretical development, tax scholars note that even the United States went through a period of heavy corruption and Mafia infiltration during the 1920s, yet has since developed an honest tax system (Swift 2004). Thus, there may be hope for Russia as well.

Evidence of a Persuasion Chain.

While only future research can fully examine the persuasion relationship between Russian government and citizens, some evidence already supports the persuasion chain laid out earlier in the chapter, especially as it pertains to voluntary compliance. As noted previously, before 2000 the Russian government did not see voluntary compliance as a priority; it required international dialogue and persuasion, primarily by the World Bank, to convince the government to fully address the issue (Dobrolyubovna 2004). Since then, the Russian government has launched numerous advertisement campaigns and initiated taxpayer services to foster voluntary compliance. While many of these initiatives have been geared toward the population in general, some are meant to persuade businesses specifically, especially the taxpayer service programs. Besides income taxes, which are usually paid through companies, Russian citizens pay few direct taxes. This may seem to make tax advertisements geared toward the general population pointless, but many business owners and entrepreneurs are included in the general population. Thus, this completes the persuasion chain as it applies to voluntary compliance.

This article has briefly explored the area of voluntary tax compliance in Russia, concluding that conflicting statistical evidence suggests a need for further research in this area to determine the relationship between administrative reform, tax policy reform, and the growth of voluntary compliance. At the same time, qualitative evidence lends support to the idea of a persuasion chain linking international organizations, the Russian government, and Russian citizens. Although tax compliance has increased in Russia, the nation has a potential for even greater tax compliance, a potential that, if realized, may be an important step towards consolidating democracy in Russia.

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THE SINO-TAIWANESE CRISIS: A GAME THEORETIC ANALYSIS

Nelson Chung

Abstract

International relations specialists have produced abundant literature on the China-Taiwan crisis, which is among the most volatile issues facing the United States. But thus far, few have predicted the outcome of the crisis, which I intend to do. I use game theory to model the expected behavior of the three countries while considering each of the other's actions. I organize the outcomes based on the four major regime-type relationship options available to China and Taiwan: reunification, confederation, commonwealth, and independence. By building on previous research, I define the incentive structures the three countries face. Within that framework I examine every possible course of action accessible to each country and how each course of action affects their payoffs. Then I find the Nash-Equilibrium course of action. I predict that China and Taiwan will peacefully form a commonwealth, because neither side can find a more profitable unilateral deviation.

Introduction

In his reelection bid President George W. Bush said the following in defense of invading Iraq:

We're pursuing a strategy of freedom around the world, because I understand free nations will reject terror. Free nations will answer the hopes and aspirations of their people. Free nations will help us achieve the peace we all want. (*New York Times*, 1 October 2004)

President Bush's remarks reflect his neoconservative belief in promoting peace through spreading democracy, a conviction which stems

from the theory that democratic nations will avoid going to war with each other.

Bush exhibited this ideology early in his tenure when he vowed to commit whatever resources necessary to defend democratic Taiwan in the case that China decided to attack. His promise is perhaps the strongest commitment by a U.S. president to Taiwan since the U.S. de-recognized Taiwan's status as a sovereign state. The commitment constitutes a radical break from previous administrations' intentional ambiguity toward the China-Taiwan problem. Critics condemned Bush's act as excessively provocative, contending that China's staunch determination to regain the island could produce a major conflict if the U.S. intervened. Supporters lauded the President's commitment to defending democracy.

The China-Taiwan problem originated when China ceded Taiwan to the Japanese in 1895. After World War II, the Japanese were forced to relinquish Taiwan to the United States, who transferred the island to the Chinese Nationalists as a place of refuge against the Communists in the Chinese Civil War. The Nationalists lost the war and retreated to Taiwan. Ever since, Taiwan has functioned as a *de facto* independent country. The Civil War has been declared over, but China is insistent on regaining Taiwan and has threatened the use of force in doing so.

Any military conflict in the Taiwan Strait would cost the U.S., China, and Taiwan in lives and treasure. Each country is considering the relevant costs, which thus far have prevented them from taking any action. Using a game-theoretic model of Taiwan, China, and the United States, I predict that China and Taiwan will peacefully form a Chinese commonwealth, the U.S. will not have to intervene, and China will not impose economic sanctions. This outcome follows from several conclusions. If Taiwan attempts to gain more sovereignty than that granted by a commonwealth by declaring independence, it would incur a costly Chinese invasion without American help. For China, if Taiwan offers to form a commonwealth, invading would be too costly; Beijing is better off simply accepting that political relationship. If Beijing threatens to isolate Taiwan economically, it would see damage to its own economy; therefore such threats are not credible.

Past Work on the Sino-Taiwanese Conflict

Many international relations scholars have written about the probability and impact of a Taiwanese declaration of independence and a

Chinese invasion. Steven Tsang has examined the incentive structures the two states face in their actions (Tsang 2004b). I will use these structures to gauge the payoffs of different strategy options.

Scholars differ on whether China would follow through on any threat to attack Taiwan. Michael O'Hanlon advances notions that China would not invade because (1) it has too much to lose economically and (2) it lacks the military capacity (O'Hanlon 2000). Andrew Scobell and Larry Wortzell challenge those notions, arguing that China would retake Taiwan even at high economic costs. And though China lacks the navy to launch an amphibious attack, it possesses missiles and weapons of mass destruction sufficient to obliterate the island (Scobell and Wortzell 2001). This aids in determining the payoffs of the game; China would lose more from not invading than from invading if Taiwan chooses to declare independence.

