



Civil conflicts and wars: The pity of it all

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Civil wars have unfortunately become routine rather than exceptional events in the last few decades, writes Lalit Contractor, as he examines the economic impact of such conflicts on the political situation in the affected countries.



Civil War: People leave the the besieged district of the central Syrian city of Homs ahead of being evacuated by United Nations staff to a safer location, on February 9, 2014. *AFP*

Civil wars have unfortunately become routine rather than exceptional events in the last few decades, with various epochal changes like the growing consensus towards democracy as the political regime

of choice, and the opening up of economies worldwide under the reigning capitalist system being recent suspects, besides time-worn concerns like ethnicity and religion still playing their part.

The terrible news coming out of Syria on a near-daily basis, including the appalling bloodletting and rights abuses by both sides, wanton destruction of property, the wrecking of the economy and possibly the futures of those who remain, even the unconscionable use of chemical weapons by the authoritarian regime, beg questions about the causes of such wars, possible solutions and even their generally long durations.

The Arab Spring has already brought about challenges to decidedly non-democratic regimes in various nations, whilst political instability in Africa is now routine. Besides, the basic motivation of finding a way to arrest violence in ongoing struggles, the consequences of war on future prospects, both economic and political, and the possibility of recidivism make scholarship on aspects of civil wars vitally important, especially from a practical perspective. With many economies, particularly in the developing world, facing trouble on the economic front, and given the institutional weaknesses that countries in this bloc disproportionately face, lessons from experiences past and present are crucial to maintain the peace and to accommodate or handle potential flashpoints.

Causes of civil war

Civil wars are distinguished from civil conflicts on various grounds, most importantly the significantly larger casualty count, and are characterized by armed struggle between participants, one of whom must be a recognized administration. The instigators, more often than not, are armed groups with extensive organizational structures and grievances against the state on grounds pertaining to ethnicity, religion, inequality of standards, absence of voice and representation, rampant unemployment etc.

Conflicts require a different approach in the economics literature. For one thing, they involve *appropriation* alongside standard production and consumption, which in turn requires a consideration of arming by the agents involved. In the simplest models where agents are unitary, i.e. independent, the decision variable is the extent of arming by participants. Arming confers greater appropriative power in that the better-armed side has a greater chance of winning the prize. Arming also tends to be higher when more is at stake. On the other hand, this draws resources away from directly productive activities and hence reduces the size of the prize. The agents involved account

for this tension when making their decision. Note the implicit assumption that property rights, accorded great importance as a factor behind the rise of capitalism and the recent centuries of progress, hold no sway here.

The assumption of unitary actors is quite strong, considering the fact that one of the more important research questions has been the *cohesiveness* of rebel groups, i.e. what makes them stick together. This is related to the classic free-rider problem, wherein some members make limited effort (say in contributions towards guns or even in fighting), piggybacking on those who do exert themselves. The flip side is that a larger group is harder to dismiss, indeed it stands a better chance in combat. If the eventual distribution of the spoils were a function of effort, it would work against disintegration. There may be diminishing returns to group size due to the possibility of detection, denouncement and thus an acknowledgement of the threat posed. Further explanations for cohesiveness include ideological commitments, or ethnic bonds. The latter in particular could be due to better information-sharing and greater trust, or due to complementarities in the production process.

However, bleaker chances of triumphing might even lead to defection and consequent disintegration (the assurance of safety playing a significant role here). Varying degrees of commitment to 'the cause' motivate the use of selective inducements, like the license to loot or capture spoils, provision of protection etc. This can be studied using the familiar Principal-Agent framework of Economics, wherein the rebel leader is the principal and the soldiers are agents. Then, models show that the greater the distance between the two, the more difficult will be enforcement and hence the greater will be the need for pecuniary inducements. Recruitment can be forced as well, particularly when such incentive funds are limited.

Empirical evidence from both cross-country and case studies suggests that one of the few robust results is the correlation between low incomes and income inequality and the onset of civil war. This does not suggest causality, as the destruction wrought by civil war (both immediate and lasting) tends to adversely affect the economy and future opportunities. The anticipation of future conflict itself could dry up current investment. One way of looking at the participation decision of an individual agent is in terms of his opportunity cost of doing so, which most often would be employment in more regular sectors. A down economy could then lower this cost, spurring recruitment.

