

NEW DIRECTIONS IN CONFLICT RESEARCH

Syed Mansoob Murshed

International Institute of Social Studies (ISS), Erasmus University, The Netherlands

University of Birmingham, UK

murshed@iss.nl

10th September 2011

1 Introduction

Even an idealist philosopher like Immanuel Kant (1795) considered war to be the natural state of man. In that respect, he shared the perspective of the English philosopher Thomas Hobbes (1651). According to Hobbes, the state of nature was characterised by anarchy akin to perpetual war¹; each man taking what he could with no basis for right or wrong. Life was: “solitary, poor, nasty, brutish and short”. Consequently, it was in the interest of individuals to surrender their individual freedom of action to an absolute ruler in return for personal security and rule based interactions in society. Kant was concerned more with preventing war between nations. That would require the simultaneous adoption of a republican constitution 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*).² Kant’s notion of cosmopolitanism is also applicable within nation states. Both thinkers were concerned with mechanisms that would engender peace. In other words, peace has to be achieved through deliberate design; this is what Galtung (1964) described as the negative peace (the absence of war).

Within nation states, civil war is only one manifestation of large scale violent conflict. It is important to emphasize that civil ‘war’ involves the direct participation of the state, and military style confrontations. Since the end of the cold war, conflict research has been dominated by the study of civil war in developing countries and in the former Soviet bloc. This discourse on the nature of civil war has gradually evolved into a discussion of development or state failure, depending upon the disciplinary or political stance of the interlocutors.³ Along with this there has been a growing proclivity on the part of Western governments and international organisations to become directly involved in conflict affected developing countries after the demise of the cold war, and the associated undermining of Westphalian state sovereignty.

The number of armed conflicts peaked in 1991 when 52 wars occurred in 38 countries, but by 2007, this number declined to 34 wars in 25 countries (Gleditsch, 2008). Along with this, associated conflict fatalities are also declining. However, the number of Muslim countries experiencing civil war as a proportion of all civil wars is rising. Civil

¹ *Bellum omnium contra omnes*, or war by all against all.

² Arguably, the ideal behind the European Union is in the spirit of Kant’s thinking.

³ The term state failure is more often employed in strategic studies, and development failure in conflict studies and other social sciences dealing with developing countries.

(and inter-state) war incidence is on the wane, but other forms of violent conflict may be rising, and these do not always involve the state as a direct participant.

For example, violence associated with democratic transitions in many parts of the developing world is still rife. It has been found that the risk of conflict is higher during transitions between an autocratic to a democratic system and vice versa than in long-standing and established autocracies or democracies (Hegre et. Al, 2001). Although there has been a marked shift towards democracy in most developing countries since the end of the cold war, and most have adopted the multi-party electoral system to form governments, but they still lack adequate constraints on the executive and their electoral systems are fraught with imperfections, making them *anocracies* rather than democracies. An anocracy⁴ has characteristics of both democracy and autocracy; most developing countries fall into this category, raising conflict risk.

Secondly, the losers from increased globalization which widens the gulf between the 'haves and have nots' sometimes transform their protests into violent insurgencies. Rapid globalization, especially in the form of increased international trade and inward foreign investment has increased income differences between skilled and unskilled workers all over the world (Mamoon and Murshed, 2008), and income inequality generally (Milanovic, 2011). In many developing societies, rural hinterlands have been particularly disadvantaged; where it is combined with ethnic differences with the majority of the state's population, this relative backwardness can constitute a recipe for violent (Maoist style) insurgencies. Recent increases in food and fuel prices, coupled with real resources devoted to debt servicing present new vulnerabilities. The important point is that such relative deprivation can take place even when the nation's aggregate economic performance is impressive, and growth is both positive and buoyant. Thirdly, there are ethnic or communal conflicts where groups compete over dwindling resources, such as those utilised in agriculture (Homer-Dixon, 1999) or other contestable endowments like land. Many of these ethnic conflicts do not include the state as a direct participant.

Contemporary violent internal conflict does not always take the form of civil war; it can be associated with both developmental success and failure, the latter is often referred to as state failure. Mass protest and communal strife are becoming increasingly important forms of developing country internal conflict. Thus, even in successful developing countries and emerging market economies, such as in India, globalization and growth can lead to new forms of conflict. Furthermore, democracy does not serve as a panacea for conflict prevention.

The rest of this work is organised as follows. Section 2 contains an outline of new forms of vulnerability and an integrated theory of conflict and 'development'. Section 3 presents a sketch of the relationships between natural resources and conflict or cooperation. The salience of the local nature of new types of conflict is described in section 4, with section 5 outlining issues in sectarian (communal) and cultural conflict based on ethnic difference. Finally, section 6 is by way of conclusion.

⁴ For a definition, see for example, Fearon and Laitin (2003).

2 Conflict and Underdevelopment/Development

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 and state failure 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. Hence, both developmental and security considerations necessitate conflict prevention via human development and poverty reduction. In practice, however, 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. The former may be regarded as akin to human development, and when we combine it with the freedom from fear it helps shape our notion of human security. Once again, these two freedoms are inextricably intertwined, because without security ensuring livelihoods is meaningless, the converse is equally true. In policy terms, for example, the reduction of absolute poverty, connected with the millennium development goal (MDGs), yields a double dividend by simultaneously addressing security and developmental concerns.

In the past three decades, and particularly since the end of the cold war, there appears to be a greater incidence of developmental failure and in the extreme form state failure, which sometimes leads to violent conflict. Related to these phenomena are the functions of the state. Is the state benevolent or predatory? A great deal has been written on this⁵, but what is salient is that we are increasingly regarding the innate nature of the state in developing countries as factional or predatory. We seem to have left behind us the idea that the state should be a functionary agent of society. Even within the predatory category there are shades of grey associated with good, moderate or bad governance. In many ways, these distinctions among states mirror Olson's (1996) stationary and roving bandit dichotomy. A stationary bandit (state) nurtures the tax base (society) so that more can be extracted in the future, a roving bandit is only bent on what is extractable here and now.