Concerning the Taiwanese side, John Tkacik argues that Taiwan has too much invested in China to declare independence (Tkacik 2001). Even if China does not attack, it can threaten to sever economic relations with Taiwan at high costs to the latter.

Regarding the outcome of a possible armed conflict, Ellis Joffe shows that three major options of attacking Taiwan are available to China: a blockade, missile strikes, and an amphibious invasion (Joffe 2001, 126–27). Assuming U.S. support of Taiwan, only missile strikes have a reasonable probability of succeeding. Sustaining a blockade against Taiwan is difficult against the Taiwanese military, let alone the U.S. military. An amphibious invasion is beyond the capacity of the Chinese military in the near future. From this premise it is clear that U.S. intervention would probably determine whether China can take back Taiwan.

Scholars recognize that cross-strait dynamics also bear significance to the United States. Ralph Clough has noted a trend of Taiwanese information technology (IT) production facilities being relocated to the Chinese mainland. Many of these final products are sold in the U.S. (Clough 2001, 33). Any military conflict would potentially affect the supply of these technologies to U.S. markets. This technology factor increases the costs of non-intervention for the United States.

On the theoretical level, Enze Han, Emerson Niou, and Brett Benson have each used game theory to model the Sino–Taiwanese crisis. Han provides a very basic model as a starting point (Han 2004). The model includes two games with two players each, China and Taiwan: one game

without American intervention, one with American intervention. The second game has a higher probability of conflict. Han proposes increasing the incentives for cooperation in order to avoid that conflict. In these games, players are given two options: cooperate, which means maintaining the status quo, and deviate, which to Taiwan means independence and to China attacking. Han's model shows that a U.S. commitment to defending Taiwan would actually heighten the probability of war (Han 2004, 8–9). He recommends increasing incentives for cooperation as the way to maintain peace.

Niou's more sophisticated model of the crisis includes the U.S. as a third player and uses sequential moves, dividing China's military action into two steps: missile exercises and actual attacks. It also includes the uncertainty of who is in charge of each country. His conclusions include, among others, that Taiwan is more likely to declare independence if the probability of U.S. help is high and that China is more likely to use military coercion if the American government is weak (Niou 1998, 12, 18).

Benson and Niou construct another game-theoretic model that accounts for the different types and levels of commitments the U.S. can make to Taiwan (Benson and Niou 2001; 2004). In their game, the U.S. chooses among ambiguous, weak, and strong commitments. Niou and Benson conclude that the U.S. can maximize its payoff by maintaining ambiguity in its commitment to defend Taiwan.

The aforementioned models allow us to see the significance of U.S. involvement, the importance of each country's leadership strength, and the implications of different degrees of clarity in U.S. commitments. But each model has dichotomous strategies: Taiwan can choose either between reunification, on one hand, and independence or the status quo, on the other. These models ignore the possibility of different regime types that can serve as compromises between the two outcomes. They also disregard the impossibility of Taiwan's maintaining the status quo. Joffe notes that China has sternly warned Taiwan that it does not have the option of maintaining the status quo forever (2001, 111). Scholars have proposed different regime types that do allow for compromises in the political relationship between China and Taiwan. A confederacy and a commonwealth are two of the most common of these models. Tai-chun Kuo and Ramon H. Myers have defined a commonwealth (Kuo and Myers 2004, 192–94); Tsang, a confederacy (Tsang 2004a, 202–06).

Under a commonwealth, two equal and sovereign countries join in a political union. They control standing territories and pledge not to intervene in each other's domestic affairs. Neither is considered a province. A commonwealth between China and Taiwan would allow Taiwan to become a neutral country in security terms and require the two countries to gradually demilitarize. Additionally, a commonwealth allows each country to engage in its own diplomatic relations and join international organizations. According to Kuo and Myers, this arrangement, a commonwealth, would help China "expunge the past humiliations suffered by the PRC from foreign 'imperialism' and allow the people of Taiwan recognition as a sovereign, independent nation" (Kuo and Myers 2004, 192).

A confederacy constitutes a slightly closer integration. Tsang describes a confederacy (what he dubs as a "Chinese Union") as

two governments across the Taiwan Strait upholding the principle that there is but one China though both can have diplomatic representations overseas and conduct relations with the rest of the world without violating this principle. In looking at the sovereignty issue this can be seen in comparison to that in a marriage. While a married couple (or the Chinese Union) together will share 'sovereignty' as a unit, the husband and the wife (or the two constituent Chinese states of the PRC and Taiwan) can by mutual agreement and understanding still function as 'sovereign' individuals to the outside world without infringing on the 'sovereignty' of the marriage (or the Chinese Union) even though one partner in the marriage (or the PRC) may, because of its size, play a more dominant role. (Tsang 2004a, 203)

In comparison to a commonwealth, which grants Taiwan full sovereignty, a confederacy allows Taiwan shared sovereignty with China while functioning as a sovereign only in diplomatic relations. In a confederacy, unlike in a commonwealth, Taiwan must conduct its diplomatic relations under a title that designates itself as part of the Chinese confederacy, such as "Taiwan of the Chinese Union" or "Chinese Taiwan" (Tsang 2004a, 204). In addition, Taiwan can never vote against or undermine China in international bodies. As in a commonwealth, a confederacy prohibits interference in each other's domestic affairs, but adds that the two entities cannot criticize each other's policies. Also like a commonwealth, a confederacy allows both sides to maintain their own armed forces with separate

command structures and the right to purchase arms from any source in the world. But the two militaries would organize under the designation "Defence Forces of the Chinese Union," with a coordinating body (Tsang 2004a, 205). As is apparent, a confederacy implies a tighter union in name and in function vis-à-vis a commonwealth.

