

THE ECONOMICS OF CONFLICT AND PEACE

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Summary

In this work, the author sketches the broad trends in civil war, and the debate behind the causes of civil war. He argues that the greed and grievance are complementary explanations for civil war, the former may be better at explaining duration, the latter onset in Section 2. Neither is sufficient for the outbreak of civil war. The failure of the social contract which manages conflict is required, and the author sketches its political and economic dimensions pertaining to civil war risk in developing countries in Section 3.

Section 4 covers issues in sustaining peace and promoting reconstruction once civil war is ended by an accord. Although, there are greater efforts to broker peace in civil war situations following the end of the cold war, accords that end conflict are not always compatible with the incentives of former antagonists. Post-war economic reconstruction needs to be broad-based and inequality reducing, along with the need to rebuild degenerated institutions.

External aid needs to be carefully paced, and not encourage long-term excessive aid dependence and the re-development of state capacity. Despite the fact that growth ultimately reduces conflict risk, the road to prosperity increases risk of conflict along its path, unless measures are taken to address poverty and inequality, which in turn breed the greed and grievances that spawn conflict.

The inevitable structural changes to the economy that emerge in the wake of growth and successful globalization always produces winners and losers, as some become richer and others become, relatively, poorer. For conflict to be avoided, the losers must not be

allowed to fall too far. These issues are considered in Section 5. Section 6 contains a brief conclusion, including suggestions on future directions for conflict research.

1 Introduction

Most violent conflicts nowadays are internal to the state, and occur in developing countries where poverty is endemic. Organized large scale conflict in developing countries is nowadays almost universally regarded to lead to human development failure, the perpetuation of poverty and human insecurity, all of which enhance the risk of failed states. Equally, endemic poverty also enhances the risk of civil war and conflict. Therefore, the developmental goal of poverty reduction requires conflict prevention.

Furthermore, conflict (even in distant lands) undermines international security; therefore conflict prevention, abatement and resolution are paramount if the costs of dealing with state failure are to be avoided. In practice, it is difficult to separate the development and security agendas. During the Second World War, President Franklin Delano Roosevelt enunciated four fundamental freedoms in 1941. Among these were the freedom from want and the freedom from fear, which help underpin our notions of human security.

Once again, these two freedoms are in reality inseparable, because without security ensuring livelihoods is meaningless, and the converse is equally true. The reduction of absolute poverty, connected with the millennium development goal (MDGs), yields a double dividend by simultaneously addressing security considerations and developmental concerns.

The principle form of war nowadays is civil war. At the very outset, it is worthwhile outlining different forms of civil war, as they are not a homogenous phenomenon. Following Murshed (2010) and Besançon (2005) four broad types can be indicated: genocides, revolutions, secessionist wars and internationalized wars, all of which involve the state.

It is important to emphasize that internal 'war' involves the direct participation of the state. Ethnic differences characterize most civil wars. Also, revolutions can be subdivided into military *coups d'etat* and rebellions. The latter includes insurgencies, such as in Nepal, Peru and the movements in Colombia are much more long drawn. Internationalized internal conflict refers to a situation when neighboring countries or other external powers are involved.

In practice, many examples of contemporary conflict do not fit neatly into only one of the distinctions mentioned above; rather they may intersect the various categories listed. There are three other forms of violence that deserve mention: inter-state wars are still possible, terrorism, particularly in its transnational form has become important in recent years, and finally violent protest that does not necessarily undermine the state can also be significant in an era of globalization and the inequality it produces.

Conflict like other political-economic phenomenon requires measurement. The quantitatively minded conflict research community has increasingly placed its faith on

the Uppsala data set; see Themnér and Wallensteen (2011) for recent updates. The Uppsala data set defines several types of conflict: inter-state (between nation states), intra-state (civil wars), intra-state internationalised (involving foreign powers) and extra-state (wars of national independence, which mostly ended in the 1970s).

Figure 1 illustrates that battle related fatalities from all types of war, worldwide, are on the wane since the mid-1980s. The total estimate is 11.7 million battle deaths from 1946 to 2005. This does not include civilian casualties resulting from war related epidemics, famines and malnutrition. The peak years were during the Chinese civil war, the Korean, Vietnam and the Iran-Iraq wars.

