



Lecture series in selected Topics in post-Keynesian, institutionalist, feminist and Marxian political economy

Political Economy of Conflict

Cem Oyvat- University of Greenwich

Co-organised by

Foundation for European Progressive Studies (FEPS)
Greenwich Political Economy Research Centre (GPERC)
University of Greenwich

University of Greenwich Maritime Campus



This event received funding from the
European Parliament

Twitter: @gperc_uog
@UniofGreenwich

POLITICAL ECONOMY OF CONFLICT

PHD LECTURE SERIES IN ADVANCED MACROECONOMICS IN POST-KEYNESIAN, INSTITUTIONALIST, AND MARXIAN POLITICAL ECONOMY

Cem Oyvat – University of Greenwich

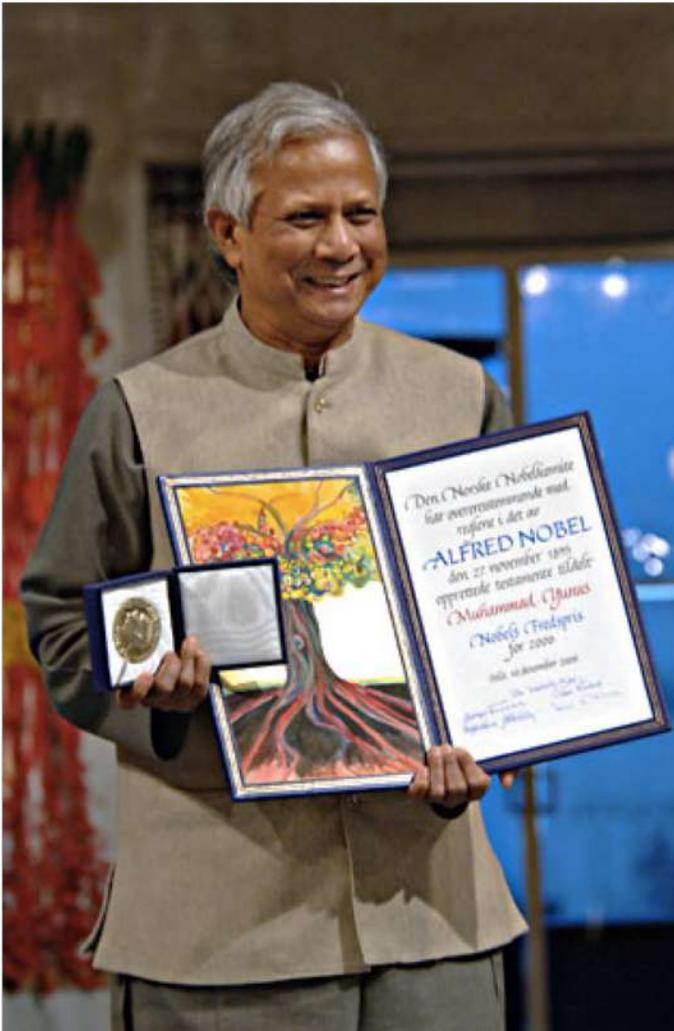


Introduction

- Which countries are more likely to experience civil war/armed conflict?
- Socioeconomic effects of civil war and its spillovers
- Coups and its effects (imperialism and class struggle)

- There are many similarities between cases
- BUT
- Each conflict has its own story

Which countries are more likely to experience civil war/armed conflict?



- Collier and Hoeffler (2004), Fearon and Laitin (2003):
- Lower GDP => Poverty
- Collier and Hoeffler (2004)
- Lower economic growth
- Lower education
- Hopelessness

Financial sources of rebels

- 1) Natural resources (Diamonds in West Africa, Oil in Eastern Syria/ISIS, Cocaine in Colombia/FARC)
- 2) Diaspora outside the country (Major source for PKK in Turkey in 1990s, Tamil Tigers in Sri Lanka)
- 3) Finance from hostile governments

Which countries are more likely to experience civil war/armed conflict?

- Collier and Hoeffler (2004):
- Dependence on natural resources
- Inverted U relationship between primary commodity exports/GDP and probability of conflict with peak of 33%

- Rebels can finance activities with natural resources
- Ross (2003): Rents available from natural resources => Financial incentive (Especially if locals don't benefit)
- E.g. Oil wealth

- Resource curse => Lack of institutional development
- Foreign intervention more likely

Mountainous Terrain (Bestler-Dereeler)



Impact of ethnic and religious diversity

- Rwanda and Burundi (Hutus and Tutsis)
- Iraq (Shiites, Sunnis and Kurds)
- Syria (Alawites, Sunnis and Kurds)
- Turkey (Turks and Kurds)
- Yugoslavia (Serbians, Croatians, Bosnians, Albanians)



Impact of ethnic and religious diversity

- Easterly et. al. (1997): Ethnic diversity
- 1) Adoption of policies that foster rent-seeking behaviour
- 2) Difficult to form a consensus for promoting growth promoting public good
- => Reduce growth

