

THE LIBERAL PEACE AND DEVELOPING COUNTRIES

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ABSTRACT

The term liberal peace is employed to explain the absence of fatal conflict between democratic nations that are also economically interdependent. The expression, therefore, has an economic dimension, as well as an element based on a common polity and sets of values. I sketch the ideal and realist versions of the liberal peace theory as they may be applied to the contemporary developing world. I address how globalization may affect the incidence of internal conflict in developing countries. Policies promoting globalization may be conflict enhancing, even if highly open economies are found to be less conflict prone. This may be because the road to prosperity may first increase the incidence of violence before a steady-state associated with a high income level and peace is achieved. This requires careful management of policies such that growth is broad-based and policies promoting greater openness are sufficiently cushioned to protect losers. Moreover, the process of democratisation may raise the risk of conflict unless suitable checks and balances on executive power are in place.

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1 Introduction

In contemporary political science the term liberal peace is employed to explain the absence of fatal conflict between democratic nations that are also economically interdependent. Leaders of states that share common values, or are mutually interdependent do not choose the strategy of war to settle their differences. In particular, economic interdependence makes it rational not to choose war, because of the opportunity costs of lost trade. These views stand in sharp contrast to the purely realist school in political science, which argues that mutual dependence and overlapping values do not by themselves guarantee the absence of war without the presence of other political factors precluding the strategy of war.

In 1835, the English thinker Richard Cobden declared ‘commerce is the grand panacea’, by which he meant the pacific and civilizing effects of international trade, along with its potential for assuaging tensions between nations. The expression, liberal peace, therefore, has an economic dimension, as well as an element based on a common polity and values. Ultimately, these two strands of the liberal peace are inseparably linked. Despite this, the literature on the liberal peace may be dichotomised into ideal and more realist tendencies. The ideal theory is traceable to Immanuel Kant’s notions of a league of peace in his essay on the Perpetual Peace (1795) where the simultaneous adoption of a republican constitution generates a cosmopolitan peace. Its modern counterpart is to be found in the thought of the contemporary philosopher, John Rawls’ (1999). I elaborate on this literature in section 2. Realist theories of the liberal peace, in its modern form, probably originate in Montesquieu’s ideas (1748) about the pacific benefits of commerce between peoples;

a contemporary version can be found in Gartzke (2007), who describes it as the ‘capitalist’ peace. I discuss this strand of the literature in section 3. Section 4 is concerned with globalization and its consequences for internal conflict in the developing world. Finally, section 5 concludes.

Before proceeding further, we may note that while it may be an empirical regularity that advanced industrialized democracies do not go to war with other democracies, this does not mean that democracies do not engage in wars. Democratic nations such as the UK, France, the United States and Israel lead the list of countries in terms of their participation in inter-state wars since the Second World War, Human Security Report (2005). In terms of the total number of conflict years (see the Human Security Report, 2005), bearing in mind that there may be more than one civil war inside a single nation-state, which leads to more than one conflict in a single calendar year, democratic India occupies the second place with 156 years since the Second World War, whereas the UK with 77 years is in sixth position just behind Israel (79 years). This suggests that democracies like India, Israel and the UK are highly conflict prone. Therefore, the notion of the liberal peace needs to be nuanced.

2 Ideal Theories of the Liberal Peace

As indicated above, this originates in the work of Immanuel Kant, who in his essay on the Perpetual Peace (1795) argues (like Thomas Hobbes) that although war is the natural state of man, peace can be established through deliberate design. This requires the adoption of a republican constitution simultaneously by all nations, which *inter alia* would check the war-like tendencies of both monarchs and the citizenry; the

cosmopolitanism that would emerge among the comity of nations would preclude war, implying a confederation amongst such nation states (*foedus pacificum*).