This intuition is further developed in some theoretical models, which consider the impact of shocks to labor versus capital intensive sectors, or the impact of resource shocks (which are often a

developing nation's major foreign exchange source), and find that shocks that lower *real wages* or improve state finances tend to favor outbreak. Transient shocks increase the incentive to fight as groups have less to lose than in more stable periods. A counter to this effect is that negative shocks might shrink the pie.

Neorealist theories of war suggest that arming oneself is the rational thing to do, and indeed is unavoidable. This is hardly true, however, as one would expect that the terrible costs likely to be incurred by both parties would induce them to leave no stone unturned while trying to reach a bargain or settlement. This logic is confirmed by James Fearon in an influential paper (Fearon 1995), which argues that a mutually beneficial settlement is indeed possible under a broad range of conditions. This is consistent with evidence from around the world, including the granting of greater autonomy to certain districts in northeast India. Potentially confounding factors include the presence of private information by agents, or the inability to credibly commit to an agreement.

Ebbs and flows in the power structure are common, and an agent who expects to gain in strength down the line would be hesitant to commit to peace via a settlement if he expects an outright victory in the future. The agent who expects his lot to worsen in the future would then have an incentive to carry out a preemptive move, as he would expect his counterpart to renege on the agreement in the future. Further, if one agent is simply more powerful than the other, the weaker agent would rationally expect the stronger agent to exercise his superior strength sooner or later, shrinking the set of potential settlements and further motivating a preemptive strike.

In essence, punishment for renegeing (*the shadow of the future*) is difficult to enforce, particularly if the deviating party has grown more powerful since. This argument applies irrespective of the time horizon, which plays so vital a role in the theory of repeated games, and is obviously affected by the absence of a third-party mediator, who is able to oversee the enactment/enforcement of provisions of the agreement through inducements or coercion. Another reason for limited credibility of the State is that it might wish to avail of the *peace dividend*, the reduction in costs that would occur from just eliminating their opponents upfront rather than through a settlement that might lead to war, or a protracted war.

Private information on the other hand reduces the range of agreeable outcomes (i.e. the bargaining set), making an agreement more difficult. One might expect wars to result from the underestimation of a rival's capabilities, or indeed their stomach for a fight (a reflection of their costs). However, given that wars are costly for both parties, they would tend to benefit from greater information sharing. This

is rarely seen practically, for no agent would wish to divulge vital strategic information to a rival, for fear that that would further motivate an attack in the future. Indeed, weak agents would want to bluff and *overstate* their capabilities in order to deter attacks by their rivals. The problem here is that the rival would not ordinarily buy the claim, which would be tragic if it weren't a bluff. Consequently, agents might wish to *credibly* signal their true capability through a costly action (e.g. troop mobilization), for example by instigating a battle in order to avoid a full-fledged but inefficient war. This would *separate* the low resolve agents from the high resolve ones, thereby bestowing credibility. As Fearon puts it, "While States always have incentives to locate a peaceful bargain cheaper than war, they also have incentives to do well in bargaining."

As the above discussion indicates, there is a considerable strategic element in not only the wartime decisions of agents but also their preventive moves, and thus the appropriate tools for analysis are game-theoretic in nature. While most of the arguments mentioned originally were meant to deal with the issue of *interstate* war, it is not difficult to see how they apply to civil war as well. In particular, the difficulty of brokering an agreement between the State and its challenger(s) is often a result of informational or commitment issues.

More often than not, resistance fighters (to give the non-state actors a name) operate in difficult terrain, have varied 'staying power' in terms of arms and finances, and have fighting capabilities that are difficult to gauge without some form of engagement by the State military. Interestingly, rebel finances may depend on their performance, most obviously in the case of looting but also in their scouting for potential backers. Monitoring is typically expensive, necessitating the "smoking out" of low resolve rebels as discussed earlier.

The termination of a threat to the State can also be carried out more easily without worrying too much about fallout. Further, it is difficult for either party to commit to the terms of a settlement given the asymmetries of power, especially terms like a peaceful winding down without retribution. Settlement deals often require demobilization of rebel groups (who typically cannot migrate and regroup), which makes renegeing more tempting to the State.

The more challengers there are, the tougher will it be to satisfy every party and thus arrive at a settlement. Civil war settlements are a tougher nut to crack, with fewer negotiated settlements that are less likely to be implemented and tend to break down. As has rightly been remarked, the erstwhile combatants of a civil war have to settle down and move forward *alongside* one another, rather than dispersing to their respective nations as in an interstate war.