- Horizontal inequalities

Figure Four: Black/white inequalities in S.Africa

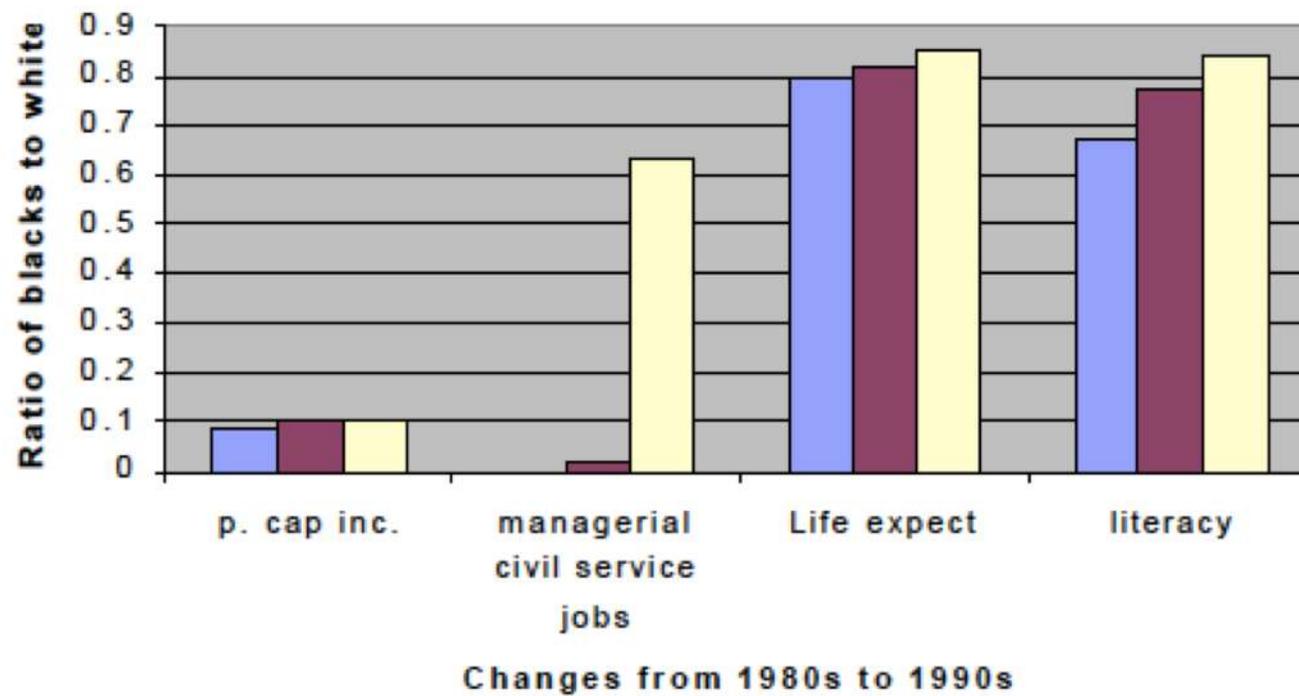
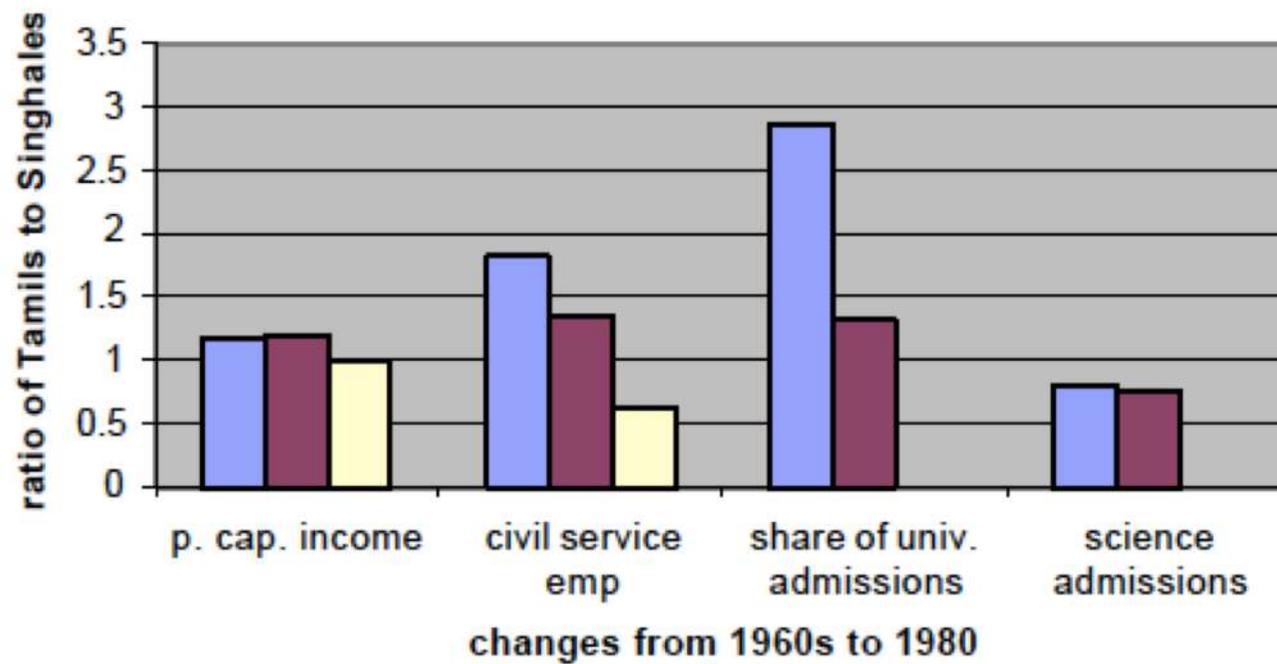
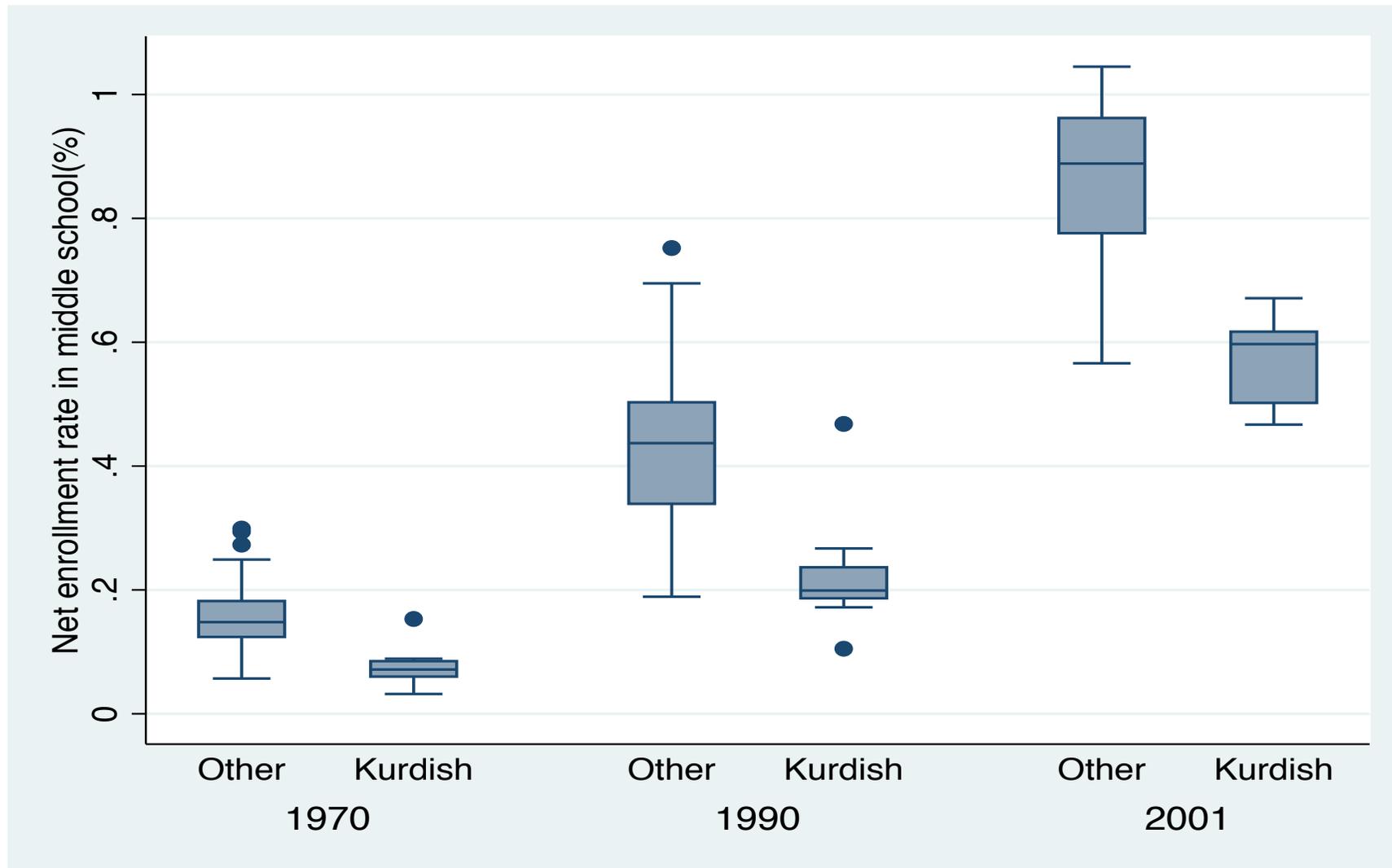


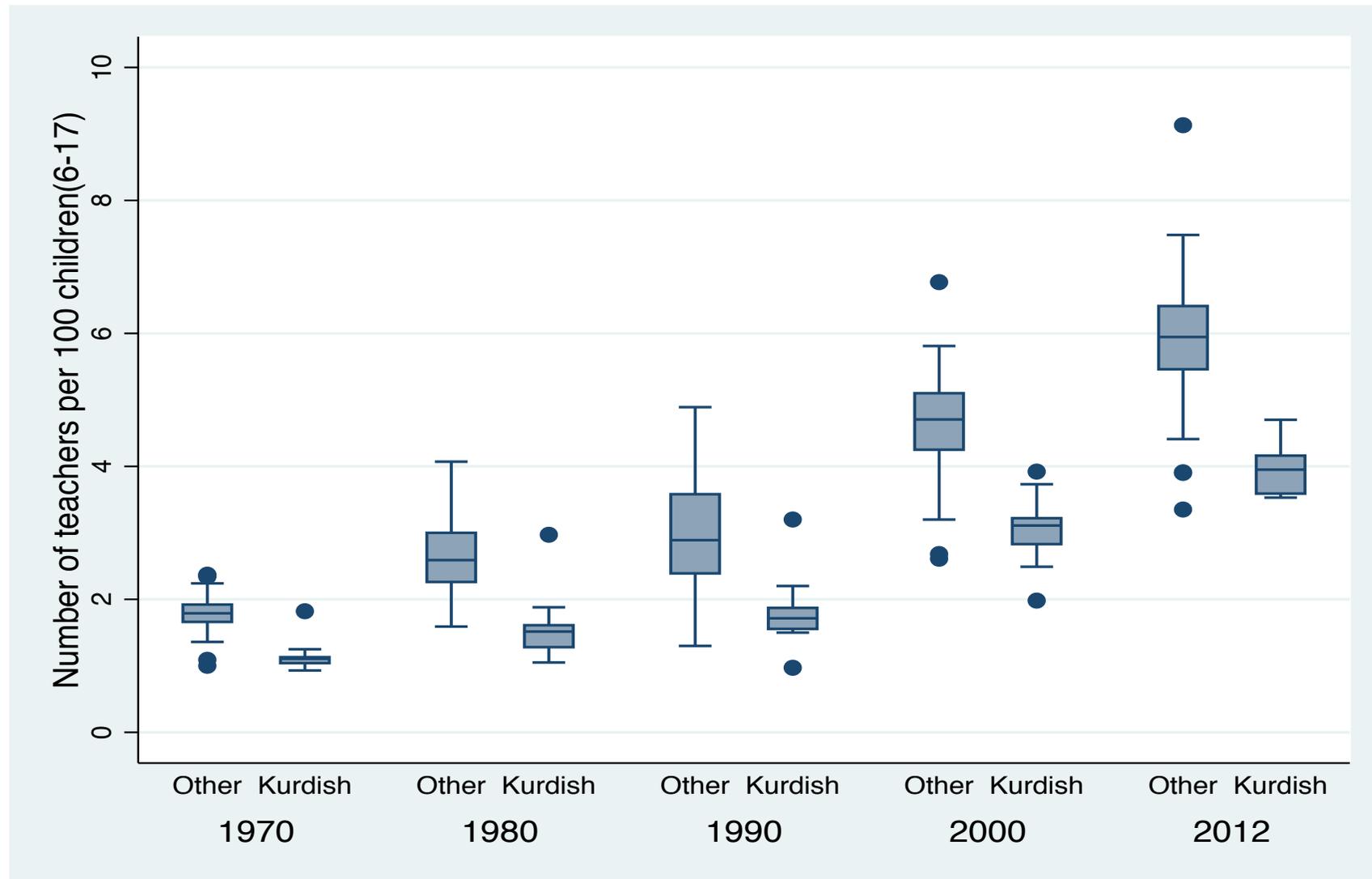
Figure Three: Changing horizontal inequalities in Sri Lanka