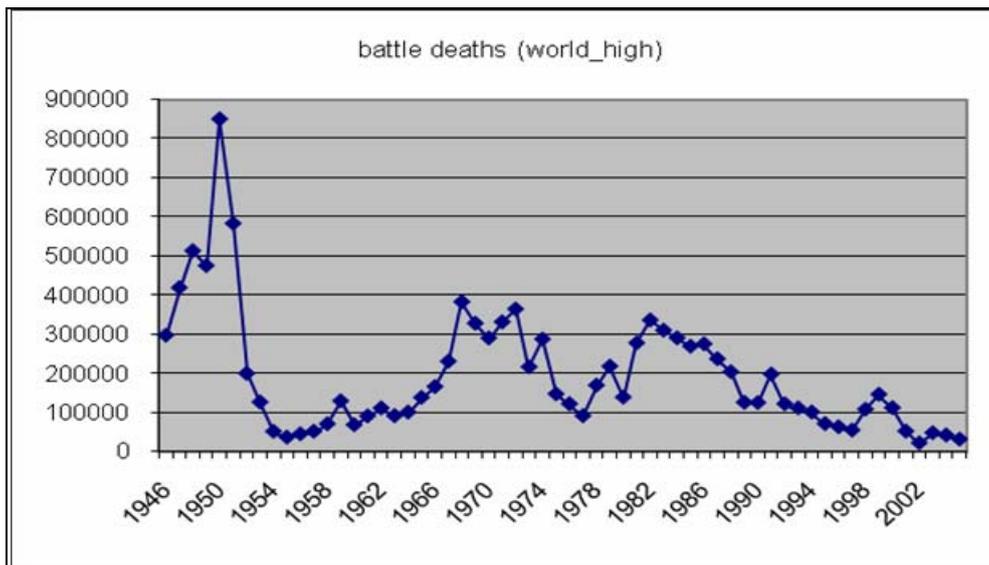


Figure 1. Trends in Battle Deaths from All Types of War: 1946-2005.

Source: UCDP Data Sets, www.prio.no/csw/armedconflict

Gleditsch (2008) presents evidence that wars are diminishing both in terms of the number of conflicts, and the number of nations experiencing war on their territory; see Gleditsch (2008, figure 2). The number of conflicts since the Second World War rose steadily, peaking in 1991 when 52 wars were occurring in 38 countries. In 2007, 34 conflicts took place in 25 countries, comparable to post-1946 low achieved in the mid 1970s.

The casualties associated with war seem to have declined, as well as conflict intensity. There are two other hopeful signs: no new conflicts began in 2005 or 2006, and the year 2007 was the fourth successive year during which no new inter-state war started. Furthermore, there has been a growth in peacekeeping operations and peacekeeping forces since the end of the cold war. As far as duration or the number of years the average civil war lasts is concerned, this may be showing an upward trend; see Fearon (2004).

The rest of this work is organized as follows. Section 2 is concerned with the greed and grievance explanations for conflict that are argued to be necessary but not sufficient for

the outbreak of civil war. That requires the breakdown of the social contract as elaborated on in Section 3.

Section 4 covers issues in sustaining peace and promoting reconstruction once civil war is ended by an accord. Section 5 deals with how globalization (and inequality promoting economic progress) can lead to violent protest and insurgencies, even if they do not fundamentally threaten the state. Finally, Section 6 concludes.

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Biographical Sketch

Syed Mansoob Murshed is Professor of the Economics of Conflict and Peace at the Institute of Social Studies in the Netherlands and is also Professor of International Economics at the Birmingham Business School, University of Birmingham in the UK. He was the first holder of the rotating Prince Claus Chair in Development and Equity in 2003. He was a Research Fellow at UNU/WIDER in Helsinki where he ran Projects on Globalization and Vulnerable Economies and Why Some Countries Avoid Conflict, While Others Fail. He also ran a project on The Two Economies of Ireland, financed by the International Fund for Ireland at the Northern Ireland Economic Research Centre (NIERC), Belfast. He has written numerous background papers for annual reports of international agencies such as the World Bank, African Development Bank, UN-DESA, UN-ESCWA and advised international agencies and the European Commission. His papers were specially invited at conferences, including keynote lectures, at Princeton, the World Bank's ABCDE conferences, Africa Economic Research Consortium conferences, Chatham House, the International Peace Academy (IPA), the Clingendael Institute in the Hague, International Alert in London, Rockefeller Centre in Bellagio, the German Foreign Ministry, the United Nations, the Australasian Development Economics Workshop and The Commission of the European Union. He is an honorary fellow of the Peace Research Institute Oslo (PRIO), and has close links with the Oxford Centre for Research into Resource Rich Economies (OXCARRE). He is the author of seven books and over 100 refereed journal papers and book chapters. He is also on the editorial board of five scholarly journals. His research interests are in the economics of conflict, aid conditionality, political economy, macroeconomics and international economics. His latest book, *Explaining Civil War* was published by Edward Elgar in 2010.