I use those definitions to construct a sequential-move, game-theoretic model that assumes Taiwan has reached the point where it must choose from reunification, confederacy, commonwealth, and independence. Past game-theoretic models have included the status quo as an option because the aims of those models were normative: to determine what the U.S. should do to avoid armed conflict in the Taiwan Strait. These models did not predict the final outcome of the crisis. In contrast, this study does. The status quo cannot be the final outcome because China has said it will not allow Taiwan to drag its feet indefinitely. This model assumes that Taiwan has reached a point where it must choose, that China reacts to Taiwan's decision, and that the U.S. decides whether to intervene.

This study adds further light to the crisis by allowing us to see what regime type will define the Sino-Taiwanese political relationship.

Unit of Analysis

I will treat Taiwan, China, and the United States as unitary actors for simplification.¹ Rational choice theory allows the aggregation of each policymaker's decision calculus into a whole, assuming that each politician within a country faces roughly the same incentive structure.²

The Taiwanese Interest

With the players defined, I now identify the interests of each player that constitute the payoffs in the game. The government of Taiwan seeks to perpetuate its power, and to do so the government must answer to its electorate. Su identified democratization as the greatest force behind Taiwan's mainland policy (Su 2004, 50–51). But the realities of the international system restrain Taiwan from acting out of pure political motives at the expense of the country's security. In face of these limitations, Taiwan can respond to the demands of its people by pursuing three major goals: raising Taiwan's international standing, maintaining the democratic way of life, and promoting economic prosperity.

Raising Taiwan's International Standing. The Taiwanese generally desire raising Taiwan's international profile. Disagreement over the island's identity and future polarizes its inhabitants. But a majority rejects the "one China" principle and recognizes Taiwan's sovereignty (Zhao 2001, 103). Taiwan actively seeks to promote its sovereignty through dispensing foreign aid in exchange for diplomatic relations, campaigning to join international organizations, and demanding equality in talks with the PRC. Attaining *de jure* independence would consummate Taiwan's quest for a heightened international standing.

Maintaining the Democratic Way of Life. Democratization has raised Taiwan's international profile, but the Taiwanese also hold liberal democracy to be an end unto itself, not just a means to attain stronger international status. Tsang has noted that the Taiwanese see themselves as sharing more in terms of political values with Western Europe and North America than with communist China (Tsang 2004b, 6). Taiwan has experienced the freedoms of liberal democracy and would not revert to authoritarianism. *De jure* independence would ensure that the Taiwanese continue to enjoy their freedoms. Reunification would not necessarily mean that those freedoms would be revoked; China has promised not to interfere with local affairs after reunification (Lasater 2000a, 48). But the Taiwanese are suspicious of those promises. They scrutinize China's treatment of Hong Kong in order to predict the treatment China would give them under unification.

Promoting Economic Prosperity. Even more so than democratization, rapid economic growth in Taiwan has enhanced Taiwan's prestige and improved the quality of life for the Taiwanese. To take advantage of China's economic ascent will require Taiwan to have closer economic integration with China.

In pursuing increased international standing, perpetuation of democracy, and further economic growth, Taiwan is subject to constraints imposed by the PRC. Taiwan's increasing economic dependence on the mainland make it vulnerable to blackmail. Pursuing international recognition angers the PRC and has often elicited threats of attack.

China has the world's fastest-growing economy, and Taiwan must concede to closer integration if she is to cash in on that growth. China supplies a huge export market and low-cost labor. Consequently, Taiwanese companies have relocated much of their manufacturing to the

mainland. In order to capture further gains from this growth, Taiwanese businesses have lobbied the Chen administration to proceed with *santong*, or “three links” of direct air, shipping, and mail across the strait. Industrialists like Wang Yung-Ching of Formosa Plastics and Kao Chin-yen of Uni-Enterprises (owner of the 7-Eleven franchise in Taiwan) have joined in lobbying, suggesting that Taiwan’s government set aside politics for fifty years and focus on economic issues (*Taiwan Economic News*, 22 May 2002). Jiang Zemin expresses similar wishes. His eight-point proposal asserts that “political disagreement should not impede economic cooperation” between China and Taiwan; Jiang aims to protect the “rights and interests of industrialists and business people from Taiwan” (Jiang 1995). Detaching politics from economics is impossible (Rourke 1995, 472). Wang, Kao, and Jiang are naïve in thinking that it is.

While the growing trade and investment relationship between China and Taiwan is mutually beneficial, Taiwan, as the smaller economy, stands to lose more if the relationship is ended. China can threaten to sever economic ties if Taiwan refuses to reunite. Chalmers Johnson has noted that the Taiwanese government is aware of this, and in response it has tried to divert outward foreign investment flows from China towards Southeast Asia to lessen dependence on China’s market, so that an attack on Taiwan equates to an attack on the entire region (Johnson 2000, 160). Nonetheless, if links are not established, Taiwan may lose out to Japanese, Korean, and Western corporations in cashing in on China’s boom. Thus the “China factor” imposes a major constraint on Taiwan in promoting economic prosperity.

Taiwanese pursuit of international recognition provokes China. Chinese economic and military threats constrain Taiwan’s ambitions to improve its international profile. Examples of responses to Taiwan’s efforts at acquiring international recognition include the firing of missiles into the Strait after Taiwanese President Lee Teng-hui’s visit to Cornell University in 1996 and the Chinese furor over arms purchases from the United States.