The commitment problems discussed above suggest that institutions that bestow credibility could lower the chances of such wars. These include tax levying and the markets, legal frameworks and property rights and international institutions. Rulers would tend to loot if the long-term costs of doing so were not excessive, which would in turn be shaped by how they evaluated the future. If they expect reprisals or a loss of power in the future, or even poorer economic prospects, they would extract intensively today. The lower the chances of representation in a postwar future, the less likely will be rebel disarmament.

Of course, behavioral economics researchers have long questioned rationality, and it could be that leaders systematically underestimate the costs of war, their rivals' capabilities or incentives etc. This might be true in unprecedented situations, or when learning is impossible once an agent makes a mistake (for e.g., if he then gets eliminated). The overwhelming paradigm remains the rational agent framework, however, which seems reasonable.

Consequences and settlement possibilities

The most obvious and sickening byproduct of a civil war is the often excessive violence and destruction. The violence has been partially explained by its psychological impact on citizens, and destruction by its impact on opportunities for citizens, both of which either directly or indirectly motivate recruitment and force complicity.

The destruction of infrastructure and capital has far reaching effects on growth as well, as it might knock vital industries out of joint for varying lengths of time, hindering a recovery. The neoclassical model of growth suggests that this would only serve to raise the return to capital (and investment), accelerating the movement to the original equilibrium path. This idea has some credence (think Japan and Germany after WWII), but it might be the case that recovery is smoother in countries that already have the settings in place (a selection effect).

Far more destructive seems to be the loss of or delay in accumulation of human capital, which underlies sustained growth. Replacing human capital is a lengthy process, involving higher adjustment costs than in the case of physical capital. In addition to education, nutrition levels are also severely impacted, based on several country studies.

Survivors often do not possess relevant skill sets, particularly after long conflicts, and hence find it difficult to integrate into an increasingly global economy; they and their fallen neighbors truly constitute a 'lost' generation. With weak protection and greater risk during and immediately after war, mobile capital could flee as well, reducing investment. It is often the case that geostrategic interests or the influx of refugees embroil neighboring nations in the conflict as well.

Growth setbacks are worsened if vital institutions are knocked out or in suspended animation, although the settlement process or even a rebel victory would tend to move toward addressing some of the defects in the political sphere at the very least. To the extent that State victories wrest away control of contested areas from the rebels, they help in extending state capacity, although perhaps at too large a cost. Civil wars might even promote grassroots democracy, as people affected by the conflict might decide to make their voices heard through direct involvement or via increasingly powerful support groups to prevent further suffering.

As for means of terminating conflict, settlements, negotiations and even ceasefires are plagued by the same problems that prevent their implementation *before* the use of force.

Most obviously, the warring parties might use any ceasefire period to stock up on arms, and hence both sides would be unwilling to stick to the terms of a potential agreement, with the similar incentives of pressing home one's advantage to eliminate the problem or preemptively striking out applicable here as well. Most ceasefires or settlements are signed during periods of *government* weakness, making a violation later more likely. Wars might even worsen the underlying tensions that provoked conflict in the first place, making recurrence more probable. Such arguments have spawned research backing decisive settlement of conflicts for a more lasting form of peace.

One would expect rational actors to update their information about their counterparts during a conflict, although again the tendency to bluff acts against the potentially beneficial information effect. Guerrilla wars and multiple factions make information acquisition more protracted. Settlements might also depend on the granting of amnesty or fair treatment to the conquered, which is always a potential sticking point, be it Assad in Syria or Gaddafi in Libya. If violent reprisals are expected, one would expect a conflict to continue.

Another problem could be that a settlement could set a *precedent*, particularly when orthogonal disputes and claimants exist. The State could acquire a reputation of being unwilling to fight or grind

it out, which only victory might dispel. Relatedly, the number of factions involved could also make settlement difficult, for the reasons described above.

Besides the spoils of war, funding and even armaments often come from foreign backers (individuals, diaspora, even other nations like in the Syrian conflict) and awareness of the nature and magnitude of such support might affect negotiation decisions. In a rather overt example, the knowledge of an American pullout from Afghanistan seems to have motivated the Taliban and its backers to continue their struggle against the Karzai government (although there is a strong ideological element at work here).

As in the earlier situation with pre-war bargaining failure, the establishment of credibility is critical, and often requires external assistance. There is some empirical evidence that peacekeepers might perform this role, by changing the economic incentives of agents or facilitating better information sharing. Inflicting economic hardship via sanctions could also bring parties to the table if both of them are affected by the move. The simple acceptance of a peacekeeping delegation is itself a credible signal.