Kant's (1795) essay on the 'Perpetual Peace' provides us with information about the nature of the republican constitution. First, there is the use of the expression 'perpetual', implying permanence as opposed to a transient truce. Secondly, and most crucially, Kant refers to the separation of powers between the executive and legislature. Put simply, this concept implies good government that holds the domestic social contract together. Thirdly, the stability of the peace depends upon the source of sovereignty or legitimate power within the nation. Although not enamoured of rabble-led democracy, Kant nevertheless points out that good governance provided by a dictator or an absolute monarch, is inherently unstable as he or his successors face temptations to deviate from good government, and the assurance of good governance is more forthcoming in a system of power that is accountable to, and representative of, the people. Central to the Kantian republican constitution is a system of checks and balances or a separation of powers which are largely absent from the fledgling democracies that characterise developing countries.

Interestingly, Kant (1795) argued that this cosmopolitan peace between nations might exclude distant lands, and aggressive wars, such as those associated with colonialism, might be waged against peoples deemed to be outside the pale of civilization. He refers to these as the "inhospitable actions of the civilized", directed by European countries against peoples in what we now refer to as developing countries. A similar point has recently been made by Gartzke (2007) in a different context where development and common goals precludes wars between countries at a similar level

of development, but makes wars with (or in) distant countries (Iraq, Afghanistan) at a lower level of development more likely.

Mirroring Kant's thoughts, is the contemporary philosopher, John Rawls's (1999) notion of peace between liberal societies, which he refers to as *peoples* and not states. Rawls' Law of Peoples is inspired by Kant's *foedus pacificum* and is termed a 'realistic utopia' by Rawls. The notion of a realistic utopia follows Rousseau's Social Contract referring to men both as they are and how they should be. There is an appeal to both natural law and the possible implementation of an ideal morality. An ideal state is *reasonable*, even if in an imperfect world it may be *rational* to deviate from such optima. He speaks of well ordered peoples, that are mainly constitutional liberal democracies, which arrive at such a polity based on notions of *public reason*. Public reason encompasses the realm of the political, and is not necessarily part of any comprehensive doctrine that individuals may believe in (for example religions like Judaism, Christianity or Islam or secular beliefs such as Marxism), although some of these comprehensive beliefs may be compatible with a publicly reasoned well ordered society. In a well ordered society based on public reason, human rights are respected, and the distribution of primary goods (a decent living standard, dignity, respect and the ability to participate) for each citizen's functioning are acceptably arranged. Above all, the principle of *reciprocity* characterises the determination and functioning of public reason and its workings as a constitutional liberal democracy. This implies both tolerance of difference, and respect for all other citizens.

It is worthwhile elaborating on Rawls' idea of well ordered peoples because the Law of Peoples extends the domestic social contract based on the criterion outlined above

to a relation between peoples who reside in different nations. First, there are the liberal peoples described above. Secondly, there are decent peoples who have consultative hierarchies and associational organisations. Presumably, these are more conservative and less 'democratic' societies. Rawls gives an example of a hypothetical Muslim state labelled 'Kazanistan'. Here there is no separation of church and state, but it respects human rights, tolerates other religions (as was historically the case in Islamic empires and states), has consultative-associative bodies and a reasonably equitable distribution of primary goods making them well ordered peoples. Thirdly, there are benevolent absolutisms; they respect human rights, but because they lack decent consultative structures they cannot be considered well ordered. Fourthly, there are those societies that are burdened by unfavourable conditions which prevent the realisation of a well ordered decent outcome with human rights for all. Clearly, much of the developing world falls into this category. Finally, there is what Rawls' describes as outlaw states. These countries (like contemporary Myanmar) deliberately violate human rights. Furthermore, they may behave aggressively towards others; even coveting their resources. Rawls appears to ignore the fact that it is possible for some societies, such as Israel or apartheid era South Africa, to be well ordered and decent across a certain favoured group within the state, but not to others.

The consequence of being a liberal people possibly explains the empirically observed fact that 'true' democracies do not fight each other. Rawls stresses that the interaction is between peoples and not states, in the sense of citizens and not subjects, cooperating with other peoples. He distances himself from the 'Westphalian' sovereign state, which had the right to make war in pursuit of its rational interests, and speaks instead of peoples, the decent varieties among whom are *just*. It is also

possible that a law of peoples, replicating a perpetual (sustainable) peace, exists between the first two categories of liberal and decent peoples, and might even extend to benevolent absolutisms. To the peoples who are burdened by unfavourable circumstances, others have a duty of assistance according to Rawls, but not one that results in outcomes completely eliminating international inequality. In other words, development assistance should be limited. When outlaw states behave aggressively towards others, a just war with them is justifiable, provided that the universally accepted code of conduct for wars (the Geneva Convention, for example) is respected.