The Chinese Interest

Just as Taiwan must answer to its electorate in order to perpetuate its power, China is beholden to the nationalism that legitimizes the regime. With Communism’s collapse the CCP resorted to nationalism as the ideology bolstering the party. The CCP’s legitimacy is a function of its

performance in boosting the state's international stature and meeting the basic needs of its people. China can do so in three major ways: maintaining territorial integrity to meet the irredentist demands of its people, improving its strategic position to increase its power and thereby enhance international stature and prestige, and developing China's economy to improve the lives of its people. All three are answers to nationalism; the last can also be seen as meeting the basic needs of its people. The following is a detailed explanation of the three.

1. *Closing the chapter of national humiliation.* The CCP is determined to retake Taiwan in order to close the chapter of national humiliation caused by Western and Japanese imperialists, as that would end what China sees as foreign meddling in China's domestic affairs. Allowing Taiwan to break away would dissatisfy its people's nationalistic sentiments because Taiwan has not been fully returned to China since China surrendered the island to Japan in 1895. If Taiwan were allowed to become independent, the CCP would be seen as incapable of answering to the nationalism that legitimizes it in the first place. Social disorder might result from CCP indifference to Taiwanese moves toward independence. Such is the main incentive for the PRC to block independence movements. Thus, having Taiwan under its reins would positively impact China's legitimacy, as did the return of Hong Kong.

2. *Enhancing national power.* In addition to closing the chapter of humiliation, China can answer to the nationalism of its people by attaining superpower status. Retaking Taiwan would boost the PRC's strategic position and hard power. Martin L. Lasater has noted that control of Taiwan would give China the following: its only strategic gateway into the ocean; adjacency to critical sea lines of communication; the ability to block Japan's economic lifeline; a communications hub in the Western Pacific; disruption of the U.S. strategic chain spanning Japan, Korea, and the Philippines; and the coastal defense currently unavailable (Lasater 2000a, 7–8).

But the costs of war would cripple China's military, especially if the U.S. chose to intervene. As will be discussed later, war could mean economic instability leading to social unrest that would force the PLA to protect the CCP and render the PLA incapable of attending to its security functions. The geopolitical enhancement from having Taiwan would be of little use if the PLA has to quell domestic discontent. Thus I expect war to have a negative impact on China's national power.

3. *Developing economy.* China's rapid post-liberalization growth has contributed immensely in legitimizing the CCP. Integrating newly industrialized Taiwan into China's economic sphere would further the work by enabling a synergistic relationship between China's low-cost labor and Taiwan's advanced high-tech sector. However, as was seen with the European Union in its earlier stages, complete economic integration does not require political integration. Tariff-free borders, free flow of investment, and labor mobility can occur between two independent political entities. On the other hand, attacking Taiwan comes at a high economic costs; Scobell and Wortzell have shown that an invasion of Taiwan would lead to a sharp drop in foreign direct investment inflows from Taiwan to the mainland and thereby would cause massive unemployment and ultimately social unrest (Scobell and Wortzell 2001, 1). Retaking Taiwan by force would hurt China's economy and the CCP's legitimacy, so it constitutes a major disincentive for forced reunification.

International constraints on China. In pursuing legitimacy through those three means, China faces the constraints of the international system. China has entered the international community and consequently is subject to global norms and institutions. Two major events constrain China in its attempts to maximize legitimacy: the probability of international intervention and the disapproval of the international community.

Expected international intervention. The international community is likely to frown upon an invasion and may take action to deter China. China saw NATO intervene in Kosovo without a UN mandate and in spite of NATO's recognition of Serbia's sovereignty. This action has major implications for the Taiwan issue because China's UN Security Council veto and Taiwan's lack of sovereignty may not be enough to safeguard China from international intervention.

International norms. In addition, forcibly reintegrating Taiwan would adversely affect China's "soft power." As Joseph Nye has demonstrated, the ability to get others to do things through enticement rivals hard power as the "currency" of international relations today (Nye 2004). Much talk of the recent diminution of the U.S.'s soft power resulted from Bush's allowing the neoconservatives to run amok in foreign policy decision-making (Buchanan 2004; Prestowitz 2003). Neoconservatives in the upper reaches of the Bush administration have been blamed for violating international norms when attacking Iraq unprovoked and for considering

doing the same to Iran. The same would hold true for China. Attacking a prosperous, democratic entity would similarly give China a black eye in the international community. Furthermore, such a choice could even lead to a Cold War with the United States (Scobell and Wortzell 2001, 20–21). Thus, invading Taiwan clearly harms China's international status.

U.S. Interest

U.S. interests in the cross-strait crisis are mainly strategic and economic. Lasater identified nine reasons why Taiwan is of importance to the United States and five why China is (Lasater 2000b, 51–56). I summarize the major issues below.

U.S. strategic interests in Taiwan. Taiwan is of strategic importance to the United States for three major reasons. First, if the U.S. fails to defend Taiwan it will hurt U.S. credibility regarding its other commitments.³ Second, a de facto divided China may be vital in containing China's growing power. Third, Taiwan is part of an American ally chain that spans Japan, South Korea, and the Philippines. If a war were to break out, escalate, and spread, the U.S. would be drawn in, if only to fulfill its commitment to protect its allies.

U.S. economic interests in Taiwan. Taiwan is the U.S.'s seventh-largest trade partner and, as mentioned before, a large supplier of the U.S.'s IT consumption. A war would cause both an IT shortage in the U.S. and a recession that would spread throughout the Asia-Pacific region, the destination for the bulk of U.S. exports, limiting the region's ability to absorb them.