One robust result in the empirical cross-country civil war literature is that per-capita income and conflict risk are significantly and negatively correlated. Although this finding may disguise the mechanisms that truly underlie the statistical association, conflict risk is heavily associated with developmental and state failure. My contention is that both development failure, as well as rapid development (or growth) enhance conflict risk. Additionally, factors external to the nation state can also enhance conflict risk.

With regard to development failure and conflict, two phenomena have been utilised to explain civil war onset among rational choice theorists: greed and grievance. According

⁵ This includes the current belief that the long-run growth prospects of a nation are dependent on the quality of 'institutions'; see Acemoglu, Johnson and Robinson (2001) for example.

to this view, conflict reflects elite competition over valuable natural resource rents, concealed with the fig leaf of collective grievance. Additionally, rebellions need to be financially viable: civil wars supported by natural resource based rents like blood diamonds or oil, or when sympathetic diasporas provide a ready source of finance, are more likely to occur. More recently, Paul Collier and his associates (2003) emphasise the poverty trap: poverty makes soldiering less unattractive as a livelihood strategy, lowering the opportunity cost of war in poor nations. In turn, conflict serves to perpetuate poverty because of war's destructiveness; a vicious cycle of poverty-conflict-poverty ensues. Fearon and Laitin (2003) assert that ethnic or religious diversity makes little contribution to civil war risk, which are mainly caused by diminished state capacity in the context of poverty. This finding, taken together with Collier's work has a simple intuitive appeal; civil wars occur in poverty stricken, failed states characterised by venal, corrupt and inept regimes, with the dynamics of war sustained by a motivation akin to banditry. It also provides the intellectual basis for direct, colonial style, intervention to in collapsed or failing states.

But in many ways, these views go against the grain. There is a long-standing position that relative deprivation (Gurr, 1970) and the *grievance* that it produces fuels internal violence.⁶ Identity is also crucial to intra-state conflict. This is due to the collective action problem, as discussed in Olson (1965). It is difficult to mobilise large groups to undertake collective action, because of mutual mistrust, monitoring difficulties and the free-rider problem. Ethnic identities, whether based on race, language, religion, tribal affiliation or regional differences, may serve as a more effective amalgam for the purposes of group formation, compared to other forms of difference such as socioeconomic class. The formation of enduring identities are therefore central to mobilising groups, including the machinations of conflict entrepreneurs who organise men to fight each other. Conflict cannot proceed without the presence of palpably perceived group differences, or grievances, which may have historical dimensions. Frances Stewart (2000) has introduced the notion of *horizontal inequality*, the inequality between groups, rather than the inequality within an ethnically homogenous population (vertical inequality). Here more enduring (or hard to change) dimensions of inequality (Tilly, 1998) compared to relatively more transient causes of inequality (like current income) are crucial, such as the manner in which certain groups are discriminated against, simply because of their ethnic characteristics, rather than their other personal attributes.

Ultimately, the greed and grievance motivations for conflict may actually be inseparable in the sense that even if one theory is better at better motivating the start of conflict, the other phenomenon is sure to follow. Thus, for example it is not uncommon for a conflict linked to palpable grievances to mutate into a situation where the rebels become greedy, and both greed and grievance can be seen to co-exist. It would appear that the greed explanation for conflict duration and secessionist wars works in large cross-country studies, but has to make way for grievance-based arguments in quantitative country-case studies. Grievances and horizontal inequalities may, after all, be better at explaining why conflicts begin, but not necessarily why they persist. Although the presence of either greed or grievance is necessary for the outbreak of violent conflict, they are not

⁶ Mention of this factor is made in Aristotle's Politics.

sufficient. This requires institutional breakdown for peaceful conflict resolution, which may be described as the failure of the social contract (Murshed, 2002, 2010).

The social contract refers to the mechanisms within society that resolve conflict without outright violence. It contains a moral, economic and political component both at national and local levels. It also implies a functional view of the state; governments exist to serve a purpose, and rule is by consent. Contemporary civil wars are more often related to the *breakdown* of explicit or implicit mechanisms to share power and resources, rather than the complete *absence* of an agreement to govern these. This is true even in the most extreme cases, such as in Somalia. Cold war rivalries and the interventions of external powers in the domestic affairs of other countries may also undermine an existing social contract. Among various factors, two domestic reasons leading to the decline of the social contract may be highlighted.

The first point refers to the resource sharing agreements the state, or those in power, have with various stakeholders, and the breakdown of these arrangements that can produce greed and/or grievance. 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, particularly in the context of economic decline. Disputes over the apportionment of revenues from natural resources are especially common and, as in Nigeria these take on ethnic and regional dimensions. One reason that a contract to share revenues and resources encounters difficulties is the imperfect credibility with which the side that controls the 'pot' honours its commitment. This includes broad based public expenditure, fairer taxation, inclusion in government jobs and allowing potential rebel groups a share of locally generated resource rents. Also, the social contract is less likely with regimes that prefer repression over making transfers that assuage rebellion.

Secondly, there is the political system. Hegre et. Al. (2001) point out that the risk of conflict is lower in both well established democracies and autocracies. It suggests that conflict risk is at its greatest during transitions to and away from democracy, when state capacity is weak, and also in fledgling and imperfect democracies (anocracies). This is when the violent expression of grievance is most likely. Autocracies are adept at suppressing dissent, and established democracies deal with the same problem in a more peaceful fashion. Also, state capacity (its ability to both police citizens and provide public goods) is greater in established autocratic or democratic societies, rather than in those somewhere in the middle. Thus, there may be an inverted u-shaped relation between democracy and internal conflict; increased democracy is first associated with rising violence, after a critical point in democratic achievement, conflict and violence diminish. In other words, democratic transitions may induce a greater risk of violence, unless managed well via systems of power sharing, and constraints on the executive.