Provinces in Turkey with Kurdish population over 50% and their difference with the other provinces



Provinces in Turkey with Kurdish population over 50% and their difference with the other provinces



Fractionalization and polarisation (Esteban, Mayoral and Ray, 2012)

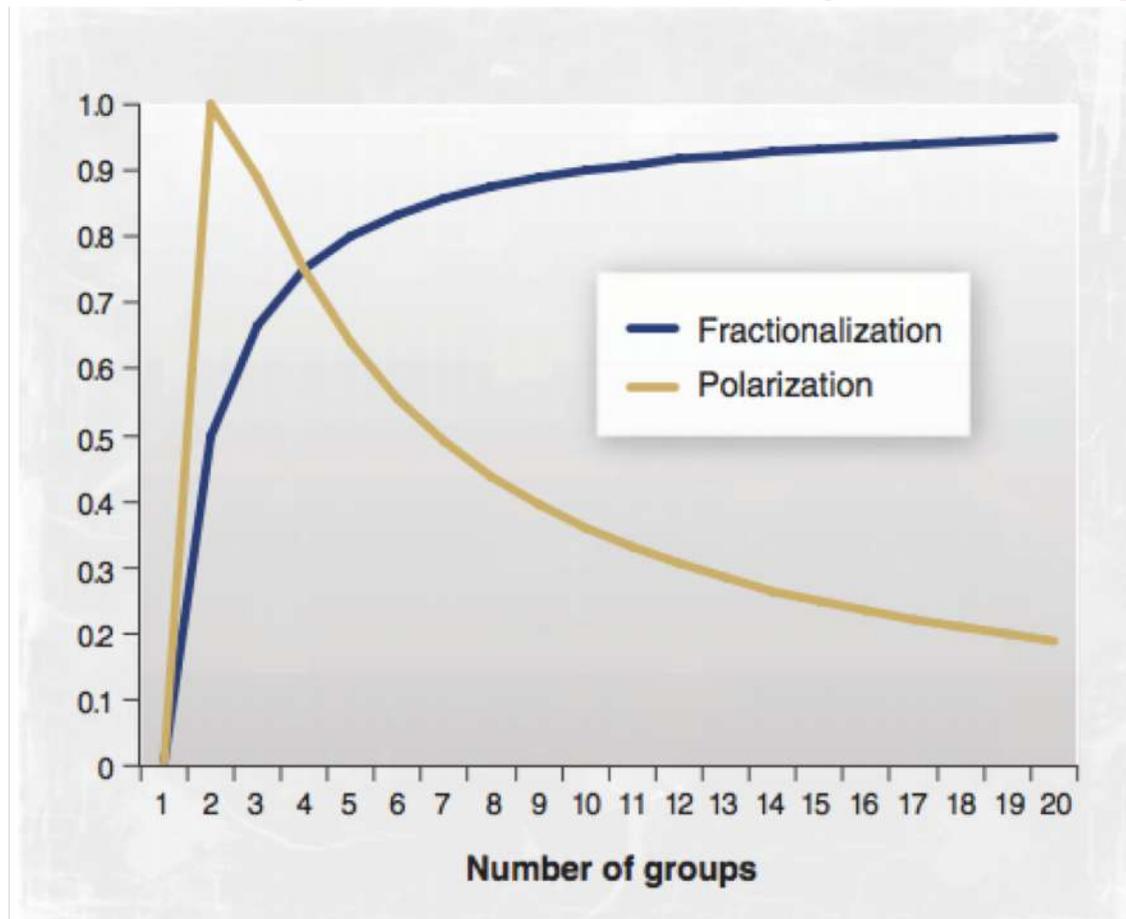


Fig. 2. Polarization, fractionalization, and the number of groups. In this illustration, all groups are of equal size, and intergroup distances are set equal to 1.

Fractionalization and polarisation (Esteban, Mayoral and Ray, 2012)

- Fractionalization

- $F = \sum_{i=1}^m n_i (1 - n_i)$

- n is the population group share of i

- Polarisation

- $P = \sum_{i=1}^m \sum_{j=1}^m n_i n_j k_{ij}$

- $k_{ij} = 1 - s_{ij}^{0.05}$

- s_{ij} is the degree of similarity between two languages i and j , given by the ratio of the number of common branches to the maximum possible number—15 for the entire tree.

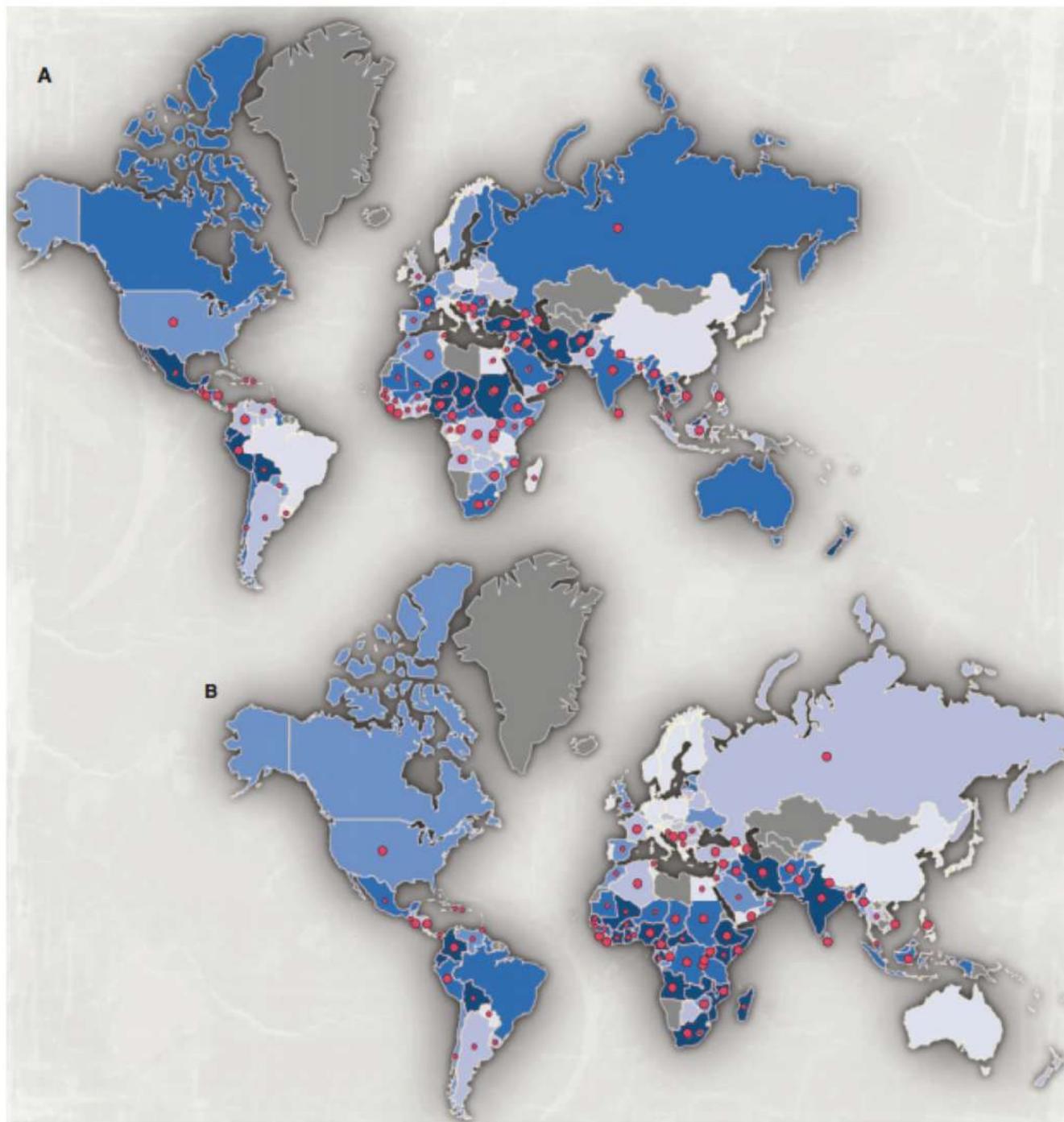


Fig. 3. Ethnicity and conflict. Dots represent the maximum yearly conflict intensity that each country has experienced over the period; smaller dots meet the 25-death PRIO criterion, whereas larger dots