U.S. strategic interests in China. The U.S. has strategic interests in China as well. With China's growing power the U.S. needs to accommodate China in the new world order. China has the potential to join the U.S. in the global war on terror and in nonproliferation. Coming to Taiwan's defense may complicate China's willingness to help on those fronts. Furthermore, the war will likely escalate into a regional security conflict between the U.S. and China.

U.S. economic interests in China. The U.S. has a large stake in China's economic development. Cheap imports from China have helped save American consumers \$100 billion since 1997. China is also an eager consumer of American goods. As America's fastest-growing export market, China absorbs \$20 billion worth of American exports each year. China

also helps keep U.S. interest rates low by financing U.S. debt (Tyson 2003, 30). It is in the U.S.'s interest to maintain its economic relationship with China without disruption from war.

Model Specification

Within the above framework, I use game theory to predict the outcome of the China-Taiwan problem. Taiwan, China, and the U.S. will be the players in the game. They will move in that order. Taiwan's strategy set (S^T) contains four strategies: reunification (r), confederacy (cf), commonwealth (cw), and independence (idp). China's strategy set (S^C) contains three strategies: invade (nv), not-invade but impose sanctions ($-nv/sc$), not-invade and not impose sanctions ($-nv/-sc$). The U.S.'s strategy set (S^A) contains three strategies: intervene to help Taiwan (h) and not intervene ($-h$).⁴ I summarize the strategy sets of all three players:

$$\begin{aligned} (1) \quad S^T &= \{r, cf, cw, idp\} \\ S^C &= \{nv, -nv/sc, -nv/-sc\} \\ S^A &= \{h, -h\} \end{aligned}$$

Taiwan, as the first mover, chooses between r , cf , cw , and idp . I assume that if it chooses r , it does so on Chinese terms, in accordance with Jiang Zemin's eight-point proposal, which allows Taiwan to retain its armed forces and independently administer its governmental affairs (Jiang 1995). China will have attained its goal of peaceful unification and the game will be over. If Taiwan chooses cf , cw , or idp , then China chooses among nv , $-nv/sc$, and $-nv/-sc$. If China chooses nv , then the U.S. enters the game and chooses between h and $-h$.

The following is a list of all possible outcomes. The first letter of each outcome denotes Taiwan's strategy: R for reunification, F for confederacy, W for commonwealth, and I for independence. For the number that follows the letter, -1 denotes a Chinese invasion and U.S. aid to Taiwan, -2 a Chinese invasion without U.S. aid to Taiwan, -3 Chinese sanctions, and -4 Chinese acceptance of Taiwan's offer. If Taiwan chooses reunification, the game automatically ends without participation by the other players. Therefore I set the digit for reunification to zero because $1-4$ are irrelevant.

$$\begin{aligned} (2) \quad R0: & (r) \\ F1: & (cf, nv, h) \\ F2: & (cf, nv, -h) \\ F3: & (cf, -nv/sc) \end{aligned}$$

- F4: (cf, -nv/-sc)*
W1: (cw, nv, h)
W2: (cw, nv, -h)
W3: (cw, -nv/sc)
W4: (cw, -nv/ -sc)
I1: (idp, nv, h)
I2: (idp, nv, -h)
I3: (idp, -nv/sc)
I4: (idp, -nv/-sc)

I also assume that for every U.S. *non-help* outcome, China will eventually win the war, and Taiwan will be forced into reunification. For every *h* outcome, Taiwan will survive the war and strained relations after the war will prevent any union between China and Taiwan, regardless of what Taiwan originally offered, and Taiwan will be independent. The same applies if China imposes economic sanctions: strained relations will render compromises impossible, and Taiwan will become independent. I summarize the assumptions of the model below:

1. Taiwan has reached the point where it must choose between reunification, confederacy, commonwealth, and independence. Although Taiwan is currently able to keep its policy options open rather than being forced to choose one (Nathan and Ross 1997, 213–14), China has warned that Taiwan cannot maintain the status quo indefinitely (Joffe 2001, 111).
2. If Taiwan reunites, China, though authoritarian, will treat Taiwan in accordance with Jiang Zemin's eight points for peaceful reunification.
3. If the U.S. does not intervene, China will win the war and force Taiwan into reunification.
4. If the U.S. intervenes, Taiwan will survive the war and become independent.
5. If China decides to impose economic sanctions on Taiwan, compromise would be impossible and Taiwan would move to independence regardless of what it initially offered.

Analysis of Preferences

Taiwan's Preferences

I now examine every outcome and the utility each player derives from those outcomes. To begin, I group similar outcomes and compare. Because for every *non-help* outcome Taiwan will be forced into reunification and thereby lose all international standing in addition to suffering economic damage, all -2 outcomes will yield the lowest payoffs. From this I conclude that

$$(3) \quad F2=W2=I2.$$

And because with all *help* outcomes, Taiwan will become independent and thereby maximize its international standing, its democratic way of life, and suffer economic damages to a smaller degree than with *non-help* outcomes, all *help* outcomes will yield payoffs all equal to each other and higher than those in (3). This is represented by

$$(4) \quad F1=W1=I1>F2=W2=I2.$$

If Taiwan were to choose reunification then it would lose all international standing, puts its democratic way of life at risk, but could continue to enjoy economic prosperity. It would yield a payoff lower than outcomes with *help* but higher than *non-help*. With reunification, international standing approaches zero, while with all *help* economic prosperity does not close in on zero. Hence,