Economic interdependence between peoples has little to do with his analysis. Rawls argues that liberal societies do not go to war with each other because their needs are satisfied, they are non-acquisitive in the sense of not wishing to grow beyond an achieved steady-state level of (presumably high) income, and they are tolerant of differences. They will only fight in self-defence, and invade to prevent gross human rights abuses such as genocide in other countries. Democracies may, however, be driven by greed and the lust for power to wage war against other smaller non-democracies, as during the colonial period, the cold war era and even during the present-day war on terror.

As far as the implications for developing countries are concerned, first the duty of assistance could extend to the principle of military intervention in countries burdened by unfavourable circumstances. For example, there is an increasing tendency favouring Western military intervention to end certain long-standing civil wars, which is justified on developmental grounds and security considerations. Is this always justified? Secondly, developing countries facing economic stagnation may find

themselves in a downward spiral that takes them from being once liberal or decent peoples to becoming outlaw states. Is there a special duty of assistance in this regard? Finally, economic decline may give rise to illiberal tendencies towards certain groups within a country, even in less affluent democracies such as India (caste related oppression and violence towards Muslims) and in Eastern Europe (discriminatory practices against the Roma or Turkish minorities); the nation may become characterised by factions not extending the principle of reciprocity towards others, thus encouraging the outbreak of violent conflict.

3 Realist Theories of the Liberal Peace

Nation states have long been regarded to exist in a state of non-contractual anarchy vis-à-vis each other, making the exercise of power or the gathering of power by going to war an opportunistic act based on perceptions of self-interest. Yet there are beliefs that a common set of values, and/or inter-state commerce will moderate or eliminate these war-like tendencies; see Doyle (1986), for example.

The liberal view that trade between nations *directly* contributes to peace may be traced back to the Baron de Montesquieu's, *Spirit of the Laws* (1748), where he states that commerce tends to promote peace between nations; mutual self-interest precludes war; trade softens attitudes of peoples towards each other. The fact that commerce promotes peace was also pointed out by Tom Paine (1791-2, page 265). Similar views were aired more strongly by Richard Cobden (1835). Sir Normal Angell (1910) asserted that nations could never enrich themselves through war, and even a victorious nation would always come off economically worse from a war.

These views may be regarded as semi-idealistic, as they point to the inevitability of peace induced by increased economic inter-dependence; the recognition of economic interdependence would induce leaders to eschew acts that disrupt gains from economic interdependence, such as war. Angell's (1910) view about the irrationality of war between the great powers of Europe in 1910 was based on a universal notion of rationality; bounded or limited rationality would not rule out wars especially in the presence of misperceptions such as an exaggerated view of the probability of victory.

It has to be remembered that trade is just one (peaceful) means of economically benefiting from the endowments of another country. The other means is war, which represents the forceful acquisition of another country's resources—the mercantilists wars of 17th century and the various colonial wars of conquest from the 16th-19th centuries offer copious examples of these. Similarly, war between two nation states does disrupt their bilateral and multilateral economic interdependence, but the damage done to the enemy may be greater, prompting the economically more powerful nation to go to war.

Polachek (1997) made the strongest case for the pure form of the economic liberal peace, arguing that a common polity (democracy) is largely immaterial. He presents empirical evidence to suggest that advanced democracies cooperate, not because of their similar political systems, but due to their vast and multiply layered economic interdependence. Indeed, democracies might act aggressively against other non-democracies. The analogy of these views with contemporary neo-classical economic theory is that trade reproduces the integrated economy. Free and unfettered trade in a

neoclassical economic framework leads to product and factor price equalization, hence producing economic integration, even if nation states continue to be politically separated. War disrupts these networks, and is therefore against the interests of the nation states who are thus connected.