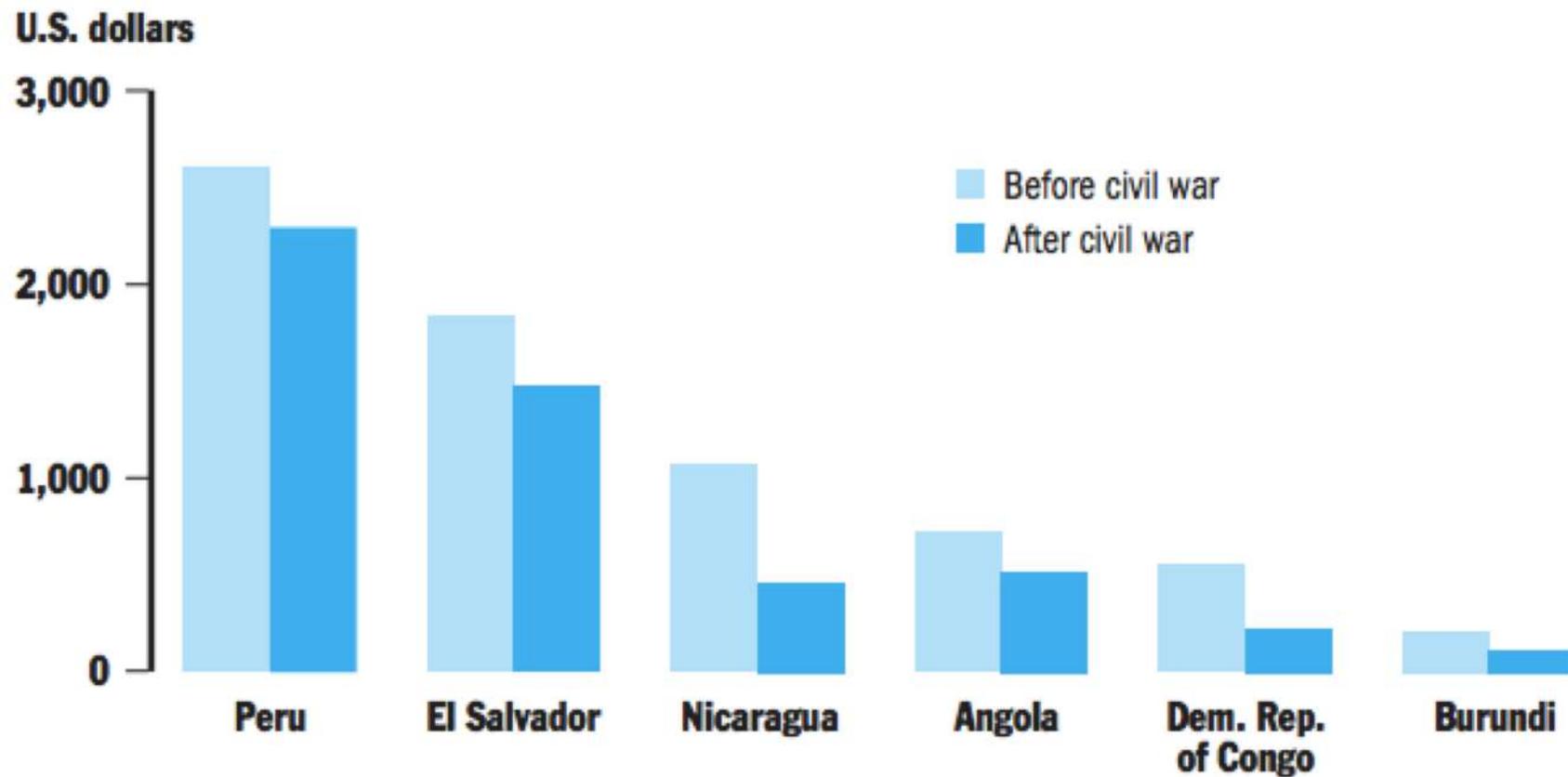
satisfy the 1000-death criterion. Darker colors signify higher degrees of polarization (A) or fractionalization (B). Countries for which no data are available are depicted in gray.

Esteban, Mayoral and Ray, 2012

- Both polarisation and fractionisation increase likelihood of conflict (more significant on polarisation)
- Access to resource rent (Level of autocracy and oil revenues) => Greater prizes for ethnic group for hold government
- Alesina et. al. (2003) => Ethnic frac reduces growth
- $Frac_i = 1 - \sum_{i=1}^n s_{ij}^2$

Civil war on GDP

Figure 1.1 GDP per capita before and after civil war



Source: Sambanis (2003).

Civil war on macro variables

- During civil war countries tend to grow 2.2% more slowly than during peace (Collier, 1999)
- A typical civil war of 7 years
- Lower GDP by 15%
- Increase poverty by 30%

- Decline in investment, rise in subsistence activities
- In Uganda, subsistence activities share: 20% of GDP => 36% of GDP (Next page)

- Rising indebtedness (Lower growth, higher military expenditures)
- Decline in food production

Conflict in Uganda

War invulnerable: Subsistence agriculture

Table 3 The composition of Ugandan GDP by war-vulnerability (% share of GDP at 1991 constant prices)

	1971	1986	1993-4
<i>War-vulnerable sectors</i>	42.5	24.0	28.7
high transaction and asset intensity	8.8	4.4	6.0
transaction-providing	21.2	16.1	17.2
asset-providing	12.5	3.5	5.5
<i>War-invulnerable sector</i>	20.5	36.0	32.1
low transaction and asset intensity			
supplying neither transactions nor assets			
<i>Unassigned activities</i>	37.0	40.0	39.2

- In 1972, Idi Amin takes control.
- Expulsion of South Asian population (around 80000).
- Uganda-Tanzania War (1978-79)
- Ugandan Civil War (1981-86)

Damage on physical and social infrastructure

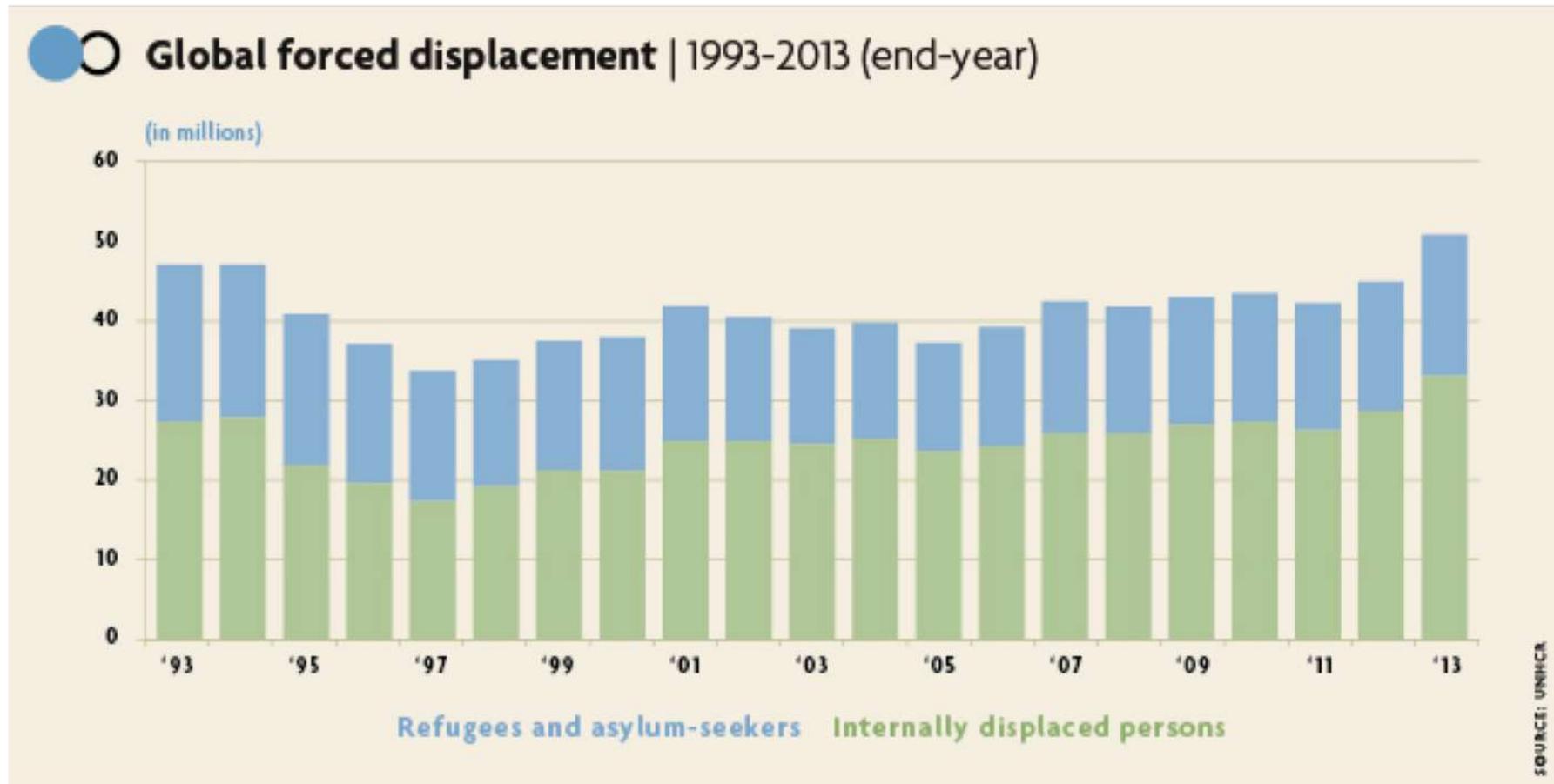
- Enemy's communication facilities are targeted: Telecommunications, airports, ports, roads, bridges
- Also housing, schools and health facilities targeted
- Liberia (mid-1990s): Port of Monrovia and facilities of Liberian Electricity Corporation damaged
- Mozambique: 40% of immobile capital in agriculture, communications and administrative sectors destroyed
- Turkey: Kurdish conflict
- PKK targeted schools, health facilities in 1990s. Killed 136 teachers => White collar flight