$$(5) \quad I1>R0>F2.$$

For all *non-invade/sanction*, Taiwan would suffer economic isolation from the mainland, although it could find alternative sources of economic prosperity. Economic isolation does not compare to economic destruction from war. So all payoff values for *non-invade/sanction* scenarios are higher than those for all *invade* scenarios. And because the sixth assumption holds that if sanctions are imposed, Taiwan move towards independence, regardless of what it originally offered, all *non-invade/sanction* outcomes yield the same payoff values. Thus *non-invade/sanction* payoffs are all equal and greater than *invade* payoffs: Thus,

$$(6) \quad F3=W3=I3>F1=W1=I1.$$

For all cases of *non-invade/non-sanction*, Taiwan could enjoy greater international standing and continued economic prosperity than with *non-invade/sanction* cases. The level of international standing differs according to regime type. Hence,

$$(7) \quad I4 > W4 > F4 > F3 = W3 = I3.$$

If we aggregate (4) through (7), we have

$$(8) \quad I4 > W4 > F4 > F3 = W3 = I3 > F1 = W1 = I1 > R0 > F2 = W2 = I2.$$

China's Preferences

Again, I begin by grouping similar outcomes. For all *non-help* outcomes, China would have Taiwan under its control after a long war, but would suffer economic losses from war and suffer backlash from the international community for attacking a free-market democracy. The damage to its military would offset any geostrategic enhancement from gaining the island. The backlash would be the only variable that differs depending on what Taiwan chooses and would be inversely related to the level of autonomy Taiwan is seeking. If Taiwan were to choose *independence*, for example, the backlash over attacking Taiwan would not be as great as if Taiwan offered *commonwealth*, because offering *commonwealth* would make Taiwan seem more conciliatory, since it is partially relinquishing some sovereignty, so China would seem more at fault if it declined the offer and attacked. Offering *confederacy* would make Taiwan seem even more conciliatory and China even more at fault if China declined. So we have the following:

$$(9) \quad I2 > W2 > F2.$$

For all *help* outcomes, China would not be able to regain Taiwan and close the chapter of national humiliation. U.S. intervention would allow Taiwan to become an independent country regardless of what Taiwan chose in the first place. The payoffs are thus lower than in all those in (10) and also depend on whether Taiwan were to choose *confederacy*, *commonwealth*, or *independence*. So again, as with *non-help* outcomes, all variables would be the same irrespective of Taiwan's original strategy, except the international backlash, which would differ depending on in how conciliatorily a manner Taiwan negotiates:

$$(10) \quad I2 > W2 > F2 > I1 > W1 > F1.$$

If Taiwan were to choose *confederacy*, or *commonwealth*, and China were to enact economic sanctions, then China would suffer the same economic damages from severing economic ties with Taiwan. Its closing of the chapter of national humiliation would be the same under both outcomes because in both cases Taiwan would move towards *independence*, regardless of whether it offered *confederacy* or *commonwealth* (Assumption 5). Still, the payoffs would be higher than from any war scenario:

(11) $F3 = W3 > I2$.

If Taiwan were to choose *independence* and China were to choose *non-invade/sanction*, that is, do nothing, the CCP would lose its legitimacy, creating the worst-case scenario. If Taiwan were to choose *independence* and China *non-invade/sanction*, i.e., merely sanction, such action would amount to virtual inaction. China would lose almost as much legitimacy, creating the next-to-worst-case scenario, which would be worse than losing a war to the United States.

Some may question this preference. Assumption 4 holds that if the U.S. were to choose *help* then China loses the war and not regain Taiwan anyway. China would apparently suffer severe geopolitical and economic damage in vain. The reason, as Chu Shulong of the China Institute of Contemporary International Relations explains, owes to cultural perceptions of victory. Chu says that even if China were to lose to the United States, standing up against an encroaching superpower like the U.S. would be considered victorious to the Chinese (Chu 1997). Thus the people prefer China fight and lose the war than do nothing at all.

(12) $F1 > I3 > I4$.

If Taiwan were to choose *commonwealth* or *confederacy*, and China were to choose *non-invade/non-sanction*, then China would somewhat close the chapter of national humiliation, without suffering losses in economic development from severing economic ties with Taiwan. The more autonomy Taiwan gains, the more embarrassment China suffers. All *non-invade/non-sanction* scenarios yield greater payoff values than all *non-invade/sanction* scenarios because the only difference is that *non-invade/sanction* allows China to maintain trade and investment relations with Taiwan.

(13) $F4 > W4 > F3 = W3$.

Finally, if Taiwan were to choose reunification, the chapter of national humiliation would be completely closed, there would be no international backlash, and China's national power would be strengthened. This would be the best-case scenario:

(14) $R0 > F4$.

Combining (10) through (14) gives us the following preferences for China:

(15) $R0 > F4 > W4 > F3 = W3 > I2 > W2 > F2 > I1 > W1 > F1 > I3 > I4$.

