

Economic Causes of Civil Conflict and their Implications for Policy*

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I. | Introduction

This paper presents an economic perspective on the causes of civil war, based on empirical patterns globally over the period 1965-1999. During this period, the risk of civil war has been systematically related to a few economic conditions, such as dependence upon primary commodity exports and low national income. Conversely, and astonishingly, objective measures of social grievance, such as inequality, a lack of democracy, and ethnic and religious divisions, have had no systematic effect on risk. I argue that this is because civil wars occur where rebel organizations are financially viable. The Michigan Militia was unable to grow beyond a handful of part-time volunteers, whereas the Farc in Colombia has grown to employ around 12,000 people. The factors which account for this difference between failure and success are to be found not in the 'causes' which these two rebel organizations claim to espouse, but in their radically different opportunities to raise revenue. The Farc earns around \$700m per year from drugs and kidnapping, whereas the Michigan Militia is probably broke. The central importance of the financial viability of the rebel organization as the cause of civil war, is why civil wars are so unlike international wars. Governments can always finance an army out of taxation and so governments can always fight each other. The circumstances in which a rebel organization can finance an army are quite unusual. This is why my analysis is entirely confined to civil war: what I have to say has little or no bearing on inter-government war. Because the results are so counter-intuitive, I start by arguing why social scientists should be distrustful of the loud public

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discourse on conflict. I then turn to the evidence, describing each of the risk factors in civil war. I then try to explain the observed pattern, focusing on the circumstances in which rebel organizations are viable. Finally, I turn to the policy implications. I argue that because the economic dimensions of civil war have been largely neglected, both governments and the international community have missed substantial opportunities for promoting peace.

II. | Greed or Grievance? Why we can't Trust the Discourse

There is a profound gap between popular perceptions of the causes of conflict and the results from recent economic analysis. Popular perceptions see rebellion as a protest motivated by genuine and extreme grievance. Rebels are public-spirited heroes fighting against injustice. Economic analysis sees rebellion as more like a form of organized crime. Either economists are being excessively cynical, or popular perceptions are badly misled. I first want to suggest why perceptions might indeed be wrong.

Popular perceptions are shaped by the discourse which conflicts themselves generate. The parties to a civil war do not stay silent: they are not white mice observed by scientists. They offer explanations for their actions. Indeed, both parties to a conflict will make a major effort to have good public relations. The larger rebel organizations will hire professional public relations firms to promote their explanation, and the governments which they are opposing will routinely hire rival public relations firms. Imagine, for a moment, that you are the leader of a rebel organization, needing to offer an explanation of your goals. What are the likely elements? Most surely, they will be a litany of grievances against the government, for its oppression, unfairness, and perhaps victimization of some part of the population which your organization claims to represent. That is, your language will be the language of protest. You will style your rebellion as a protest movement, driven to the extremity of violence by the extremity of the conditions which 'your' people face. Almost certainly, the government will have responded to your insurgency with an incompetent counter-insurgency campaign. 'Almost certainly' because counter-insurgency is extremely difficult. The most obvious difficulty which a government faces in counter-insurgency is getting its army to fight. People prefer not to risk getting killed. Governments try various economic incentives to overcome this problem. For example, in one recent African conflict the government decided to pay its soldiers a premium if they were in a combat zone. Shortly after this incentive was introduced, the war appeared to spread alarmingly. In previously safe areas rebel groups set off explosions near barracks. It transpired that government soldiers were probably planting these explosions themselves. However, the more serious problems occur where the government succeeds in persuading its army to fight, but then lacks the means to control the behavior of soldiers on the ground. From Vietnam onwards, the result is atrocities. Rebel groups may even hope for government atrocities because the atrocities then fuel the grievances. This discourse of grievance is how most people understand the causes of conflict. A thorough analysis of the causes of a conflict then becomes a matter of tracing back the grievances and counter-grievances in the history of protest.

An economist views conflict rather differently. Economists who have studied rebellions tend to think of them not as the ultimate protest movements, but as the ultimate manifestation of organized crime. As Grossman (1999) states, 'in such insurrections the insurgents are indistinguishable from bandits or pirates' (p.269). Rebellion is large-scale predation of productive economic activities. I will shortly set out why economists see rebellion in this way, and the rather powerful evidence for it. However, the view is so at odds with the popular discourse on conflict that there is a temptation to dismiss it as fanciful. The techniques of economics don't help its arguments: compared with the compelling historical detail produced by histories of protest, the economist's approach seems arcane and technocratic. So, before I explain why economists see rebellion as they do, I want to show why the discourse on conflict cannot be taken at face value.