The functions of the state are important in maintaining the cohesiveness of society, which in turn is central to a functioning social contract. Besides its legitimate Weberian monopoly over violence, a functioning state must be able to enforce laws, property rights

and contracts, as well as have the fiscal capacity to raise revenues and provide public goods. Otherwise, a gulf appears between the *de jure* and *de facto* functions of the state diverge, which Ghani and Lockhart (2008) refer to as the sovereignty gap. A modern state must also be able to provide a wider range of public goods (health, education for example), in addition to a capacity to regulate and manage markets. The list grows longer with economic progress; more affluent nations have bigger governments (measured by the share of government consumption in national income). Economic decline in 'failing' states severely undermines the state's fiscal capacity, something which makes it heavily aid dependent, which further diminishes state capacity. Furthermore, a 'failing' state's ability to guarantee personal security, property rights and laws is often limited, leading to the gradual privatisation of violence between predatory and defensive elements within society. All these circumstances combine to produce a degenerating social contract, where individuals rely on kinship based groups and local warlords for security and public good provision, heightening the risk of civil war as society descends towards an anarchical, Hobbesian state of nature.

In developing countries deemed to be successes in terms of achieving economic growth and their participation in the globalized economy, economic progress can bring about its own conflictive tendencies in the form of riots, local rebellions and sporadic violent protest, even when the state is not fundamentally threatened by outright civil war. Some of these conflicts take the form of highly localized revolts in small pockets of the nation state, and may even escape serious international scrutiny, as the country as a whole is deemed to be making progress. Countries that are growth or human development successes in aggregate may still contain regions where extreme disadvantage and deprivation persist.

Some of the world's economic success stories, in terms of growth, are highly globalized in terms of their participation in international trade and financial flows. These countries, mainly in East Asia (and also India) have done well, but the cost has been greater inequality, particularly the widening gap between skilled and unskilled workers (Mamoon and Murshed, 2008), and the increased marginalization of informal sector workers and landless labourers. The Heckscher-Ohlin-Samuelson (HOS) theory of trade informs 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 absence of counteracting policies this can encourage revolt, including violent protest that undermines development, even if it is not a serious challenge to state leading to state 'failure'. For example, the commercial extraction of forestry and mineral resources in India, along with the historical marginalization of certain ethnicities, have fuelled Maoist insurgencies in that country.

Rodrik (1998) pointed out that in general more open economies tend 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, some of which are purely external to the country. For example, the rise in global food and essential fuel prices sparked off revolts in many parts of the world, especially in food and fuel importing developing countries and may have even been partially responsible for the Arab Spring protests in 2011. By contrast, the Chinese government's fiscal boost following the growth slowdown in the wake of the 2008 recession may have staved off social unrest. Similarly, the achievement of macroeconomic stability may produce conflict. For example, international financial markets require the smooth servicing of a country's external debt, but debt servicing may require belt tightening in terms of competitive devaluation (which raises the cost of imported food and fuel), as well as government spending cuts. This can lead to mass protest and riots, thus there is a trade-off between macroeconomic and political stability (Boyce, 2007).

More generally, 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 and security provisioning functions. Increasing violence may be symptomatic of the return of privatised social violence, precipitated by frustration spawned by greater awareness in the midst of the lack of commensurate *individual* (rather than national) progress. Gurr's (1970) notion of relative deprivation argues that when people perceive that they have less than 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 led growth.

Another issue that may produce violence in developing countries, but has received scant attention, is the growing inequality between richer and poorer nations of the world. Milanovic (2011) demonstrates that the growth effort required for poor countries to catch up, including that for fast growing emerging economies like India, is much greater than normally thought. Secondly, individual positions in a global income distribution are much more determined by domicile (the country where you work) rather than socioeconomic class or occupation. For example, the income inequality between two similarly qualified doctors working in Britain and Zimbabwe may be greater than the measured inequalities that exist within a single nation state. In an era of widespread informational dissemination about more affluent life styles, disparities between nations may encourage people disaffected by this global inequality of opportunity to revolt against their government's failure to deliver a higher and fairer standard of living.⁷

⁷ The draconian restrictions on international migration do not help to resolve these tensions.

3 Natural Resource Endowments and Civil War

During the last decade, the fact that dependence on primary goods exports enhances conflict risk became one of the best known results in the rational choice literature in conflict studies. The presence of natural resource rents is said to lead to the greed motivation for conflict. The idea being that it is easier to purloin profits or rents associated with the production of natural resource based commodities. This result has been subjected to a great deal of scrutiny, and as a consequence has not emerged unscathed. The fact that this simple assertion, based on a non-robust statistical association, needs to be nuanced is now widely accepted.

Criticism of Collier and Hoeffler (2004) began with their definition of primary commodity to include both agricultural commodities and minerals/fuels, but which excluded illegal substances (coca and heroin) as well as illicit alluvial diamonds. Certain varieties of resources are more easily appropriated: they may be lootable such as alluvial diamonds (in Sierra Leone, Angola) available along river beds using artisanal techniques or illicit drugs such as coca in Colombia; obstructable like an oil pipe line; see Ross (2003) on these issues. Illicit gemstones and drugs are demonstrably more crucial to financing rogue conflict entrepreneurs in a greed based conflict; their omission is a serious flaw. Collier and Hoeffler (2004) do not differentiate different types of natural resources, such as between lootable and non-lootable natural resources and between point-source (mineral-fuel) and diffuse (agricultural) natural resources. It is arguably more difficult to 'steal' revenues from diffuse agricultural production, especially when it is a smallholder (and not plantation) based activity. Also one should not only be concerned with current and past production, neglecting future prospects for extraction. This means that the emphasis should be on the total stock of resources. In summary, the famous Collier and Hoeffler (2004)⁸ results about the importance of primary goods exports in enhancing conflict risk is not statistically robust; the results will not survive different measurements of natural resource abundance or dependence, as well as other changes in data definition, such as country inclusion/exclusion, periodicity and definitions of time periods (see Murshed, 2010, chapter 3 for a detailed review).