United States' Preferences

We now examine preferences for the third mover, the United States. As stated earlier, if the U.S. were to fail to come to Taiwan's aid it would lose credibility on its defense commitments elsewhere. The U.S. has pledged its support for all scenarios excepting a unilateral Taiwanese declaration of *independence*. As mentioned earlier, the current Bush administration opposes any unilateral acts towards *independence*. If the U.S. intervenes when Taiwan chooses *independence* it loses lives and treasure and suffers strained relations with China; good relations are needed in the war on terror. So by choosing *non-help* the U.S. would lose credibility only if Taiwan chooses *confederacy* or *commonwealth*, not if Taiwan chooses *independence*. With *F1* and *W1* the benefits of maintaining credibility and of maintaining China's and Taiwan's separation from each other would exceed the cost of strained relations with China. Between its *non-help* options, the U.S. prefers Taiwan choosing *confederacy* over *commonwealth*. The U.S. loses more credibility from *non-help* if Taiwan offered *confederacy*, because with *confederacy* Taiwan sacrifices more sovereignty, making it seem more conciliatory. Thus the U.S. would be more obligated to defend Taiwan. Conversely, *help* when Taiwan chooses *confederacy* would be better than *non-help* if Taiwan chooses *commonwealth* for the same reason. When Taiwan is more conciliatory, the obligation to defend is greater, and thus the higher the costs of not defending.

To summarize, if Taiwan chooses *confederacy* or *commonwealth*, then the U.S. would be better off choosing *help*. And the U.S. is better off helping when Taiwan chooses *confederacy* than helping if it chooses *commonwealth*.
(16) $F1 > W1 > W2 > F2$.

But if Taiwan chooses *independence*, then the U.S. is better off choosing *non-help*. But *I2* is preferred to *W2* and *F2* because again, the U.S. has a greater obligation to intervene the more conciliatory Taiwan is. However, *F1* and *W1* are preferred to *I2* because it is in the U.S.'s security interest to keep the two entities separate, and if Taiwan is seen as conciliatory the U.S. has justification. Finally, *I1* is preferred to *W2* and *F2* because though the United States has no obligation to intervene if Taiwan declares *independence*, intervening when not obligated and keeping Taiwan separate would be better than not intervening when obligated and seeing a rise in Chinese power.

$$(17) \quad F1 > W1 > I2 > I1 > W2 > F2.$$

Beyond this point, payoff values are irrelevant for the United States because for *reunification* and all *non-invade* scenarios the U.S. does not play in the game. But I will complete the assignment of payoff values so we can see the U.S.'s final utility. If Taiwan were to choose *reunification*, then the U.S. would be better off than in any war scenario. Although the U.S. would rather the two nations remain separate to contain the rise of Chinese hegemony, the U.S. has demonstrated its preference for a peaceful resolution in its longstanding policy of allowing the two sides to work things out themselves. Thus,

$$(18) \quad R0 > F1.$$

The U.S. would also rather China and Taiwan bilaterally reunite than China impose economic sanctions on Taiwan. Sanctions would cause a regional economic disruption and cause U.S. exports to fall sharply. In other words, though the U.S. would be better off geopolitically with *non-invade/sanction* outcomes than with *reunification*, economically *reunification* would be more beneficial. Neither geopolitics nor economics are independent from each other, but in this case I expect economic concerns to dominate for two reasons.

First, a sharp export decline would cause the already-massive U.S. trade deficit to swell to unacceptable proportions, considerably harming the U.S.'s financial position. Second, the U.S. is currently devising other solutions to containing China's hegemonic rise. The most notable one is maintaining the balance of power in the region through strengthening Japan by seeking a permanent seat in U.N. Security Council for the island-nation. So though China would be strengthened by reunification, its power can be offset by a more powerful Japan. For this reason the economic advantages of *reunification* would outweigh its political disadvantages. Thus *reunification* would yield higher payoff values for the United States than *non-invade/sanction* scenarios.

Among the *non-invade/sanction* outcomes, all yield the same payoff values because Assumption 5 holds that in the case of sanctions Taiwan will move towards *independence* regardless of what it originally offered.

The *non-invade/sanction* scenarios would also be preferable to any war scenarios, because the United States prefers any peaceful solution over armed conflict. With war the regional economic disruption is even greater than with sanctions. To summarize,

$$(19) \quad R0 > F3 = W3 = I3 > F1.$$

Finally, *non-invade/non-sanction* scenarios are optimal for the United States. They are peaceful solutions that keep the two entities separate to certain degrees. Among those solutions, greater separation between Taiwan and China results in a lower threat of Chinese hegemony and thus greater payoffs for the U.S. So we have

$$(20) \quad I4 > W4 > F4 > R0.$$

Combining (15) through (20) yields:

$$(21) \quad I4 > W4 > F4 > R0 > F3 = W3 = I3 > F1 > W1 > I2 > I1 > W2 > F2.$$

In Table 1, I assign ordinal payoff values to outcomes for each player.

Outcome	Taiwan	China	U.S.
$R0$	2	12	8
$F1$	3	3	6
$F2$	1	6	1
$F3$	4	9	7
$F4$	5	11	9
$W1$	3	4	5
$W2$	1	7	2
$W3$	4	9	7
$W4$	6	10	10
$I1$	3	5	3
$I2$	1	8	4
$I3$	4	2	7
$I4$	7	1	11

Table 1: Payoff Values for Each Player

Towards a Nash-Equilibrium Solution

With the ordinal values in place I now proceed to construct the extensive form game, shown in Figure 1. I will solve the Nash-equilibrium by backwards induction.