For a few moments suspend disbelief, and suppose that most rebel movements are pretty close to being large-scale variants of organized crime. *The discourse would be exactly the same as if they were protest movements.* Unlike organized crime, rebel movements need good international public relations and they need to motivate their recruits to kill. They need good international public relations because most of them are partially dependent upon international financial support. They need to motivate their recruits to kill, because, unlike a mafia, a predatory rebel organization is periodically going to have to fight for its survival against government forces. A rebel organization simply cannot afford to be regarded as criminal: it is not good publicity and it is not sufficiently motivating. Rebel organizations have to develop a discourse of grievance in order to function. Grievance is to a rebel organization what image is to a business. In each case the organization will devote advertising resources to promote it. In the economist's view of conflict, grievance will turn out to be neither a cause of conflict, nor an accidental by-product of it. Rather, a sense grievance is deliberately generated by rebel organizations. The sense of grievance may be based upon some objective grounds for complaint, or it may be conjured up by massaging prejudices. However, while this distinction is morally interesting to observers – is the cause just? – it is of no practical importance. The organization simply needs to generate a sense of grievance, otherwise it will fail as an organization and so tend to fade away.

This interpretation of conflict is obviously not shared by rebel organizations or by the people who honestly support them: the justice of the struggle seems central to success. By contrast, the economic theory of conflict argues that the motivation of conflict is unimportant; what matters is whether the organization can sustain itself financially. It is this, rather than any objective grounds for grievance which determine whether a country will experience civil war. The rebel organization can be motivated by a whole range of considerations. It might be motivated by perceived grievances, or it might simply want the power conferred by becoming the government. Regardless of why the organization is fighting, it can only fight if it is financially viable during the conflict. War cannot be fought just on hopes or hatreds. Predatory behavior during the conflict may not be the objective of the rebel organization, but it is its means of financing the conflict. By predatory behavior I mean the use of force to extort goods or money from their legitimate owners. The economic theory of conflict then assumes that perceived grievances and the lust for power are found more or less equally in all societies. Groups are capable of perceiving that they have grievances more or less regardless of their objective circumstances, a social phenomenon known as relative deprivation. Some people

will have a lust for power more or less regardless of the objective benefits conferred by power. In this case, *it is the feasibility of predation which determines the risk of conflict*. Predation may be just a regrettable necessity on the road to perceived justice or power, but it is the conditions for predation which are decisive. Whether conflict is motivated by predation, or simply made possible by it, these two accounts come to the same conclusion: rebellion is unrelated to objective circumstances of grievance while being caused by the feasibility of predation. On the most cynical variant of the theory, rebellion is motivated by greed, so that it occurs when rebels can do well out of war. On the power-seeking variant of the predation theory, rebels are motivated by a lust for power, but rebellion occurs only when rebels can do well out of war. On the subjective grievance variant of the predation theory, rebels are motivated by grievances, imagined or real, but rebellion occurs only when rebels can do well out of war. These three variants have in common the implications that rebels are not necessarily heroes struggling for a particularly worthwhile cause, and that the feasibility of predation explains conflict. They can thus be grouped together in contrast to the objective grievance theory of conflict in which rebels are indeed heroes struggling for a worthwhile cause, with the intensity of objective grievances explaining the occurrence of conflict.

Economists would argue that it is not really necessary to distinguish between the three variants of the predation theory. It does not really matter whether rebels are motivated by greed, by a lust for power, or by grievance, as long as what causes conflict is the feasibility of predation. Indeed, economists tend to set little credence on the explanations which people give for their behavior, preferring to work by 'revealed preference': people gradually reveal their true motivation by the pattern of their behavior, even if they choose to disguise the painful truth from themselves. Rebel leaders may much of the time come to believe their own propaganda, but if their words are decried by their behavior, then their words have little explanatory power. There is less reason to doubt that those who support rebellion from afar are genuinely committed to the cause of grievance-redressal. However, such supporters may simply have been duped. Rebel leaders have always sought outside supporters - 'useful idiots' in Lenin's telling phrase. Among the people who are most susceptible to the discourse of grievance are those who care most passionately about oppression, inequality, and injustice. In short, if rebellion presents itself as the ultimate protest movement, it will attract as non-combatant supporters, those who normally support protest movements. The economic theory of conflict argues that these people have been taken in by accepting the discourse at face-value. As a proposition in social science this theory of conflict is a case of modern economics meeting old Marxism. As in Marx, the underlying cause of conflict is economic: in this case, the rebel organization is predatory upon certain parts of the economy. As in Marx, the 'superstructure' is a set of beliefs which are false. The difference is simply that it is the *rebel* supporters who have the 'false consciousness': they are gulled into believing the discourse which self-interested rebel leaders promote.