Facing these challenges, Collier, Hoeffler and Rohner (2007) revisited their previous greed argument by stating that, 'the feasibility hypothesis proposes that where rebellion is feasible it will occur: motivation is indeterminate, being supplied by whatever agenda happens to be adopted by the first social entrepreneur to occupy the viable niche' (p. 21). If feasibility is about opportunity, greed is also about opportunity. The basic arguments and empirical evidence are much the same as before, and deeper motivations aside from criminal greed are ignored.

The availability of lootable and obstructable resource rents may be a better explanation for the duration of civil war rather than its actual onset. Natural resource rents can by

⁸ In 2005, an entire issue of the Journal of Conflict Resolution entitled 'Paradigm in Distress', 49 (4), was devoted to a set of papers demonstrating the non-robustness of the main conclusions of Collier and Hoeffler's greed hypothesis.

themselves become a source of grievance leading to war and insurgency, if local populations feel that they are not getting their fair share, as in the Niger Delta region of Nigeria. It can also cause secessionist tendencies amongst relatively rich regions, who no longer want to subsidise their fellow countrymen, as in the case of Aceh in Indonesia.

Along side the famous greed motivation for here is a large parallel literature on the resource curse, where it is argued that the presence of substantial natural resource rents retards development through political economy channels. This has a bearing on resource rents as a potential driver of civil war, as civil war is one (violent) form of competition over the prize for the right to control resource rents. In a nutshell, the negative effects of resource rents from a political economy perspective arise when it leads to rent seeking and corruption which has a destructive effect on normal productive investment and hence growth.

For example, Mehlum, Moene and Torvik (2006) find that natural resource abundance has adverse effects *only* in the presence of poor institutions. They do not, however, take into account the potential reverse or bi-directional causality between institutional quality and growth. Simple-minded institutional theories which suggest that the presence or absence of the resource curse depends on the quality of institutions ignore the complexities of the incentives that are presented to political leaders, because in certain circumstances they may choose unenlightened rent seeking policies that suit them and a narrow interest group, and in a different environment they could decide to be more benevolent; see Murshed (2010, chapter 2). There is also the further possibility that they may deliberately undermine already existing institutions and/or institutional development, so as to further their own ends. When it comes to the empirical examination of these phenomena, the distinction between the harm caused by malfunctioning institutions already present, and bad institutions engendered by resource rents can become observationally indistinguishable.

A related question is what we precisely mean by institutions. In the literature under review here, they pertain to the measured quality of governance, and sometimes to the nature of the political system (democracy, autocracy, anocracy, presidential/prime ministerial systems, constraints on the executive). All of these phenomena are numerically measured in various data sets that code and rank institutional quality.

Mavrotas, Murshed and Torres (2011) demonstrate that both point-source and diffuse type natural resource endowments retard the development of democracy and good governance, which in turn hampers economic growth. So there is a more widespread resource curse, valid for both endowment types. Point sourced economies have a worse impact on governance, and governance seems more important for growth compared to democracy. Manufacturing, and manufactured goods exports, do promote better governance and democracy. This in turn helps to explain the superior growth performance of manufactured goods exporting nations. Not only is the presence of manufactured exports an indication of a more diversified and growing economy, but this may be so because these countries have better institutions of governance and higher levels of democracy. Brunnschweiler and Bulte (2008) reject previous arguments for

regarding natural resource wealth or dependence as the principal culprit for civil war. They speculate that resource dependence (a reliance on primary goods exports rather than simply having a lot of natural resources) may be a manifestation of the failure to grow and diversify as a consequence of conflict, but does not contribute directly to conflict.

The above discussion refers to average outcomes in cross-country analyses of a large number of nations lumped together. On many occasions, detailed case studies can be more informative, particularly about the precise nature of incentives and complexities of institutional quality. With regard to the political economy of development strategies, Dunning (2005) analyses differing choices by rulers regarding the future growth path of the economy in the context of natural resource abundance. He compares Mobutu's Zaire (1965-1997) to Suharto's Indonesia (1965-98) and Botswana during the same period. In Botswana, revenues from Kimberlite (deep mine shaft) diamonds were very stable, due to Botswana's unique relationship with the South African diamond company De Beers and its important position as a major supplier. It chose a developmental path because of the mature nature of political elites there. 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. 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. Both Mobutu and Suharto, in particular, owed their existence, at least initially, to the patronage of the USA and Western powers. Perhaps, in East Asia a more palpable fear of communism (with a large country, communist China in the neighbourhood) strengthened developmental goals in dictators, whereas in Africa factionalism dominated policy making and politics, retarding growth enhancing economic diversification and infrastructural development.

Another strand of the literature builds on the link between inequality and resource endowment of the point-sourced variety; see the work of Sokoloff and Engerman (2000), who discuss the historical experience of Latin America. Commodity endowments of the point-source variety (commodities that are mineral, fuel or plantation based) tend to depress the middle-class share of income in favour of elites, as in Latin America. The idea being that these elites, in turn use their power, identical with the forces of the state, to coerce and extract rents. When different groups compete with another for these rents, the rent-seeking contest leads to even more perverse and wasteful outcomes than when elites collude.

In short, both the simple minded greed theories based on purely criminal motivations, and naive institutional fundamentalism in relation to natural resource rents and conflict risk need a great deal of nuancing to the individual case under scrutiny, so that the mechanisms that lie in the middle of natural resource rents becoming conflict risk enhancing are properly understood. Among the many factors to be considered are the type of natural resource, measurements of their abundance or the economy's dependence on them, variation in the quality of political institutions, the incentives of rulers and the ruling class, and whether rulers deliberately undermine existing institutions to facilitate their kleptocratic ends.