The trouble with the pacific interpretation of international trade is that during the two world wars of the 20th century, highly interdependent economies went to total war with each other; especially during the First World War. Consequently, the economic interdependence argument for peace needs re-examination. Indeed, countries may choose to disrupt their potential enemy's gains from trade by ceasing trade with them, even if this means hostilities. There are also instances of nations trading even when there are at war, as was the case during the Napoleonic wars. Other factors, besides trade, must be at work.

Hegre (2000) argued that economic interdependence reinforces peace, but mainly between more developed economies. Russett and Oneal (2001) argue that it is the economic dependence on trade of the least dependent on the other member of a group of nations that will determine the pacific effect of trade. In short, only advanced and highly economically inter-dependent democracies would be at peace with one another, which precludes most developing countries because of their widespread absolute poverty, even in democracies like India.

Among the updates proposed for the liberal peace theory based on economic interdependence is the 'capitalist' peace notion of Gartzke (2007), which goes beyond trade dependence. He argues that the intensity of trade is the least important feature in

the peace engendered by capitalism. The nature of advanced capitalism makes territorial disputes, which are mainly contests over resources, less likely as the market mechanism allows easier access to resources. The nature of production makes the output of more sophisticated goods and services increasingly reliant on ideas or blueprints that are research and development oriented rather than resource intensive, and skilled personnel can be acquired through more open global labour markets. We might also add the fragmented nature of production with components produced in different international locations. Much of world trade is trade in components between the same multi-national firms across national borders. Moreover, the disruption to integrated financial markets makes war less likely between countries caught up in that web of interdependence. We are all acutely aware of how disruptive financial crises and the resultant contagion that spreads all over the world are. Gartzke (2007) argues that common foreign policy goals reflected in membership of international treaty organisations (NATO, the European Union) also produces peace between member states.

Dorussen and Ward (2009) rehabilitate the role of trade in engendering peace. They argue that trade has important *indirect* effects over and above the interdependence induced by bilateral trade. Increased trade generally, may do little to mollify war-like tendencies between a pair of countries, but if each of these countries interacts considerably with third countries, it will be not in their interests to go to war with each other, as it disrupts other links and networks. In other words, any two countries are unlikely to go to war with each other if each nation's trade with the rest of the world is substantial even when their bilateral trade interdependence is low. Dorussen and Ward (2009) label this phenomenon as mutual dependence.

Murshed and Mamoon (2010) find evidence of this in their study of the effects of trade and democracy on the India-Pakistan conflict. India and Pakistan are not only hostile towards each other, but their bilateral trade is very low compared to what would be predicted by their close proximity. Trade with other countries in the world (globalization) has the greatest conflict reducing effect between these two nations, along with expenditure on growth enhancing sectors such as education. The limited bilateral trade between these two countries, as well as their high levels of military expenditure reflect their mutual hostility. But the reverse is also true; limited trade and high levels of spending on the military also produce conflict. The important point is that as they grow to be more dependent on the rest of the world for their prosperity, their mutual hostilities may become less militarized. This is true, despite the fact that hostilities between India and Pakistan is more damaging to Pakistan's trade with the rest of the world compared to the disruption to India's multilateral trade. A realist interpretation of this result would suggest that the knowledge of this fact might encourage the pro-war party in India to lobby for an escalation of hostilities with Pakistan. This might damage Pakistan's more than India's, forcing Pakistan to make unilateral concessions on its disputes with India, as with the status of Kashmir.

This modern view of the economic version of the liberal peace may be summarized as asserting that similar, contiguous democracies at a high level of economic development will not fight each other (Gartzke, 2007). Democracies may go to war with other democracies that are distantly located, culturally disparate and considerably poorer. Democracies or liberal societies that become poor, or fall behind other affluent nations because of the lack of growth or systemic changes such

as the collapse of socialism may become aggressive; see Milanovic and Wenar (2007). What is also required for peace in a pair-wise dyadic sense between nations is not just democracy and economic interdependence, but also high levels of development (see Hegre, 2000), as high income nations have most to lose from war with one another.