Migration and forced migration

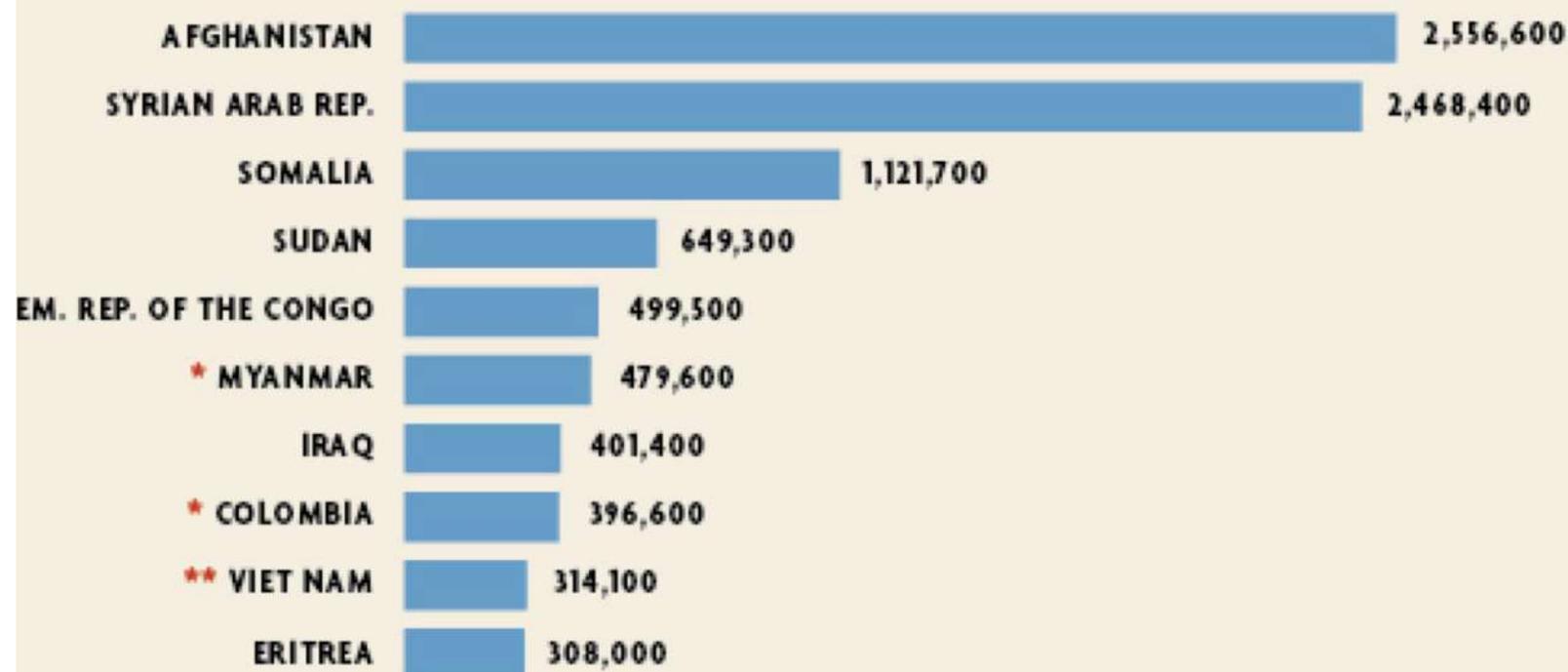
- Displacement of large fractions of population => Reduce fighting efficiency of enemy
- Civilian population can also be targeted to force migration (e.g. killing civilians, burning villages)

- Insurgency in Turkey: 450,000 civilians in the conflict region were subject to forced migration (CHP, 1999- a conservative estimation).
- 820 villages and 2,345 hamlets were vacated.
- The migrants mainly either moved to local city centers like Diyarbakır and Van or to cities in the west like Mersin, Adana and Antalya.

Global forced displacement



Major source countries of refugees | end-2013



is people in a refugee-like situation.

10,000 Vietnamese refugees are well integrated and in practice receive protection from the Government of China.

Effects ongoing during and after the conflict

- 1) Rising military expenditures
- The military expenditures stay high even after conflict
- Increase in military activities might crowd out social expenditures (education-healthcare)

- 2) Capital flight during the years of conflict
- Capital flight might continue during the post-conflict era
- The negative legacy continues

Effects ongoing during and after the conflict

- 3) Deteriorating institutions and social capital
- Cheap Kalashnikovs during the years of conflict due to massive imports => Increases the probability of another civil war
- Rising criminal activities (e.g. drugs production)
- High rates of homicides during years of post-conflict
- Switch to corrupt behaviour
- Deterioration in democracy/freedoms (e.g. post-2015 Turkey).
On average does not return to the pre-conflict levels.
- Still might be an opportunity to change a bad institutional structure radically.

Influence of conflict on education – Empirical results dependent on cases

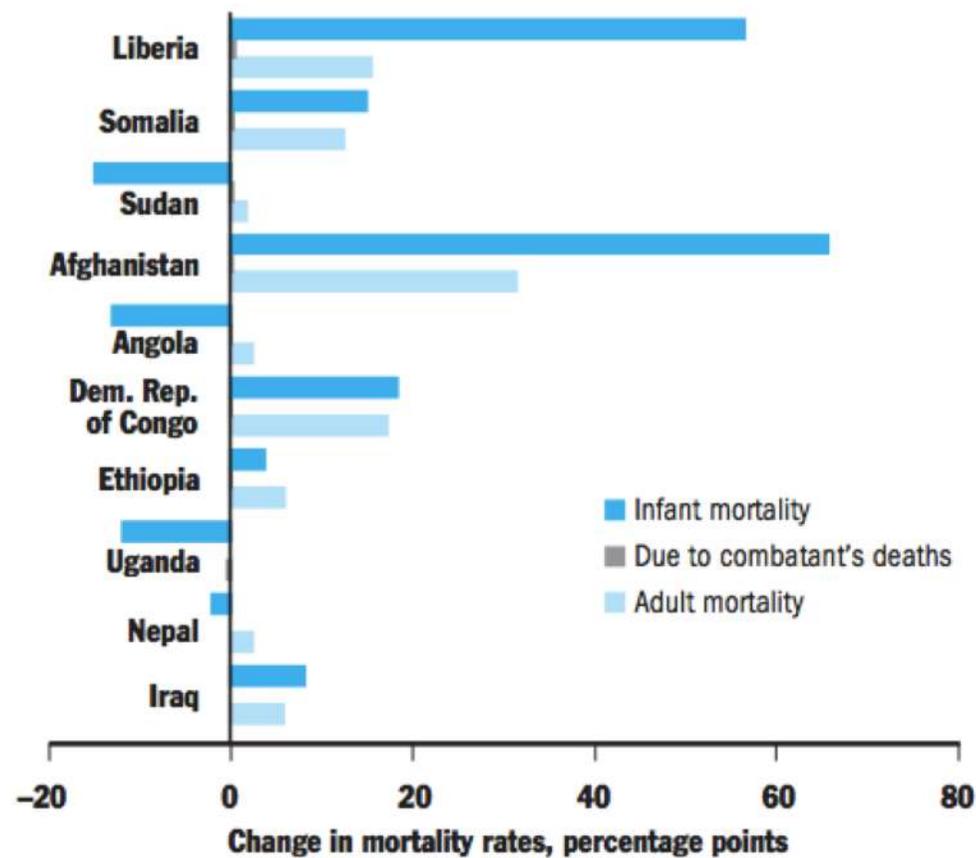
- Poirier (2012) on Sub-Saharan Africa => Civil conflict and military expenditures reduces school enrollment
- Leon (2012) on Peru => Exposure to violence reduces years of schooling
- Chamarbagwala and Moran (2011) on Guatemala => Rural Mayan exposed to the civil war completed less years of schooling
- Shemyakina (2011) on Tajikistan => Conflict only reduce female enrollment
- Diwakar (2015) on Iraq => Conflict's impact worse on boys
- Valente (2013) on Nepal => Conflict increases female enrollment due to political propaganda of Maoist guerillas