A final important dimension missing from the literature on natural resources and conflict is individual motivation to participate or refrain from joining rebellion or violent contests over resource rents. This problem is usually brushed under the carpet, even by those constructing theoretical (mathematical) models of resource driven conflict, by stating that the conflict entrepreneur must satisfy the participation constraints of his soldiers (usually by allowing them to loot). Indeed, many studies have indicated that participation in violence is motivated by the lack of alternative employment opportunities and the lack of human capital (education) with which to make a living. In addition to these extrinsic or pecuniary motivations, individuals are also be driven by intrinsic motivations, particularly group grievances. As previously indicated, identity may be salient to revolt and rebellion. An individual's utility may be related to his identity, specifically the relative position of the group he identifies himself with in the social pecking order; see Akerlof and Kranton (2000). An individual may derive utility from certain normative forms of behaviour appropriate to his identity but considered deviant by other groups, and may even face sanctions from like-minded group members if he deviates from them. Memories of historical injustices can play an important part in forming the group identity. This type of behavioural paradigm may be related to solving the collective action problems alluded to earlier, without which organised large-scale violence is impossible.

4 Localized Conflict

In conflict studies at present there is a need to go beyond the results that emerge from 'averaging' across the world's conflicts typical of cross-national studies, where the cases are extremely heterogeneous because conflicts in different parts of the world are lumped together, to the analysis of conflict at the more homogenous sub-regional and sub-national levels. The study of local conflicts is very much within the mode of the case study approach. The heterogeneous effects of conflict may extend to different areas of the same country, including between rural and urban areas, say. Therefore, more studies of the drivers and consequences of conflict at a more local level within nation states are required. Averages results that are determined from a cross-section of countries in various parts of the world, combining Latin America, Africa and Asia, may disguise what is salient to an individual conflict in a region within a country. It is also often misleading, leading to one size fits all type of policy prescriptions that can backfire. For example, environmental conflict between different groups over land, access to water and other natural resource based production inputs, yield different results when studied locally, and when analyzed in a large N-country cross-sectional analysis. Environmental factors as a source of conflict are found more significant in local case studies, whereas its importance diminishes when examined through the prism of a cross-country analysis. Moreover, in many large developing countries systematic internal conflict is highly localized and confined to a few small geographical regions. These do not necessarily seriously undermine the central authority of the state, but continue to retard human development in various pockets, even when the nation as a whole is making progress. The various Maoist insurgencies in India are a case in point.

A variety of methodologies can be employed to study local conflicts. One such technique is based on the analysis of household surveys. These are standard nowadays, and among other things are used to gauge information on household consumption, living standards, and other socio-economic information, including questions about identity. They are particularly useful in post-conflict settings in order to garner information on household coping strategies, livelihood investment decisions, as well as the salience of group identity based grievances in provoking future conflict. There have been calls for a more microeconomic approach to the study of conflict (Verwimp, Justino and Brück, 2009 for example), and this implies the study of conflict in particular localities. Another technique, used in geography, involves GIS mapping of conflict flashpoints and the exact location of contested natural resource endowments.

Local level household surveys permit the gathering of information on aspects of cognitive psychology involving trauma and some of the tenets of behavioural economics in situations where there has been violence and conflict. This is important, as household preferences may not be exogenous but endogenous to previous experiences, including the trauma of conflict. For rural households and self-employed informal sector workers, consumption and production decisions are inseparable, because production and consumption are closely related. Therefore, these households are used to risky decisions and outlays. The presence of armed conflict can add new dimensions into these risks and uncertainties, also depending on the duration and intensity of the conflict, as well as perceptions about conflict re-emerging if it has stopped. Here prospect theory rather than expected utility may be more relevant following the traumas of war (Kahnemann and Tversky, 1979). Observed behaviour suggests that an uncertain prospect is often judged by the *overall* prospect of loss or gain rather than its strict pecuniary expected value; from positions of loss risk taking (rather than risk aversion) may be a more common psychological response.

Prospect theory represents a departure from expected utility in that it is a two stage process, and risky ventures are weighted not just by (subjective) probability of the different risky states, but by a more complicated 'decision weighting' process. The first stage of the decision involves, an editing phase where a reference point is chosen to evaluate the likely effect of the actual risky investment framed in terms of specific aspects of the highly valued by the decision maker. In the second stage of evaluation, when the household decides on its type of investments, it may take more risks, if the risky project has a high enough decision weight compared to the less risky alternative. Decision weighting is related to the probability of an uncertain project bearing fruition, but it also includes the subjective desirability of the outcome, a property that alters less readily in the mind than the more objective probability of success. The point being that taking on more risks is understandable if there is a substantial chance that such investments will lead to recuperation of particular erstwhile losses. Consequently, a strong desire to retrieve a valued past state as a primary response to trauma and loss may occasionally lead to increased risk taking after experiences of violence. Clearly, there will be some heterogeneity in individual responses to violence; not all traumatized individuals will become risk takers. Subjective perceptions regarding violence are endogenous to the

lingering effect of actual past experiences, and in decision making involving the future these perceptions may impact more on individual current preferences and choice. Individual households may not just be passively coping with the events around them, but could actively react to these events in order to re-shape their future.

The points enumerated so far in this section so far pertain to individuals and households. But for the study of local conflict, the knowledge of local conditions also matters, and these will differ from national level averages and institutions. Local institutions that are of importance, are not the national quality of governance and democratic functioning, but local politics and social capital, especially the extent of bridging social capital (if any) between antagonists in a local conflict. Furthermore, local economic conditions are crucial to the local conflict, and these include group inequalities, local poverty profiles, the abundance or scarcity of agricultural inputs (resources). Above all, what is salient to a local conflict is the whether different ethnicities compete over the same resource, or whether they participate in different complementary economic activities. For example, conflict risk is much greater when different ethnicities are engaged in the same activity say agriculture, than when one group are principally farmers, and the other retail traders.

Another point of interest in the analysis of local conflict is decentralized governance, particularly fiscal federalism. Fiscal federalism leads to decentralized government expenditure decisions and/or revenue raising powers to sub-national entities. The revenue aspect may be important, particularly for regions with natural resources as in Indonesia or Nigeria, as it appeases local discontent about regionally generated revenues being siphoned off to central government. Other regional governments may be better able to raise local revenues, or even conduct their own borrowing. Decentralization may also increase the utility of regions that can take their own decisions about local public expenditure. It is important, therefore, to distinguish between the revenue and expenditure side of fiscal decentralization and its relation to conflict.