While the arguments described above mainly pertain to the issue of war between nation states, inferences about violent internal conflict can also be made. Economic stagnation, as in Africa for the past three decades, or economic development that is very unevenly distributed can cause the tolerant niceties of an existing domestic social contract to become frayed. Those left behind and the under-privileged may revolt if coherently organised. Equally the relatively rich may choose to prey on the less fortunate, if they are no longer prepared to subsidise or support these groups. So-called democracies are not immune from these tendencies; they are not the ideal polities as conceived by Kant or Rawls, and may therefore behave violently towards segments of their societies. Indeed, as has been argued before, post-1991 developing countries are mostly characterised by imperfect democracies or anocracies; containing elements of democracy (multi-party electoral competition) along with some of the more invidious traits of autocracy (no effective checks on the executive, for example). Ultimately, growth, increased economic interaction through globalization, as well as rising democratization are likely to promote peace between and within developing countries, mirroring Lipset's (1960) modernization hypothesis that democracy (and peace) inevitably follows economic growth. The path to modernization is, however, fraught with the danger of different forms of conflict.

4 Globalization and Internal Conflict

4.1 The Gains from Trade

It is worthwhile reviewing the theoretical underpinnings of the gains from trade. The static gain from trade, in the Ricardian model of international trade is that international trade allows the 'representative' consumer a superior consumption bundle at better relative prices. This is mainly because imported goods are cheaper compared to those produced under autarky. There is very little in the pure Ricardian theory about the distributional effects of increased international trade. In connection with this, the Heckscher-Ohlin-Samuelson (HOS) model is more informative. This theory tells us that after an expansion of trade, the factors of production engaged more intensively in the exportable sector will witness a rise in their remuneration. This is because the exportable sectors of the economy expand, and the import-competing sectors contract, after increased international trade. If there are factors of production, say certain types of workers, specific to the contracting sectors, many of these individuals will become part of the unemployed, unless they can re-equip themselves into newer occupations. It is immediately apparent that globalization produces winners and losers, and in many instances the losers from increased trade or globalization demand protection, failing which they might violently protest.

In the 1990s we witnessed the growth of a new form of the old 'pauper' labour argument: that trade with the global South (developing countries) served to disadvantage unskilled workers in the global North. The changing pattern of the international division

of labour reflects the shift of competitive advantage in labour intensive manufacturing production from the richer OECD countries (North) to the poorer developing countries (South), mainly in Asia, and attracted a good deal of attention from commentators in developed countries during the closing decades of the 20th century. These commentators include politicians, such as the American Presidential candidate Ross Perot, and the former President of the European Commission Jacques Delors, journalists, trade unionists, and even church groups. This was motivated by the decline in employment in the North's traditional manufacturing sector.

More recently, with the end of the multi-fibre agreement which governed and restricted the import of garments from developing countries into OECD nations in 2005, the remaining European Union producers (in countries like Portugal) were hurt by Chinese goods, so they successfully lobbied for, and obtained a re-imposition of import controls. Society can compensate these workers who lose their jobs through generous redundant and re-training packages. The next question is whether or not society is in a position or prepared to compensate the losers from increased trade. If there is economic growth following globalization the gainers gain is greater than the loss of the losers; there is a potential for compensating the losers, provided enough political will exists to affect the re-distribution.

In developing countries (mainly in Asia) that have experienced an increase in their export of unskilled labour intensive goods (mainly garments) one would expect a rise in the remuneration of the unskilled relative to the skilled. The Stolper-Samuelson version of the Heckscher-Ohlin theory of international trade predicts that factors of production in the expanding export sector should witness an increase in their

compensation. But this has rarely happened, and the workers in labour intensive export industries have not seen a substantial rise in their real wages relative to skilled workers. The skilled-unskilled worker wage differential has on average increased. This could be because of the shortage of skilled personnel (less public education expenditure) and the huge numbers of unskilled workers coming from the hinterland in densely populated Asian countries (like Bangladesh); see Mamoon and Murshed (2008).

We have an additional question: does increased international trade foster economic growth? Sachs and Warner (1995) make a strong case that globalization and international trade does promote growth. Rodriguez and Rodrik (2000), however, argue that the so-called arguments that greater openness promotes more growth can actually disguise other factors such as better institutional quality and other good policies rather than openness *per se*. This, however, still leaves open the fact that a deliberate policy move towards increased globalization can act as a commitment device towards superior policies, including better regulation and governance.