The knowledge that income shocks tend to prompt civil war/conflict outbreak could be used to design preventive policies. For example, in primary goods exporting countries, droughts or epidemics could severely test the strength of the societal fabric. Contingency or emergency funds drawn from domestic or international sources could then serve as insurance and diminish the forces favoring outbreak. Better targeting of risk-prone groups would make for more effective policies.

All of this makes various aspects of the Syrian civil war a bit more comprehensible. There are numerous rebel factions involved, including a diaspora group which would probably have less bargaining power than the combatants. Both the Assad regime and its challengers have prominent backers, making external intervention difficult due to the use of veto powers by United Nations Security Council (UNSC) permanent members.

Besides the fact that Hafiz and now Bashar al-Assad have been ruling the nation authoritatively for over five decades, the catalyst for the recent upheaval was the process of economic modernization instituted by Assad, which was uneven and alienated his Baathist constituencies; the relative absence of employment opportunities due to crony capitalism and jobless growth, and limited investment (partly a consequence of Assad's foreign policy) alongside the growth of more fundamentalist groups in a Sunni-dominated but Alawite-led country, and of course the emboldening effect of the Arab Spring.

The intractability of the problem too suggests that the various commitment problems on both sides are at work here, alongside information issues in a scenario of 'known unknown' resources. These were reflected in the recent remarks of the rebel group during the UN sponsored negotiations in Switzerland, where they effectively questioned the credibility of assurances made by the Assad regime.

It is possible that Assad sees continued conflict as the only endgame, having burned his bridges ages ago, which perhaps could have been handled better initially by the major powers. The radical nature of some rebel factions and accusations of atrocities committed by them have only made any sort of action tougher. The current idea of damaging the regime's capabilities à la Libya suggests that some influential advocates in the international community feel that military victory alone can ensure stability in an environment where Assad is widely believed to be growing stronger, along with the more ethical arguments for intervention, espoused notably by Samantha Power.

To the extent that both sides possess means of replenishment, temporary gains or losses from conflict seem to be the imminent future unless they can be made to realize the benefits of negotiation. However, this seems likely to happen only through physical hardship (i.e. intervention) or economic hardships like cutting off all lines of supply. What is clear is that the present situation is untenable, and the sooner an acceptable settlement involving directly and indirectly involved parties can be mooted, the more rapidly and hopefully permanently can the curtain be closed on this tragedy.

References for the curious reader

Game theoretic analyses of wars have a distinguished pedigree, inspired by the work of Thomas Schelling and dealing with various aspects of modern warfare, including brinkmanship (e.g. the Cuban missile crisis), arms race (the Cold War), proliferation of nuclear weapons etc. Schelling's classic *The Strategy of Conflict*, Harvard University Press, is still fascinating; and the links on the Nobel Memorial Prize in Economics for 2005 webpage, conferred upon Schelling and Robert Aumann are a good starting point.

I have relied heavily on the survey 'Civil War' by Christopher Blattman and Edward Miguel in the *Journal of Economic Literature*, Vol. 48 (2010), which is quite comprehensive on both theory and empirical work. Other useful references include 'Economics of Conflict: An Overview' by Michelle

Garfinkel & Stergios Skaperdas in the *Handbook of Defense Economics, Vol. 2* (2007) and other articles in the same handbook.

The Fearon article cited above is 'Rationalist Explanations for War', *International Organization* (49), 1995. It yields insights on every page, and illustrates its reasoning via examples from the outbreak of the Great War in 1914. Other articles by Fearon worth reading are included in the references in Blattman and Miguel. Another interesting paper on the importance of information sharing and commitment is 'Bargaining Failures and Civil War' by Barbara Walter in the *Annual Review of Political Science* (12), 2009.

On Syria in particular, almost all news agencies provide frequent, detailed reports of the latest developments. The slant of some of these has been questioned, yet they remain vital reading, particularly the *Economist*, *New York Times* and the *Guardian*. For an account of the causes of the crisis, I found the article, 'Syria: from 'authoritarian upgrading' to revolution?' by Raymond Hinnebusch in *International Affairs* (88), 2012, very illuminating. *The History of the Arab Peoples* by Albert Hourani, 2nd edition, Faber and Faber (2010) is excellent reading and provides useful context.

I have 'borrowed' the title from Amos Elon's book on the German Jewish experience.

Lalit Contractor has a MPhil in Economics from Oxford University and is curious about Economics and its interactions with politics and society.