

MICROCON Policy Briefing 1

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S. Mansoob Murshed



Hutu refugees in Benaco camp in Tanzania
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•What causes the mechanisms underlying a social contract to degenerate?

•What circumstances create incentives for groups within societies to choose war rather than resolve disputes peacefully?

Indicators of Potential Conflict

Summary: This paper focuses on the main factors that contribute to the dangers of violent internal conflict erupting, or re-igniting after a peace has been concluded. The conflict literature has identified greed and grievance as the principle causes of conflict. But for either of them to take the form of large-scale violence there must be other factors at work, specifically a weakening of the 'social contract'. Such a viable social contract can be sufficient to restrain opportunistic behaviour such as theft of resource rents and violent expression of grievance. The social contract, therefore, refers to the mechanisms and institutions of peaceful conflict resolution. Three main risk factors are considered in this briefing: The breakdown of redistributive mechanisms, democratic transitions and lack of economic progress.

What causes the mechanisms underlying a social contract to degenerate? The term failed state is inappropriate, as very few states actually fail totally; there is degeneration rather than the total breakdown of the social contract. So what factors lead to the breakdown of the social contract within a nation state? What circumstances create incentives for groups within societies to choose war rather than resolve disputes peacefully?

There are three main risk factors in the breakdown of the social contract:

1) Redistributive mechanisms

Within nation states, the fiscal system will secure a workable social contract if the allocation of public expenditures and the apportionment of taxes are judged to be fair, or at least not so unfair that some groups judge taking resources by force the better option. There are many examples of conflicts emerging out of fiscal disputes. Côte d'Ivoire, for instance, became unstable with the collapse of the social contract engineered by the late President Houphouët-Boigny, in which he allocated public spending across the regions to successfully buy the loyalty of the country's ethnic groups.

Disputes over the apportionment of revenues from natural resources are especially common and, as in Indonesia and Nigeria, these take on ethnic and regional dimensions. Contemporary civil wars are more often related to the breakdown of explicit or implicit arrangements to share resources or revenues, rather than the absence of an agreement to share resources or rents. One reason that a contract to share revenues encounters difficulties is the imperfect credibility with which the side that controls the 'pot' honours its commitment. Indeed, the presence or discovery of oil or gas may promote secessionist tendencies among

groups who do not wish to share it with the rest of the nation.

2) Democratic transitions

Political science research points out that the risk of conflict is lower in both well established democracies and autocracies. It suggests that conflict risk is at its highest during transitions to and away from democracy when state capacity is weak, and also in fledgling and imperfect democracies (anocracies). There is more violent expression of grievances during early democratic phases as the aggrieved feel suddenly empowered. Most developing countries are imperfect democracies, or at an early stage of the democratic transition. In the interim between full-blown forms of either autocracy or democracy (anocracy) countries may have electoral processes which characterise democracy, co-existing with weak or non-existent separation of powers between the executive and the judiciary in particular. This not only prevents them from functioning like true democracies, but impairs governance, especially the rule of law. Another problem is the widespread electoral violence in anocracies. Finally, there is the risk that new democracies can periodically slide back to autocracy engendering a vicious cycle of democracy to autocracy, back to democracy and so on.

Given the imperfect nature of democracies and good governance in most developing countries we need to be cognizant of the motivation and incentives of their rulers. With regard to incentives faced by rulers in developing countries, it has to be remembered that until the end of the cold war most developing countries were ruled by strong men. In other words, they were autocracies. Some promoted development, others did not. Compare Mobutu's Zaire



Soldiers patrolling the streets of Kathmandu during a curfew in Nepal © Panos

(1965-1997) to Suharto's Indonesia (1965-98). In Indonesia and Zaire resource flows were volatile. In one case the dictator (Suharto) chose diversification and growth enhancing strategies, as well as policies aimed at equalisation and poverty reduction to contain political opposition. Development in Indonesia was im-

3) The lack of economic progress

The most robust indicator that predicts the risk of conflict is the lack of economic growth and development in low income countries. In fact, at a higher income people have a lot more to lose from violent means of conflict resolution. The lack of growth also increases vulnerability

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pressive, and may have led, at least partially, to endogenous demands for democracy. In the other case (Zaire, now DRC), Mobutu did not, because he felt that diversification and investment in infrastructure would loosen his grip on power and strengthen political opposition to him based on ethnicity. Zaire or the DRC has perhaps the poorest post-1960 growth record in the planet. Perhaps, in East Asia greater fears of communism strengthened benevolence in dictators (South Korea, Taiwan, Singapore and Indonesia), whereas in Africa a certain type of factionalism dominated policies and politics, retarding growth enhancing economic diversification and infrastructural development.

to economic shocks. Furthermore, the absence of economic growth retards institutional development (democracy and governance), contributing to the risk of armed conflict. It is no surprise that most rich countries are peaceful democracies. Also, the state's capacity to either assuage (through transfers) or suppress (by armed force) malcontents is weaker the poorer the country in question. By the same token, post-conflict economic recovery must be inclusive and broad-based to prevent a new outbreak of grievances.

Synthesis

To get an empirical feel for some of these channels, a descriptive look at the data may be in order. Table 1 presents the 17 countries with the

highest conflict incidence since 1960. We compare growth rates, the combined democracy and autocracy score known as Polity¹, endowment type and conflict intensity or incidence in selected developing countries during the period 1965-2000. The Polity score is an imperfect proxy for institutional capacity and governance, but we have good time series data on these. This is coded 1 for autocracies (those with an autocracy score below -4), 3 for democracies (for democracy scores above 4) and 2 for anocracies that have both democratic and autocratic characteristics (with scores of between -4 and 4). The endowment typology is based upon a country's principal exports², and is subject to change. Note that countries can have more than one year of civil war in any given calendar year if there are several conflicts taking place within the nation simultaneously (Burma, India etc.).

