
Not only are democracies less likely to fight each other, they are also more likely to win when fighting autocratic states, despite the handicaps in foreign policy usually ascribed to democratic states.

Lake simulates states as profit-maximizing firms in the business of selling protection from external threats. All states have an incentive to take advantage as the monopoly supplier of protection, but is constrained by three options open to society.

1. Monitoring, where citizens attempt to discover the true need and cost for protection, which in turn is constrained by the costs of information.
2. Exit, where citizens leave the state, depriving it of revenue
3. Voice, where citizens threaten to remove individuals within the state from their privileged positions. In democracies, voice is low-cost; in autocracies it carries high costs.

All states will be able to earn some rents, but autocracies can earn more.

Lake argues that autocratic states are therefore more prone to imperialism (an imperialist bias) for three reasons.

1. Expansion may reduce the benefits to individuals of exiting because alternatives have been swallowed up.
2. Expansion leads to a greater threat against the state which leads to a higher demand for protection.
3. The higher the rent seeking ability of the state, the larger the optimal size of the state. This is due to a higher rent seeking ability leading to a higher total revenue, which means the marginal cost of revenue collection will match the marginal revenue for a larger state size, giving the incentive to expand.

Lake follows Doyle’s discussion of Kant to show how democratic states tend not to fight each other, but notes the inconsistency of the liberal idea of the moral individual with the existence of immoral exploitative autocrats. Lake argues that his model shows why democracies are more peaceful:- they are less expansionist because of lower rent-earning ability, they already are attacked by autocracies (which see them as rivals which deplete autocracies of their individuals), and will only intervene when anticipated costs are less than future profits. These points imply that democracies are just as war prone, but it should be noted that they do not fight each other, because of the lack of imperial bias, and it is here that their pacific nature emerges.

Democracies also win the wars the fight with autocracies because

1. their superior economic management generates more wealth and allows more to be devoted to security
2. they gain popular support for their policies and hence have the ability to extract more resources
3. they can form large alliances with other democracies

Lake tests his theory by analyzing whether democracies have won most wars since 1816 between democracies and autocracies. He finds there is a strong correlation between democracy and victory and between the degree of democracy and victory.

Lake concludes by asking why democracies have not wholly supplanted autocracies. He notes the expansion of democracy, but cautions that the pace of change may be slow, since democracies only win most wars, not all of them.