So: 'greed or grievance?' - we can't tell from the discourse. Occasionally the discourse is rather blatantly at variance with the behavior. Take the recently settled conflict in Sierra Leone. A rebel organization built itself into around 20,000 recruits and opposed the government. The rebel organization produced the usual litany of grievances, and its very scale suggested that it had widespread support. Sierra Leone is, however, a major exporter of diamonds and there was considerable evidence that the rebel organization was involved in this business on a large scale. During peace negotiations the rebel leader was offered and accepted the vice-presidency of the

country. This, we might imagine, would be a good basis for rebel grievances to be addressed. However, this was not sufficient to persuade the rebel leader to accept the peace settlement. He had one further demand, which once conceded, produced (temporary) settlement. His demand was to be the Minister of Mining. Cases such as this are at least suggestive that something other than grievance may be going on beneath the surface of the discourse. It is to this hidden structure of rebellion that I now turn.

III. | The Evidence

Modern economics has two powerful tools: statistics and theory. People who are not economists are seldom convinced simply by economic theory so I will begin with the statistical evidence. Together with Anke Hoeffler, I have analyzed the pattern of conflict using a large new data base on civil wars during the period 1965-99 (Collier and Hoeffler, 2000). A civil war is classified as an internal conflict with at least one thousand battle-related deaths. During this period globally there were 73 civil wars, and in principle we analyze the pattern as to why these wars occurred among the 161 countries in our sample. We divide the period up into eight five-year sub-periods, and attempt to predict the occurrence of war during a sub-period by the characteristics at its start. The statistical techniques we use are logit and probit regressions. In practice, some civil wars occur in situations where there is virtually no other data about the country. We know that it had a war, but we do not know enough of its other characteristics to include it in our analysis. This reduces our sample to 47 civil wars. However, this is still sufficient to find some strong patterns. The 47 wars are listed in the Appendix.

In order to get some feel for how important different risk factors are, it is useful to think of a baseline country. I will take as a baseline, a country all of whose characteristics were at the mean of our sample. By construction then, this is an extraordinarily ordinary country. These characteristics give it a risk of civil conflict of around 14% in any particular five year period. Now, one-by-one, I will vary some of the more important risk factors.

The most powerful risk factor is that countries which have a substantial share of their income (GDP) coming from the export of primary commodities are radically more at risk of conflict. The most dangerous level of primary commodity dependence is 26% of GDP. At this level the otherwise ordinary country has a risk of conflict of 23%. By contrast, if it had no primary commodity exports (but was otherwise the same) its risk would fall to only one half of one percent. Thus, without primary commodity exports, ordinary countries are pretty safe from internal conflict, while when such exports are substantial the society is highly dangerous. Primary commodities are thus a major part of the conflict story. What else matters?

Both geography and history matter. Geography matters because if the population is highly geographically dispersed, then the country is harder for the government to control than if everyone lives in the same small area. The geography of the Democratic Republic of the Congo, (the former Zaire), makes it unusually hard for government forces to control because the population lives around the fringes of a huge area, with the three main cities in the extreme west, extreme south-

east and extreme north. By comparison, Singapore would be a nightmare for a rebellion. In this city state there is nowhere to hide and government forces could be anywhere in the country within an hour. With Congo-like geographic dispersion our otherwise ordinary country has a risk of conflict of around 50% whereas with Singapore-like concentration its risk falls to around 3%.

History matters because if a country has recently had a civil war its risk of further war is much higher. Immediately after the end of hostilities there is a 40% chance of further conflict. This risk then falls at around one percentage point for each year of peace. However, how much history matters depends upon the size of the diaspora. For example, some countries have very large diasporas in the USA relative to their remaining resident population, whereas others do not. Suppose that our otherwise ordinary country has ended a civil war five years ago and now wants to know what are its chances of peace during the next five years. If the country has an unusually large American diaspora its chances of conflict are 36%. If it has an unusually small diaspora its chances of conflict are only 6%. So, diasporas appear to make life for those left behind much more dangerous in post-conflict situations.