Country	Conflict incidence in years 1960 - 2000	Most frequent regime type (Polity score)	Annual Average per capita income growth rate 1965 - 1999	Economic typology
Burma (Myanmar)	177	1	1.5%	Diffuse, Point
India	104	3	2.4%	Manufacturing
Ethiopia	81	1	-0.3%	Coffee/Cocoa
Philippines	59	1;2;3	0.9%	Diffuse, Manufacturing
Iraq	57	1	-3.5%	Point
Angola	43	1	-2.1%	Point
Iran	41	1;2	-1.0%	Point
Algeria	37	1;2	1.0%	Point
Chad	36	1	-0.6%	Point
Colombia	35	3	2.1%	Coffee/Cocoa
Indonesia	32	1	4.8%	Point, Manufacturing
Guatemala	31	1;2	0.7%	Coffee/Cocoa
Sudan	31	1;2;3	0.5%	Diffuse, Point
South Africa	31	2	0%	Point
Mozambique	27	1	1.3%	Diffuse
Uganda	23	1;2	2.5%	Coffee, Cocoa
Sri Lanka	22	3	3.0%	Diffuse, Manufacturing

From this, we can make a number of observations:

(a) Only five of these high conflict incidence nations reported in Table 1 have a per-capita income growth rate in excess of 2% per annum in the long-term: Indonesia, India, Sri Lanka, Colombia and Uganda. Generally speaking, poor growth performers have more conflict years in Table 1. Furthermore, only three point-sourced countries and four coffee/cocoa economies did not descend into some form of civil war. Diffuse economies also have conflict; examples of the high incidence of civil wars occurring in diffuse economies are in South Asia, the Philippines and Burma, as well as Mozambique and Zimbabwe in Africa. In total, eight out of thirty diffuse economies have avoided civil war, a record that is better than for point-sourced and coffee/cocoa

Table 1: Conflict years, Growth, Polity and Economic Typology
Source: Murshed 2006 Table 4

based economies. Manufacturing exporters are least likely to experience outright civil war. Perhaps, this is because they have the best growth rates and institutional quality. They are also more diversified economies, and are able to withstand the commodity price and national income fluctuations that make growth failure more likely. Growth also needs to be pro-poor, which ultimately means less inequality, so as to minimise the effects of group inequalities and polarisation.

(b) It is discernable that India, Sri Lanka and Colombia are the stable democracies in the post 1960 era that have had civil wars, including high intensity conflict. Many of the transitions in regime type from autocracy to anocracy to democracy (during 1960-2000) are described in

Murshed (2006). Multiple switches in all directions are possible, and not just from autocracy to democracy. Nevertheless, only 5 out of the seventeen nations with a high conflict incidence have ever been democracies with a democracy score over 4. Democracy, even stable democracy, does not guarantee the absence of armed conflict, both of the secessionist and rebel varieties, as the examples of India, Colombia, Sri Lanka, the Philippines and others indicate. Autocracies also fall into conflict; nevertheless, stable autocracies such as China and Singapore have avoided civil war, as did Taiwan and South Korea which became democracies recently. Despite prominent outliers such as India, Colombia, and Saudi Arabia, most conflict prone countries are neither stable democracies nor autocracies,

lending support to the finding that conflict risk is greatest when regime types are in transition, say from autocracy to democracy.

Conclusion

Problems associated with the democratic transition, the degeneration of redistributive mechanisms and the lack of economic growth contribute to long-term conflict risk. Their short-term manifestations take the form of the inability to cope with economic shocks (associated with falling export prices or natural calamities), or violent political instability. Either way, there are plenty of indicators of both for observers and policy makers to see; in many cases they will benefit from exchanging information. Decision makers in developed countries like the EU then need to decide when, where and how to intervene---the extent of their reaction is something that is ultimately related to their own political incentives and imperatives.

Endnotes

1. These scores range from -10 to 0 for autocracy, and 0 to 10 for democracies, making -10 the greatest autocracy score, and 10 the highest democracy score; see Murshed (2006) for further details.

2. This is based on a country's principal exports, which are described as point (mineral or fuel), coffee-cocoa, diffuse (other agricultural) or manufacturing, where arguably dependence on mineral or fuel exports ex ante enhances the risk of conflict.

Credits

This Policy Briefing was written by S. Mansoob Murshed, Institute of Social Studies, The Hague, and University of Birmingham, UK.

The views expressed in this briefing are the author's alone.

Further reading

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MICROCON, or 'A Micro Level Analysis of Violent Conflict' is a five-year research programme funded by the European Commission, which takes an innovative micro level, multidisciplinary approach to the study of the conflict cycle.

Almost one third of the world's population lives in conflict-affected low-income countries. At a fundamental level, conflict originates from people's behaviour and how they interact with society and their environment - from its 'micro' foundations. Yet most conflict research and policy focuses on 'macro' perspectives. MICROCON seeks to redress this balance.

For more information on MICROCON, please visit our website:

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Or contact us at

MICROCON - A Micro Level Analysis of Violent Conflict
Institute of Development Studies
Brighton BN1 9RE, UK
Tel: +44 (0)1273 872 891

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