On the expenditure side, a citizen is normally indifferent to which layer of government provides public goods, as long as provision is adequate. Citizens may care about the type of provision in some instances, say about what languages are taught in school, which might vary over different education authorities. Nevertheless, expenditure priorities are subject to political processes. Then, it may matter which executive authority (regional or national) or what legislature (regional or national) decides on spending priorities. Related to this is the theory of club goods. As the name suggests, club goods are excludable and voluntary. Only members can benefit from the club good, and membership is voluntary. As with a public good, members of a club do share, so the rule for the optimal provision for public goods also applies. The important point here is that many government services are closer to the characteristics of club goods compared to pure public goods, particularly at the local level. Furthermore, an outcome closer to the club goods optimum may be achieved with greater local control over public expenditure. Since this implies volition, it may be conflict reducing.

Badly conceived fiscal federalism, or the failure to adapt federalist rules to new and emerging situations (such as natural resource discoveries or debt burdens) can exacerbate latent conflictual tendencies in federations. In countries where minorities are dispersed, other forms of functional federalism or power dividing mechanisms are necessary in addition to fiscal federalism. Fiscal decentralization might work better in middle income countries with greater revenues to spend on public goods, and in countries where resource rich regions demand financial autonomy. Indeed, Tranchant (2008) empirically demonstrates that fiscal federalism is more successful at reducing conflict risk in countries with superior institutions using the international country risk guide (ICRG) data, implying that better institutional quality means the country has superior governance, and more durable political institutions. In particular, nations with malfunctioning institutions often have weak central governments, which encourages violent challenges and fiscal decentralization may fail to mollify potential rebels.

5 Sectarian and Civilizational Conflict

Rational choice approaches to conflict mainly focus on the material (economic, political) basis for conflict, as well as its material effects on society. There is relatively less on intrinsic and identity based motivations for conflict---a group cause based on identity that individuals identify with and can fight for. One reason for this is rational choice approaches often ignore history, concentrating on more immediate circumstances. Secondly, there is relatively less literature originating from the economics discipline on two forms of low intensity violence: civilizational or cultural conflict and sectarian violence. Perhaps, this is because neither truly undermines the existence of the state. In sectarian conflict the focus should be on individual choices to join or refrain from violence, rather than collective or group choices, as these modes of sectarian/ethnic conflict are relatively less pre-meditated.

Civilizational conflict refers to a conflict between different ways of life. In present-day Europe, for example, there is a fear of Islam, in the shape of Muslim migrants in Europe (25 million Muslims reside in the European Union); both in the sense of annoyance with Muslim practices, and the potential dangers from home grown terrorism (Madrid train bombings, the London bombings, the murder of Theo van Gogh in Amsterdam, rioting by Muslim youths in Parisian suburbs). Certain segments of the Muslim immigrant population have developed a corresponding hatred for the West. Terror and migration (to the West) are said to be the two weapons in the militant Muslim's armoury. This may bring about a 'clash of civilizations' in Europe.

There can be two explanations for civilizational or cultural conflicts between Islam and the West. One is the inevitable clash of civilizations theory, as outlined by Huntington (1996). The hatred for the West by some Muslim groups is treated as given, and conflict with the West necessarily follows. The problem with these 'culturalist' views is that it treats culture as monolithic, and individual identity as a singular phenomenon, ignoring the multiplicity of identities that individuals may possibly possess (Sen, 2008). Thus, it is conceivable to be simultaneously a Muslim, a European citizen, a believer in democracy, as well as someone who respects difference and human rights. Contemporary racism in

Europe is driven more by disdain for cultural identities such as Islam, rather than biologically based phenomenon, such as complexion, as was the case until the recent past. Racist messages that breed fear of minorities like Muslims can emanate from attention seeking politicians, who campaign on a single issue that scapegoat a particular group for all of society's ills (crime, unemployment and so on). Continental Europe has seen the rise of anti-immigrant, especially anti-Muslim immigrant, political parties in Denmark, the Netherlands and elsewhere. According to surveys⁹, negative perceptions about Muslims among non-Muslims have grown: in 2008 52% in Spain, 50% in Germany, 38% in France and 23% in the UK felt negative about Muslims and Islam. The PEW world surveys indicate that dislike of Muslims in Europe is greater among the older and less educated segments of the population. The same survey indicates growth in the Muslim sense of identity amongst Muslims immigrants in Europe.

The alternative view holds that radicalization or political Islam in Europe does not arise in a socio-economic vacuum, and disgruntled Muslim behaviour in Europe may lie in wider material, political and identity based disadvantage. Stewart (2009) has documented the systematic disadvantage that Muslim groups face in European countries and worldwide. These range from economic discrimination in terms of jobs and lower incomes to under representation in public life. This phenomenon may be described as the horizontal inequalities that Muslims suffer from in contemporary Europe. Muslim citizens in Europe are systematically poorer, suffer from greater unemployment (including severe employment discrimination in countries like France) and are less than proportionately represented in public life (Stewart, 2009), in addition to the opprobrium their cultural identity attracts. Thus, some of the more extreme forms of terrorism and even other non-violent acts, which make a statement of difference with the majority community such as the wearing of *hijabs*, may have as their root cause, both the collective sense of injury caused by the sufferings of Muslims globally (such as in Palestine, Iraq or Afghanistan)¹⁰, as well as the more palpable economic, political and social discrimination felt within the European states that they reside in. The paper by Murshed (2008) models this as the interaction between fear of Muslim minorities driven by the rhetorical hate messages from extremist European politicians, and the hatred felt by some Muslim migrants for Western civilization based on the social/economic discrimination they are subjected to, as well as other historical and contemporary global injustices.