Furthermore, increased trade is not always the handmaiden of economic growth in the *dynamic* sense, although it has played an important part in historical economic development of the world's present-day affluent OECD economies. Trade may even hamper growth, if the trade is of an unequal nature. If there are increasing returns to scale or economies of scale (this means that if inputs are doubled, output is more than doubled), implying falling unit or average costs of production., freer trade may damage the growth prospects of smaller countries less able to take advantage of economies of scale. Krugman (1981) has shown that it can even cause laggard

countries manufacturing sectors to vanish when faced with the competition engendered by freer or increased trade. Under more restricted international trade, the manufacturing sectors of smaller nations can survive, but when opened up to freer trade it is not just the survival of the fittest, but the survival of the largest, as the larger economy is more able to reap the lower costs permitted by economies of scale. Historically, early exporters of manufactured type goods such as China and India were unable to compete with Britain's cotton textiles after the implementation or imposition of free trade by Britain in the 19th century, and their manufacturing evaporated bringing about more than a century of stagnating growth. It is not that Indian and Chinese manufactures were inherently uncompetitive, they simply could not compete when increasing returns to scale elsewhere gradually raised their per-unit (average) costs.

The new economic geography literature (Krugman, 1991, for example) suggests the importance of agglomeration effects. Increased economic integration may cause greater clustering, particularly of manufacturing production, in certain regions (such as China or India), causing it to move away from certain existing areas that become peripheral. Obviously, growth in these peripheries is adversely affected, even if they pursue the right regulatory and open trade policies. As the alert reader will have discerned, these arguments have implications for regional economic integration in South Asia.

We also need to distinguish between policies that aim to promote freer trade and financial flows, and their success in terms of actual outcomes achieving greater international economic integration. Simply dismantling restrictions on international

trade, such as import and export taxes, and permitting international financial transactions does not mean that a country embarking on this path will achieve a greater value of trade or succeed in obtaining more foreign capital. For example, most countries in sub-Saharan Africa are caught in a staple trap, and export a few commodities---minerals or fuels for countries which have these, or coffee and cocoa. For them, policies which liberalized external trade (the structural adjustment programmes of the 1980s and 1990s) have left them very open economies in terms of their policy stance, but they have not witnessed an expansion in their share of world exports compared to countries such as China or India who have been much more wary about liberalizing their international trade and financial policy regimes. Murshed (2002a) points to three inimical factors that have contributed to the failure of globalization as far as the less successful or marginalized developing countries are concerned. They are: the negative effects of structural adjustment programmes in the 1980s, the debt crises of the 1980s and at present, and the endemic protectionism in the North towards the South's exports, mainly (but not exclusively) in agriculture.

Secondly, countries like India and China get a lot of foreign direct investment flows despite not entirely liberalizing their financial markets. They also managed to escape the financial contagion that followed the Asian financial crisis of 1997. As Murshed (2002a) points out most poor low-income developing countries receive little foreign direct investment (FDI) except in extractive sectors despite having policies in place that encourage these. China, Mexico and Brazil account for about 50% of total developed country FDI flows into developing nations. Other, poor developing countries are more likely to experience capital flight, once restrictions on financial movements are relaxed. Thirdly, policies that promote international integration, if

they are to pay off, must encourage greater economic diversification in the long-run; Murshed (2004) shows that in the 1970 to 2000 period it is those developing countries that export manufactured goods (as opposed to primary commodities) that have done best in terms of growth and democratization.

Finally, globalization increases inequality both between nations (Milanovic, 2005), and inside countries (Mamoon and Murshed, 2008). This is because of the differential effects of globalization, both across nations and between different economic occupations. I have, already, shown how globalization can adversely impact on the unskilled in both the global North and South. As far as inequalities between nations are concerned, one approximation is the gap in average or per-capita incomes between the richest and poorest countries in the world. UNDP (1999) reproduces figures to show that this gap was only 3:1 during the dawn of the industrial revolution in 1820, rising to 11:1 by the end of the first episode of globalization in 1913. More recently, it grew to 35:1 in 1950, rising slightly to 44:1 by 1973. After the commencement of the present round of globalization in the 1980s, this figure has acquired a staggering magnitude of 72:1. Accompanying this widening gap is the grave human cost in terms of malnutrition, morbidity and mortality. This is the most conclusive evidence of the marginalisation of some nations and groups from the process of globalization, and must also contain the seeds of conflict.