Influence of conflict on education – Kurdish conflict in Turkey

- Berker (2012): Children exposed to conflict are more likely to graduate from primary school and less likely to graduate from middle and high schools.
- Oyvat and Tekgüç (2017): Conflict increased primary school enrollment and reduced high school enrollment
- Kayaoğlu (2016): Conflict reduced teacher/student ratios in the region.
- Oyvat and Tekgüç (2017): No direct effect of number of casualties on teacher/student ratios. But Kurdish population shares negative impact rise during the years of armed conflict.
- Kıbrıs (2014): Higher security force casualties (1990-2005) lead to lower scores on university entrance exams

Deteriorating health due to civil war

Figure 1.3 Increase in mortality rates due to civil war



Source: Guha-Sapir and Van Panhuis (2002).

Deteriorating health due to civil war

- Deteriorating health expenditures, lower GDP
- Destruction of health programs on yellow fever, tuberculosis, malaria
- Epidemic diseases likely to increase due to bad living conditions (water and poor sanitation) refugee camps => Especially children are at high risk

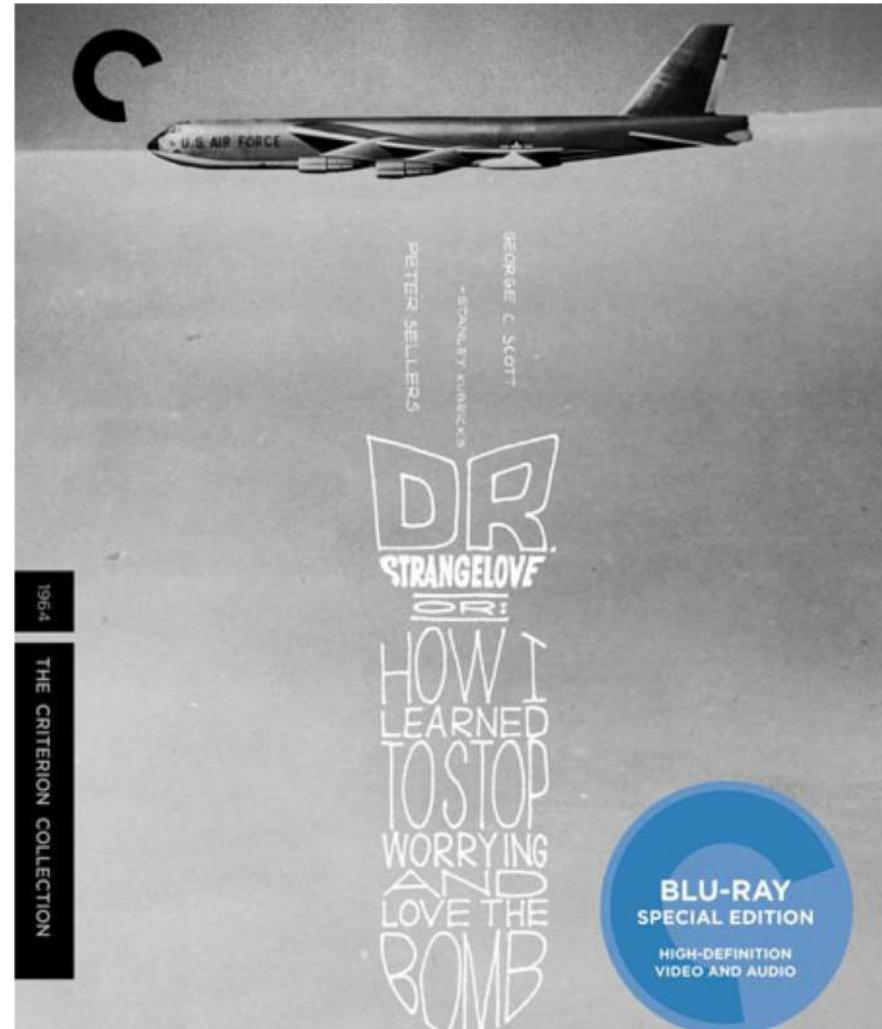
- Homicides
- Prostitution around army, sexual violence => HIV/AIDS (2 to 5 time more)
- More than 200000 women raped in Rwandan War

Conflict trap

- Lower income \Leftrightarrow Armed insurgency
- Poverty
- Deterioration of institutions
- ALSO
- Peace duration reduces probability of another civil war
- A civil war is more likely in post-conflict societies

Effects on the neighbours/other countries

- On average if a country grows by an extra 1% => Contributes the neighbour's growth rate by 0.4%
- Spillover is higher in landlocked countries (0.7%)

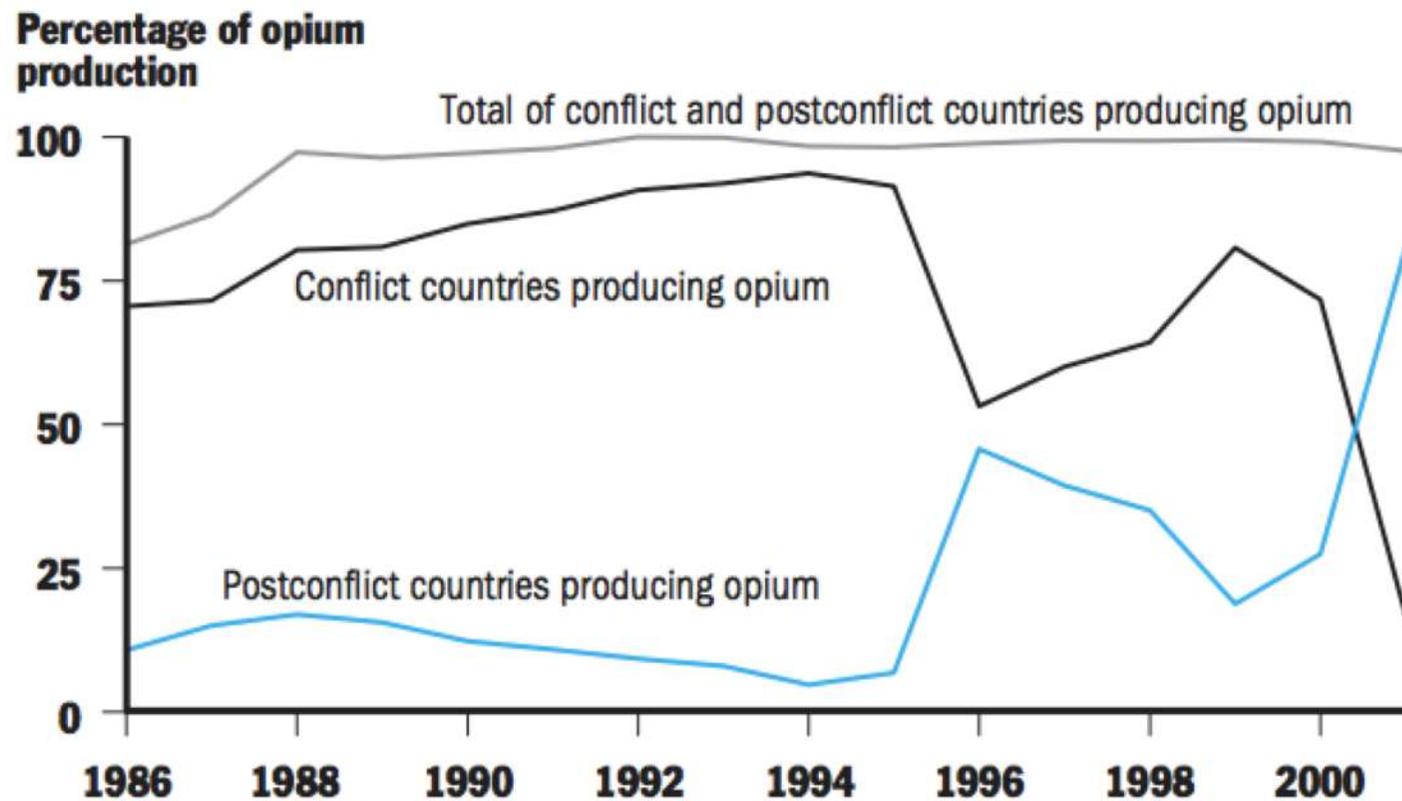


Effects on the neighbours/other countries

- Regional arms races: Increase in military expenditure by 2% of GDP => Increase by 0.7% in neighbours
Spread of diseases, refugees (Malaria, HIV/AIDS)
- Illegal activities (drug trafficking)
- Feeds international terrorism (Al Queda, ISIS, Taliban)
- Revenues for terrorist organisations:
- Al Queda => Revenues from West African conflict diamonds (Liberia, Sierra Leone)
- ISIS => Oil revenues

Drug trafficking

Figure 2.4 Opium production, 1986–2001



Source: UNODCCP (2002); Gleditsch and others (2002).