Economic opportunities also matter. Conflict is concentrated in countries with little education. The average country in our sample had only 45% of its young males in secondary education. A country which has ten percentage points more of its youths in schools- say 55% instead of 45% - cuts its risk of conflict from 14% to around 10%. Conflict is more likely in countries with fast population growth: each percentage point on the rate of population growth raises the risk of conflict by around 2.5 percentage points. Conflict is also more likely in countries in economic decline. Each percentage point off the growth rate of per capita income raises the risk of conflict by around one percentage point.

The ethnic and religious composition of the country matters. If there is one dominant ethnic group which constitutes between 45% and 90% of the population, - enough to give it control, but not enough to make discrimination against a minority pointless - the risk of conflict doubles. For example, in Sri Lanka the Tamils are a minority of around 12% of the population, and in Rwanda the Tutsi are around 10-15% of the population. Of course, in Sri Lanka the Tamils are a weak minority whereas in Rwanda the Tutsis are a strong minority, controlling the government. However, clearly, in Rwanda, the Tutsi minority is too scared of being subject to ethnic dominance to hand over power. While ethnic dominance is a problem, ethnic and religious diversity does not make a society more dangerous - in fact, it makes it safer. A country which is ethnically and religiously homogenous is surprisingly dangerous - the risk is 23%. By comparison, a country with ethnic and religious diversity equal to the maximum we find in our sample has a risk of only around 3%. Other than in the fairly unusual case of dominance, diversity makes a society much safer.

Finally, some good news. Since 1990 the world has been significantly safer from civil conflict. If we add a dummy variable for the period since the end of the Cold War it is statistically significant with quite a large effect. Holding the above causes of conflict constant at the average, the risk of conflict was only half as great during the 1990s as during the Cold War. Of course, some of the other causes of conflict also changed during the 1990s - on average per capita incomes rose faster than

during the 1980s, so that this also reduced the risk of conflict. However, some countries became more dependent upon primary commodity exports, or their economies collapsed, and these countries became more prone to conflict. As of 1995, the country with the highest risk of civil conflict according to our analysis was Zaire, with a three-in-four chance of conflict within the ensuing five years. Sadly, our model predicted this all too accurately.

This is the statistical pattern of civil conflict since 1960. It is interesting both for what is important and for what is not. Clearly, there are some powerful dangers coming from primary commodities and diasporas, and there used to be risks from the Cold War. However, equally striking is what does *not* appear to affect conflict risk. Inequality, whether of incomes or of assets, has no discernible effect. Unequal societies are not more prone to conflict. A lack of democratic rights appears to have no significant effect. Ethnic and religious diversity, as noted, far from increasing the risk of conflict, actually reduces it. These are all obvious proxies for objective grievances. Unequal, ethnically divided societies, with few political rights might sound exactly the sort of places which would be most prone to rebellion. They are surely the sort of places most in need of protest. And yet, such places, as far as we can tell, have no higher risk of violent conflict than anywhere else – indeed, thanks to their ethnic diversity, they are somewhat safer. The only protest-type variable which matters is if the society is characterized by ethnic dominance. This may be because we are not measuring objective grievances well enough. However, we have made an honest effort to utilize all the available comparable indices of objective grievance, of which there are now a number. At least as a working hypothesis, civil war is much more strongly related to the above economic and geographic variables than it is to objective grievances.

There are thus two surprises to be explained: why is rebellion so unrelated to the objective need for protest, and why is it so strongly related to primary commodities and diasporas?

IV. | Why is Rebellion not like Protest?

Economists have studied the dynamics of protest (Kuran, 1989). The first problem with getting a protest going is that it is a ‘public good’. That is, even if the protest succeeds in securing justice, everyone will benefit whether or not they bother to take part in the protest. Always, public goods face collective action problems: it makes more individual sense to free-ride on the efforts of others, and if everyone free-rides, nothing happens. This is a problem in a protest because the government might punish people who take part, unless there are so many people that there is safety in numbers. Further, in order to protest, most people will lose a day of income. This is one reason why such a high proportion of protesters are often students. The temptation to free-ride on a justice-seeking *rebellion* is very much stronger than the temptation to free-ride on a justice-seeking *protest*. A protest costs little, risks little, and offers a sense of citizenship. In effect, protestors are forcing an open election on an issue. Rebellion is a full-time commitment, and it is dangerous. Economists would predict that the collective action problem for a justice-seeking rebellion would usually be insuperable.