4.2 Globalization and Conflict

Policies aimed at greater economic integration or globalization have the potential for increasing internal conflict because they produce winners and losers, particularly if

such policies are a limited success or a failure in countries that have experienced stagnation and growth failure as in sub-Saharan Africa, parts of the erstwhile Soviet Union (Central Asian republics without oil or gas) and even Latin America.

Bussman and Schneider (2007) argue that policies aimed at greater globalization lead to a conflict risk increasing outcome, but highly open economies cannot sustain high levels of international trade and foreign direct investment inflows if they remain in conflict. This is particularly true if countries pursuing liberalization are at lower stages of economic development and have been unsuccessful in promoting economic growth (in Africa, for example). Interestingly, foreign direct investment flows lowers conflict risk in their model; although the authors do not directly recognize it, this is mainly because FDI flows go mainly to a handful of 'emerging' developing country economies (Murshed, 2002a). Democratic transitions also raise the probability of conflict. They do not find that countries with a more unequal distribution of income are more prone to conflict.

I have argued that the rational choice approach to analyzing civil war has a consensual view that the lack of economic development, particularly endemic poverty enhances conflict risk (Murshed, 2002b; Murshed and Tadjoeeddin, 2009). What about other forms of conflict, those that are not necessarily directly aimed at overthrowing the state; routine violence as in Tadjoeeddin and Murshed (2007)? Secondly, in the more successful developing countries (as in East or South Asia), can increased prosperity breed more violence even if it is not directly aimed against the state?

Historical accounts suggest that in early stages of development violence and increasing prosperity initially go hand in hand, but decline thereafter, Bates (2001). Traditional societies may have rules and norms that manage violent behaviour; even making peaceful dispute settlement self-enforcing. An increase in prosperity may encourage predatory behaviour in the form of private violence by the less fortunate, or group violence if the collective action problem is resolved. Once growth progresses further, violence has to decline to sustain the security of investment, and the state has to perform regulatory functions. This includes the near (Weberian) monopoly of violence by the state, and its role in keeping the peace and punishing perpetrators of crime, something that now becomes a transgression against society at large. Increasing violence may be symptomatic of the return of privatised social violence, precipitated by economic decline and the frustration spawned by greater awareness in the midst of the lack of commensurate progress. This is emphasised by Gurr (1970) through his notion of relative deprivation. When people perceive that they have less than what they regard as their just deserts they will revolt. This is more likely to occur when the general or average level of prosperity is increasing, but some groups are left behind as is often the case following globalization. Furthermore, the long shadow cast by political transition and the demise of traditional means of conflict resolution can produce the return of 'private' violence. Economic recovery may not initially reduce violence, until that recovery is sustained enough to reduce societal frustrations, and the accumulation of human capital is accompanied by institutional developments towards peaceful and public conflict resolution.

Tadjoeddin and Murshed (2007) study the causes behind the incidence of routine violence in Java, Indonesia. Routine violence is partly political, but not purely so, and

is not entirely criminal either. They refer to group brawls, protests and witch hunts, for instance. Notably, these forms of violence peaked following the Asian financial crisis of 1997, which gravely affected the Indonesian economy. Overall, however, achieving higher growth and combating poverty has a significant and substantial violence reducing effect because the violence increasing impact of rising income is offset by a larger violence reducing effect of growth. The relationships between violence and the levels of education and income are, however, non-linear in the form of inverted-U-shape curves. The reason for this is as follows: starting from low levels of average income and educational attainment, when these rise slightly there is much to compete over and quarrel about; this tendency however declines with further increments in income and education, as there is much more to lose from violence. Overall, human development index (HDI) increases have a significant violence reducing result. Since the impact of income and education on violence is non-linear in the form of an inverted-U-shaped curve; these results suggest that in order to achieve a violence reducing outcome from income and education their levels need to continue rising. Stagnating levels of income and education below critical turning points may result in persistent violence. These results suggest that other forms of violence, besides outright civil war may be encouraged by a greater globalization, even in the economically more successful parts of the third world.