Coups



Which countries are more likely to have coups? (Collier, 2008)

- Lower income
- Ethnic dominance of one group
- History of coups
- Natural resources might not matter, as army is already funded.

Is coups related with imperialism?

- Competitive capitalism => Monopoly capitalism
- Competitive capitalism: Large number of companies
- Monopoly: Few companies

- Increased strength of large companies =>
- Greater involvement in world economy.

- Export of capital is instrument for:
 - 1) Political hegemony
 - 2) Boost exports (Control foreign markets)
 - 3) Assure supply in the need of raw materials



US backed coups and MNCs

- Dube, Kaplan and Naidu (2011)
- The impact of US Backed coups and top-secret coup authorizations on stock prices of partially nationalized multinational companies

- Iran – Coup against Mossadegh (1953)
- Chile – Coup against Allende (1970-73)
- Guatemala – Coup Against Arbenz (1952-54)
- Cuba – Bay of Pigs/ Post- Bay of Pigs Operations (1960-61) – failed
- Congo – Lumumba Assassination (1960)

US backed coups (Iran -1953)

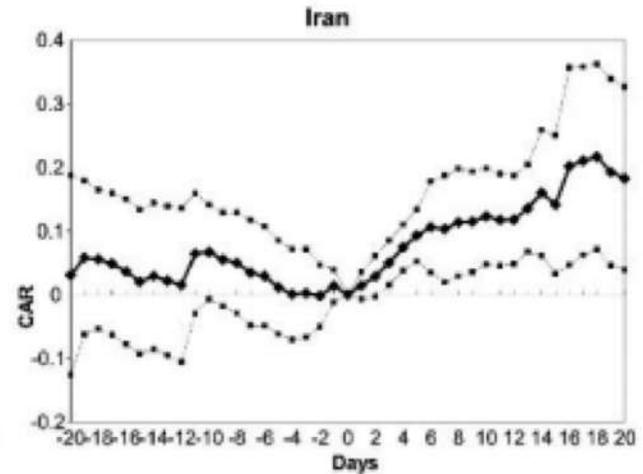
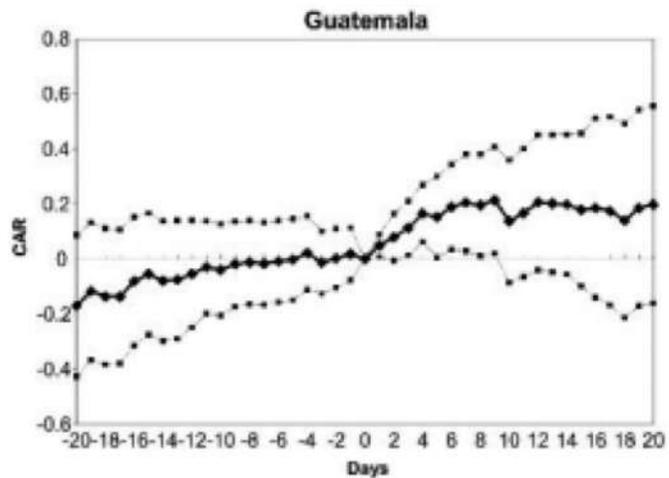
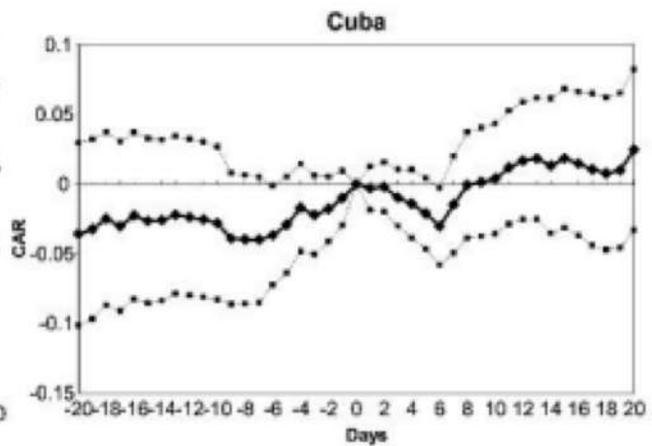
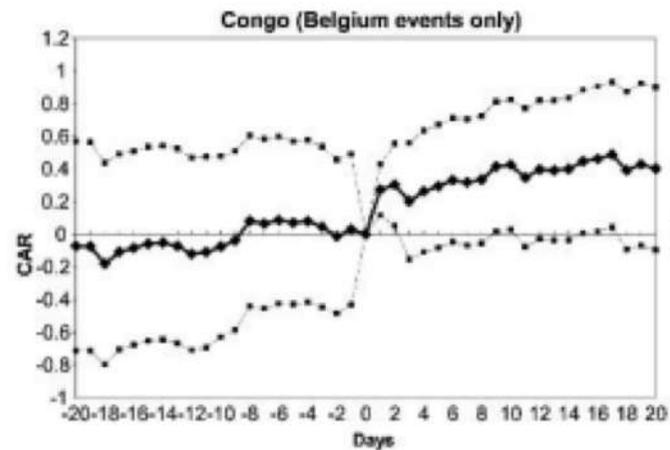
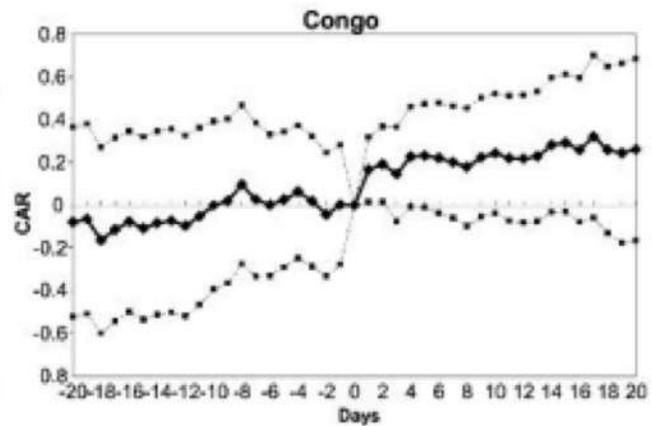
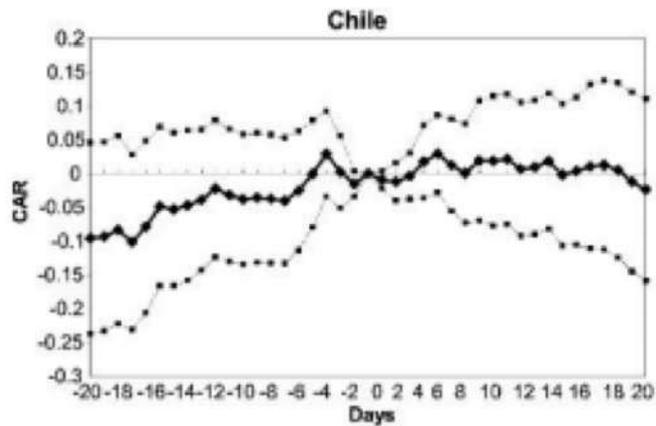
- In 1951, Muhammed Mossadegh => Nationalization of Anglo-Iranian Oil Company's (now BP) oil assets
- Coup against Mossadegh organized by MI6 and CIA in 1953
- CIA admitted that it was involved in both the planning and the execution of the coup, including the bribing of Iranian politicians, security and army high-ranking officials, as well as pro-coup propaganda.