As far as civilizational conflict is concerned, excessive deterrence against potential dissidents may backfire. These include heavy handed policing and the proscription of Muslim practices. It may produce more militancy and swell the ranks of the disaffected, and increases the danger of both vandalism and terrorist violence. Secondly, space needs to be created so that most Muslim migrants are able to merge their personal identities

⁹ <http://pewglobal.org/reports/display.php?ReportID=262>

¹⁰ Galtung (1964) argues that in choosing foreign policy options there may be differences in opinion within any given society. There is a central opinion and a peripheral opinion. Muslim minorities residing in Europe may hold strong 'peripheral' opinions about policies towards the Palestinian question, Iraq and Afghanistan. More peaceful options, both in terms of domestic harmony, and foreign relations, should incorporate the periphery's opinions.

within their adopted European homelands. This includes developing a personal imperative to be tolerant of difference. Integrationist policies that make it difficult to be both European and Muslim are bound to be self-defeating. Many of the perpetrators of the London bombings were well integrated second generation immigrants before becoming radicalized. Thirdly, economic discrimination, the enduring inequalities faced by Muslims in Europe, needs addressing. Otherwise policies of integration or assimilation are bound to fail. This requires a strengthening of equal opportunity policies and laws to deal with the systematic disadvantage, particularly in labour markets, faced by Muslims in Western Europe, as pointed out by Stewart (2009). Radicalization amongst Muslim minorities may be less significant in societies where they face less identity based inequality of opportunity, as in the USA or Canada.

Sectarian violence between religious groups characterise several developing countries: Hindu-Muslim violence in India, Christian-Muslim violence in Indonesia and Nigeria. These are highly localized (as it is confined to certain regions of large countries), and does not undermine the state. The state itself is not a target of the violence, unlike in the case of civil war; only localized state functionaries are found to be actors in this form of violence. India has a longer history than either Nigeria or Indonesia in this regard. Brass (2003) points out that Hindu-Muslim sectarian violence (known as communal rioting in India) is not as spontaneous as we are led to believe, but is very much part of the political process in India, particularly the rise of Hindu fundamental parties in Indian politics in the post-Nehru era. He also feels that, since Muslims, are a regular target of these attacks, they should be more appropriately termed as pogroms rather than spontaneous rioting. The easing of sectarian conflict in developing countries requires poverty reduction and the stemming of the inequalities produced by economic globalization. Declining poverty raises the attractiveness of peaceful income, rather than the earnings related to loot and violence. The inequality produced by globalization produces richer sectarian individuals who fund communal causes, leaving it to their poorer brethren to enact the violence. Hence social safety nets and the public provision of health and education that combat poverty and lower inequality are important. Localized institutional functioning also needs addressing. This includes the often virulently sectarian outlook of local governments, such as the government of the Indian state of Gujrat. Furthermore, getting to know the “other” via more bridging social capital between communities is also important in building peace, as are the advantages of peaceful income to individuals.

6 Conclusions

In the last decade our understanding of the processes underlying mass violent internal conflict has progressed to incorporate a greater variety of economic, political and social factors as well as institutions of conflict management. Methodological differences remain, but analysts of conflict have achieved a degree of consensus that violent internal conflict is mainly brought about by relative deprivation and/or the competition over resources. These tendencies, however, can either be mitigated by good institutional structures of governance, or exacerbated by malfunctioning and degenerating institutions (the social contract). A well functioning social contract, manages potential conflict, and

discourages violent challenges to the state by non-state actors. There are also well known quantitative studies, covering all countries in the world, regarding the determinants of internal conflict. The general propositions that emerge are informative, stressing on the one hand the presence of opportunity and feasibility in forming rebel movements, as well as failing state capacity to restrain these tendencies. On the other hand, it has long been recognized that deprivation produces rebellion. This relates to the differences between what people *have* in terms of tangible socio-economic indicators (income, assets including land, access to common property resources, access to public services, education and health), and what they think are their just deserts. If they have *less*, they may be inclined to rebel. Furthermore, in the absence of corrective policies, this is more likely to cause conflict in more ethnically fragmented societies.

Yet a variety of lacunae remain in conflict studies. First, and foremost is the complex relationship between development and economic progress and conflict risk. Both severe underdevelopment and rapid economic progress can produce conflict risk. The former is associated more with the risk of civil war, the latter usually with mass violent protest and localised rebellion that does not fundamentally undermine the position of the state. Attention has to be focussed on the distributional consequences of growth. New sources of tension arise in our globalised world because of rising food and fuel prices which intensify existing grievances against the state, burdens of servicing international debt, and through the relative deprivation felt because of the ever widening gap in living standards between rich and poor countries. Secondly, we have the non-linear impact of increased democratisation on conflict risk. Mature democracies are peaceful, but democratic transitions enhance the chances of violent conflict. This means we have to have a nuanced take on the role of institutions, eschewing the naïve institutional fundamentalism that pervades the mainstream thinking about long-term development nowadays. Thirdly, greater emphasis has to be put on detailed case studies of local conflict. This means a deeper understanding of local economic conditions and social capital. Household surveys, if intelligently designed, can also yield deeper psychological insights on how the trauma of violence affects economic behaviour, as well as gauging the contribution of group identity and group grievances to any future conflict risk. The role of intrinsic motivation in joining movements, particularly the part played by an individual's identification with the cause of a disadvantaged group that he belongs to deserves much more than the scant and passing attention that it has hitherto received in the rational choice literature on conflict. The study of sectarian (or communal) conflicts in countries such as India, Indonesia and Nigeria, as well as cultural conflict with Muslims in Europe deserves more sophisticated study. In the ultimate analysis, conflict resolution has always ubiquitously required justice, not just the justice that is in the interest of the stronger. In this connection a few words about the new liberal imperialism are in order, which for example favours regime change by direct action. Just as in the 19th century the excuse of civilizing the backward is being increasingly used to justify direct intervention in developing country conflict. Despite the rhetoric, there is a great danger that these actions are much more in tune with the old imperialist objective of controlling the non-European world to the advantage of Europe (the present West), or at the very least in the spirit of colonialism's misplaced 'white man's burden' aim of civilizing the uncivilized; something that has been historically such a resounding failure.