What about the policies that might mitigate the conflict enhancing effects of globalization? Rodrik (1998) pointed out that in general more open economies tended to have bigger governments. The larger size of government (relative to national income) is predicated by the need for the state to provide a form of insurance or social safety net against the temporary adverse economic shocks that tend to strike at more

open economies with greater frequency. More open and globalized economies are more susceptible to external shocks, caused by the vagaries of the international economic system.

In a similar vein, Rodrik (1999) argued that one of the reasons for the decline in growth in many parts of the developing world was due to a decline in social cohesion. A more equitable and less conflict prone society is better able to withstand shocks and recover, as was shown by South Korea, for example, following the Asian financial crisis of 1997. It is important to bear in mind that the destiny of nations depends on the type of leadership they have historically had. Until recently, most developing countries were autocracies. But some leaders had a greater incentive, or simply chose to engage in more development relative to repression (Singapore, Indonesia).

5 Conclusions

The argument that democratic countries that are highly economically interdependent never go to war with each other is only partially true. The nature of economic interdependence needs to be examined carefully, and does not depend solely on trade. Democratic nations have, and still can, prey on distant less developed countries. An important dimension of the liberal peace is whether increased globalization promotes greater internal peace in developing countries. In some ways it can, but only once a high living standard similar to Lipset's (1960) modernization thesis has been achieved. But the policies that promote globalization may cause greater conflict, either because they fail to produce economic benefits for society as a whole, or due to the fact that some groups do not share in any increased prosperity. Both these reasons

may apply in stagnating countries that have experienced little or no development for a long period.

As far as the policy implications for the management of globalization and conflict management are concerned, first laggard developing countries (mainly in Africa) have not really obtained major benefits from their open policies. These countries urgently need to pursue more broad-based development; an effort in which the more affluent countries owe a duty of assistance as suggested by Rawls (1999). Secondly, when globalization is only partially successful as in parts of the Middle East, rulers face the temptation to engage in more repressive policies relative to policies that encourage development, as this is often a quick fix to the reaction when globalization disadvantages certain groups in society. Even in the more successful developing countries in East and South Asia, globalization and growth may encourage more routine violence until a higher steady-state average income is achieved. Thus the agenda emphasizing broad-based growth with equitable distribution is back on the table; if we are to manage the discontent that globalization breeds. Otherwise the seeds of conflict will be indelibly sown.

The ideal version of the liberal peace, as enunciated by Kant (1795) or Rawls (1999) is not irrelevant for developing countries. The democratic transition is fraught with danger, and managing both globalization and democratic maturity in developing countries requires the placement of effective checks and balances on executive power, such as an independent judiciary. Only, in this way can we restrain the executive's repressive proclivities. Sadly, strategic interests still dominate donor thinking, and this goal is often ignored by powerful aid donors when developing country leaders seem

to act in conformity with the great powers geo-political strategic vision, even when they repress their own people.

The incidence of both inter-state and intra-state war may be on the wane, Gleditsch (2008). This, however, is occurring in the backdrop of a contemporary Imperial Roman style *pax* (Galtung, 1981), whose contemporary form may be described as *Pax Americana*, with democracy and capitalism as its cornerstones. What we have is a negative peace (Galtung, 1964). Despite this negative peace, the imposition of an imperfect democracy may result in increased future vulnerability to conflict in many countries. We may also characterise the peace in our time as a mutation of nineteenth century *liberal* imperialism, where the ostensible benefits are meant to be universally distributed. The share of civil wars in Muslim countries as a proportion of all civil wars is rising (Gleditsch, 2008). This may be because our present political and economic dispensation is, however, far from being universally perceived as just, with injustices perhaps most acutely felt in Muslim countries. These rebellions, particularly in Arab nations, are mainly directed against Western backed undemocratic rulers in the Muslim world. A positive peace, in the sense of Galtung (1964), would require global economic justice, as well as some redress for egregious acts committed by the great powers both during the colonial era and more contemporaneously.

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