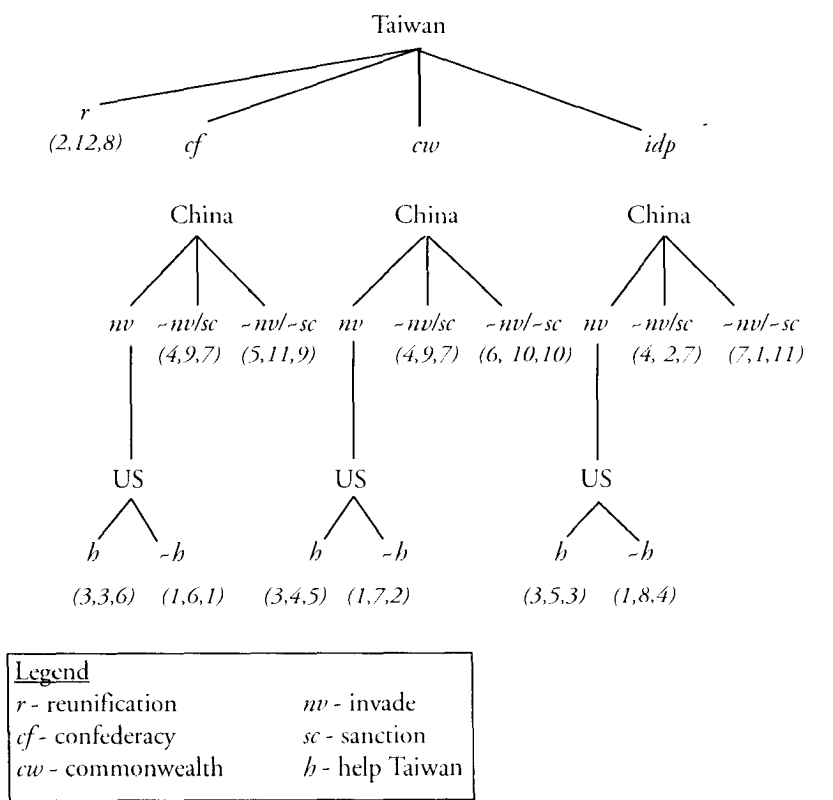


Figure 1: Extensive Form Game

Third-Mover: U.S.

If the U.S. is given (*cf*, *nv*), it chooses *h*. If given (*cw*, *nv*), it chooses *h*. If given (*idp*, *nv*), it chooses *-h*. So we eliminate *F2*, *W2*, and *I1* from the game.

Second Mover: China

If given (*cf*), China chooses *-nv/-sc*. If given (*cw*), China chooses *-nv/-sc*. If given (*idp*), China chooses *nv*. This allows us to eliminate *F1*, *F3*, *W1*, *W3*, *I2*, *I3* and *I4* from the game.

First Mover: Taiwan

Taiwan, as the first mover, chooses from the entire S^T and chooses cw , which yields $(cw, -nv)$, or $W4$, which has the highest remaining payoff value of 6. China would receive a payoff of 10 and the U.S. 10. Hence $W4$ is the only Nash-equilibrium outcome.

Analysis of Results

The Nash-equilibrium, $W4$, is when Taiwan offers to unite with China in a commonwealth and China decides not to invade or sanction. The U.S. would not be drawn in. Invasion is an empty threat because the U.S. will credibly defend Taiwan so long as Taiwan does not declare independence. This analysis reveals that economic blackmail will also be, in all cases discussed, an empty threat. While Han's model shows that the prospect of American intervention will heighten the likelihood of conflict, this model demonstrates that if compromise solutions are offered, war can be averted. The compromises available to Taiwan and China are a commonwealth and a confederacy. With sovereignty being Taiwan's main quest, and territorial integrity China's, these compromise regimes allow both entities to make gains from the status quo in their pursuits. Comparing the two regimes, a commonwealth gives Taiwan more sovereignty and China less integrity. But a commonwealth is the more likely outcome because when China is offered either regime, the costs of invasion outweigh the benefits. The absence of an invasion permits Taiwan to choose between the commonwealth and confederacy. It will choose a commonwealth because this regime type allows for greater sovereignty. The threat of economic sanctions is also empty; China itself would lose economically when it does not have to, and Taiwan would rather lose economically than lose sovereignty. In this model, China would prefer to impose sanctions rather than not if Taiwan declares independence. But in that case China would be better off attacking Taiwan anyway. From this I conclude that in this crisis, economic blackmail would be an empty threat.

Conclusion

Previous game-theoretic works on the cross-strait crisis give Taiwan and China two strategies in each game. Taiwan can either declare independence or maintain the status quo, and China can either attack or allow the status quo. These dichotomies ignore concrete compromises between independence and unification that scholars have proposed. This model

accounts for those compromises: it predicts that Taiwan will offer to form a commonwealth with China, China will peacefully accept, and the United States will not have to intervene. This model also reveals that Chinese threats of economic sanctions are not credible.

This finding has useful implications for further research. One possibility would be to merge this model with Benson and Niou's models to form a more robust prediction, that is, construct a model that both includes uncertainty like that of Benson and Niou and accounts for the possibilities of the regime types examined in this model. Such a model would show the impact of the crisis outcome for both American strategic commitments and regime-type possibilities.

Endnotes

1. Of course, reality is more complex. Eric Hyer has demonstrated that the popular notion "China speaks with one voice on foreign policy" is false (2005).
2. Daniel Damron has noted that rational choice is primarily concerned with the aggregation of individual choices, not the individual choice itself (2003).
3. Some argue that having excessive commitments worldwide *is* the U.S.'s problem; Buchanan notes that the U.S. has treaty guarantees to fifty countries and troops in one hundred countries (2004, 5–6).
4. The convention for extensive form games is to list a separate strategy for every contingency (Cardon 2004; Mackay 2005). For example, China would have *nv*, *-nv/sc*, *-nv/-sc* for each strategy Taiwan chooses except *r*, giving China a total of nine strategies. For simplicity and on the advice of Jay Goodliffe I do not follow convention here (2005).

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