REFERENCES

- Acemoglu, Daron, Simon Johnson and James A. Robinson (2001) 'The Colonial Origins of Comparative Development: An Empirical Investigation', *American Economic Review* 91(5): 1369-1401.
- Akerlof, George and Rachel E. Kranton (2000) 'Economics and Identity', *Quarterly Journal of Economics* 115(3): 715-753.
- Bates, Robert H (2001) *Prosperity and Violence*, New York: Norton.
- Brass, Paul R (2003) *The Production of Hindu-Muslim Violence in Contemporary India*, Seattle: University of Washington Press.
- Boyce, James (2007). 'Public Finance, Aid and Post-Conflict Recovery', Working Paper 2007-09, University of Massachusetts-Amherst.
- Brunnschweiler, Christa N. and Erwin H. Bulte (2008). 'Natural Resources and Violent Conflict: Resource Abundance, Dependence and the Onset of Civil Wars', *Economics Working Paper Series* 08/78, ETH Zurich.
- Collier, Paul and Anke Hoeffler (2004). 'Greed and Grievance in Civil Wars', *Oxford Economic Papers* 56(4): 563-595.
- Collier, Paul, Lani Elliot, Håvard Hegre, Anke Hoeffler, Marta Reynal-Querol and Nicholas Sambanis (2003) *Breaking the Conflict Trap: Civil War and Development Policy*, World Bank, Oxford: Oxford University Press.
- Collier, Paul, Anke Hoeffler and Dominic Rohner (2007). 'Beyond Greed and Grievance: Feasibility and Civil War', *CSAE Working Paper* 2006-10, Oxford: University of Oxford.
- Dunning, Thad (2005). 'Resource Dependence, Economic Performance, and Political Stability', *Journal of Conflict Resolution* 49(4): 451-82.
- Fearon, James and David Laitin (2003) 'Ethnicity, Insurgency and Civil War', *American Political Science Review* 97(1): 75-90.
- Galtung, Johan (1964) 'An Editorial', *Journal of Peace Research* 1(1): 1-4.
- Ghani, Ashraf and Clare Lockhart (2008) *Fixing Failed States*, Oxford: University Press.
- Gleditsch, Nils Petter (2008) 'The Liberal Moment Fifteen Years On', *International Studies Quarterly* 15 (4): 691-712.
- Gurr, Ted R (1970). *Why Men Rebel*, Princeton: Princeton University Press.
- Hegre, Håvard, Tanja Ellingsen, Scott Gates and Nils Petter Gleditsch (2001) 'Towards a Democratic Civil Peace? Democracy, Civil Change, and Civil War 1816-1992', *American Political Science Review* 95(1): 17-33.
- Hobbes, Thomas (1651) *Leviathan*, reprinted 1998, Oxford: World Classics.

Homer-Dixon, Thomas F. (1999) *Environment, Scarcity, and Violence*, Princeton: University Press.

Huntington, Samuel P (1996) *The Clash of Civilizations and the Remaking of the World Order*, New York: Simon and Schuster.

Kahneman, Daniel and Amos Tversky (1979) 'Prospect Theory: An Analysis of Decision under Risk', *Econometrica*, 47 (2): 263-292.

Kant, Immanuel (1795) *Perpetual Peace and Other Essays on Politics, History and Morals*, reprinted 1983, Indianapolis: Hackett Publishing.

Mamoon, Dawood and S Mansoob Murshed (2008) 'Unequal Skill Premiums and Trade Liberalization: Is Education the Missing Link?', *Economics Letters*, 100(2): 262-266.

Mavrotas, George, S Mansoob Murshed and Sebastian Torres (2011) 'Natural Resource Dependence and Economic Performance in the 1970-2000 Period', *Review of Development Economics*, 15 (1): 124-38.

Mehlum, Halvor, Karl Moene and Ragnar Torvik (2006). 'Institutions and the Resource Curse', *Economic Journal* 116(508): 1-20.

Milanovic, Branko (2011) *The Haves and the Have Nots*, New York: Basic Books.

Murshed, S. Mansoob (2002) 'Civil War, Conflict and Underdevelopment', *Journal of Peace Research* 39(4): 387-93.

Murshed, S. Mansoob (2008) A Note on the Interaction between Identity Based Fear and Hatred'', *Peace Economics, Peace Science and Public Policy*, 14 (3), article no. 5.

Murshed, S. Mansoob (2010) *Explaining Civil War: A Rational Choice Approach*, Cheltenham: Edward Elgar.

Olson, Mancur (1965). *The Logic of Collective Action*, Cambridge MA: Harvard University Press.

Olson, Mancur (1996) 'Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor', *Journal of Economic Perspectives* 10(1): 3-24.

Rodrik, Dani (1998) 'Why do More Open Countries Have Bigger Government', *Journal of Political Economy*, 106(5): 997-1032.

Ross, Michael L. (2003). 'Oil, Drugs and Diamonds: The Varying Role of Natural Resources in Civil Wars' in Karen Ballentine and Jake Sherman (eds), *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, Boulder CO: Lynne Rienner, 47-70.

Sen, Amartya K (2008) 'Violence, Identity and Poverty', *Journal of Peace Research*, 45(1): 5-15.

Sokoloff, Kenneth L. and Stanley L. Engerman (2000). 'Institutions, Factor Endowments, and Paths of Development in the New World', *Journal of Economic Perspectives* 14 (3): 217-32.

Stewart, Frances (2000) 'Crisis Prevention: Tackling Horizontal Inequalities', *Oxford Development Studies* 28(3): 245-62.

Stewart, Frances (2009) 'A Global View of Horizontal Inequalities: Inequalities Experienced by Muslims Worldwide', MICROCON Research Working Paper no 13, www.microconflict.eu.

Tilly, Charles (1998). *Durable Inequality*, Berkeley: University of California Press.

Tranchant, Jean-Pierre (2008). 'Fiscal Decentralization, Institutional Quality and Ethnic Conflict: A Panel Data Analysis, 1985-2001, mimeo.

Verwimp, Philip, Patricia Justino and Tilman Brück (2009) 'The Analysis of Conflict: A Micro-Level Perspective', *Journal of Peace Research* 46(3): 307–314.