US backed coups (Chile -1973)

- Salvador Allende:
 - Socialist tendency
 - Nationalisation of copper mines
 - Redistributive policies
-
- CIA: Financial support for Allende's opponents
 - Used ITT (owned telephone company) for financial support
 - CIA Backed coup organized by Augusto Pinochet





Commercial Imperialism

- Berger et. al. (2013)
- CIA interventions => Boost imports from the US
- Mainly through direct purchases of American products by governments

- Does not effect exports
- Does not effect imports from the rest of the world

- CIA intervention => Economic and military aid
- Economic and military aid => Imports from the US

Hauner, Milanovic and Naidu (2017): An empirical restatement of the classical economic theory of imperialism and the origins of World War I

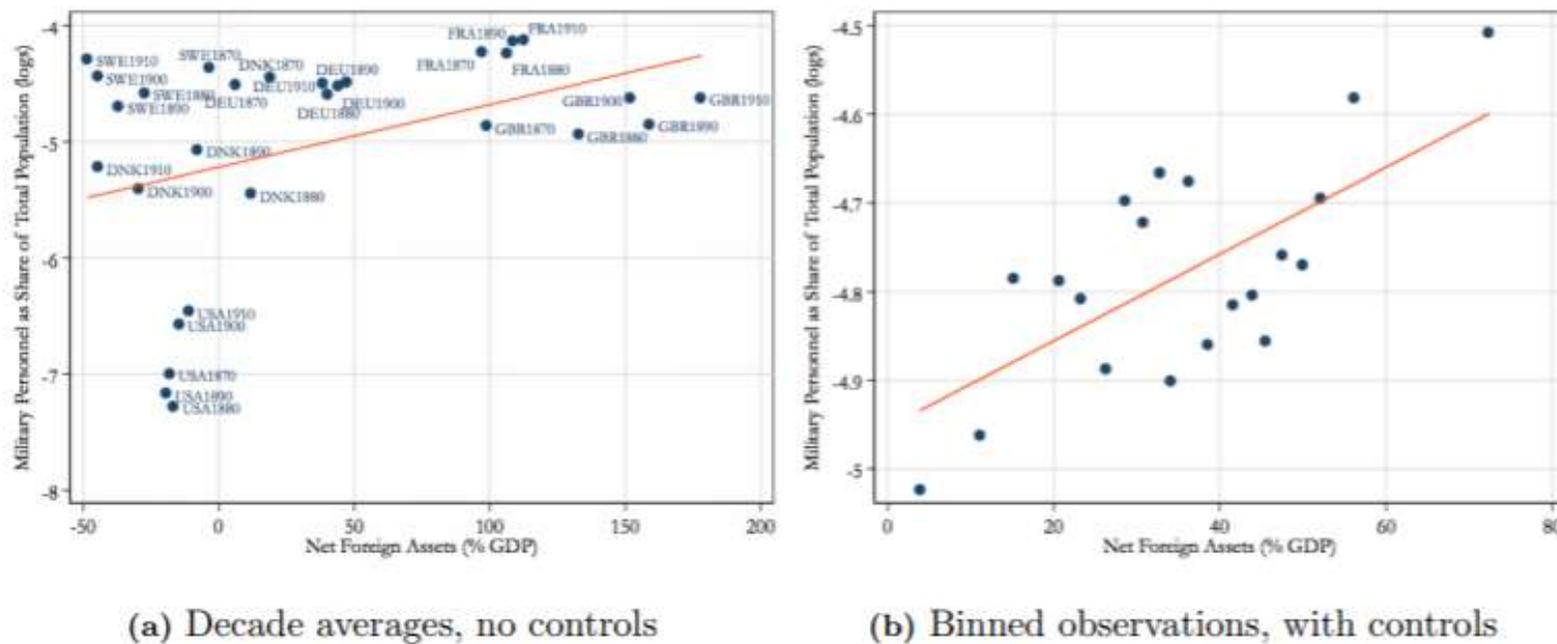


Figure 12: MILITARY PERSONNEL AS SHARE OF TOTAL POPULATION AND NET FOREIGN ASSETS: 1870–1913

Hauner, Milanovic and Naidu (2017): An empirical restatement of the classical economic theory of imperialism and the origins of World War I

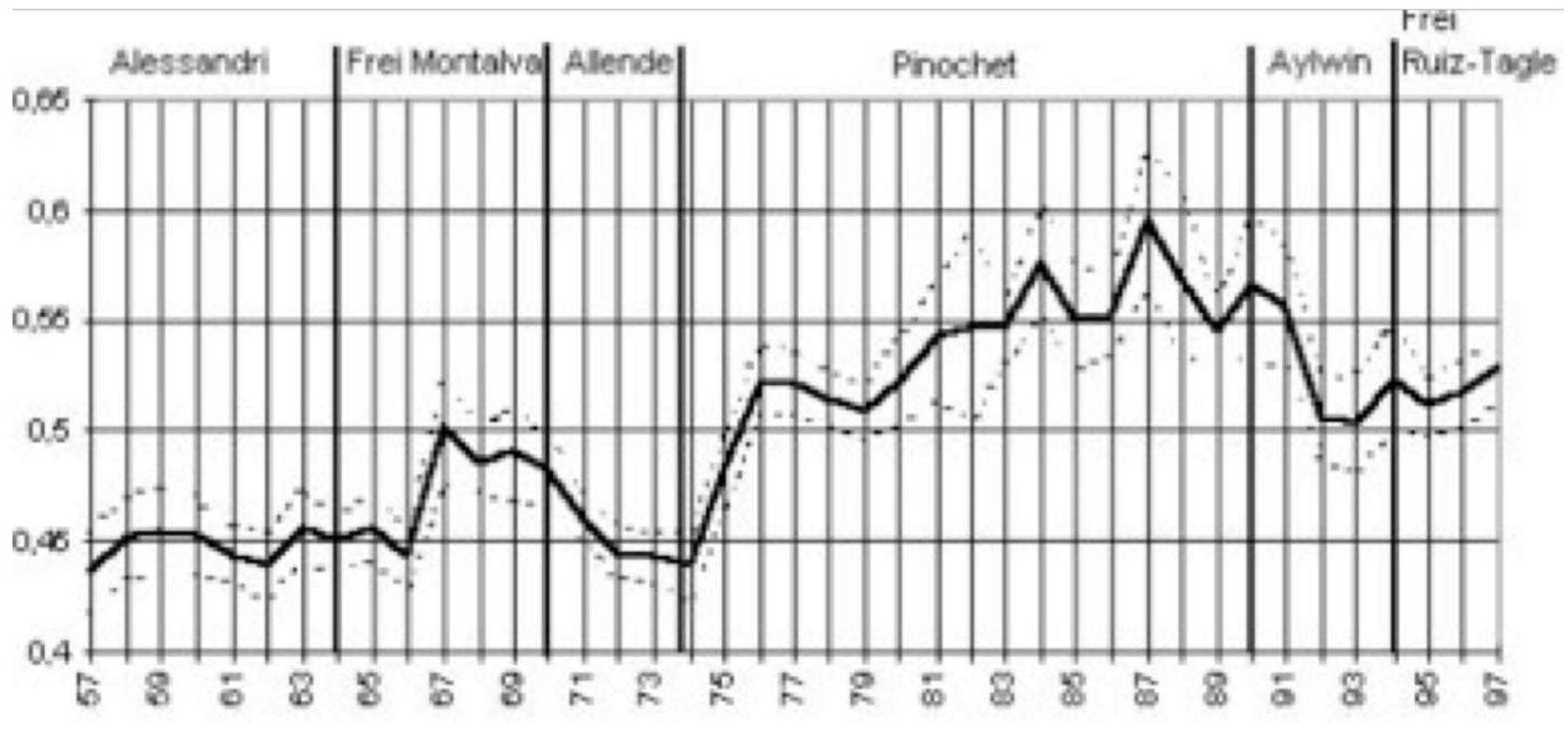
Table 5: LINEAR ESTIMATES OF MILITARY PERSONNEL AS SHARE OF TOTAL POPULATION

	(1)	(2)	(3)	(4)
Net Foreign Assets / GDP	0.005** (0.002)	0.005** (0.002)	0.005** (0.002)	0.004** (0.002)
log GDP Per Capita (1990 GK USD)		0.201 (0.631)	0.523 (0.787)	0.280 (0.836)
Wealth-Income Ratio			0.001 (0.001)	0.001 (0.001)
Democracy				0.020 (0.021)
Constant	-5.015*** (0.095)	-6.496 (5.204)	-9.566 (6.954)	-7.756 (7.305)
Country and Year FE	Yes	Yes	Yes	Yes
Within- R^2	0.412	0.413	0.431	0.439
Countries	6	6	6	6
Obs	184	184	183	183

Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Gini coefficient in Chile (Chile's 9/11: Coup of Pinochet)

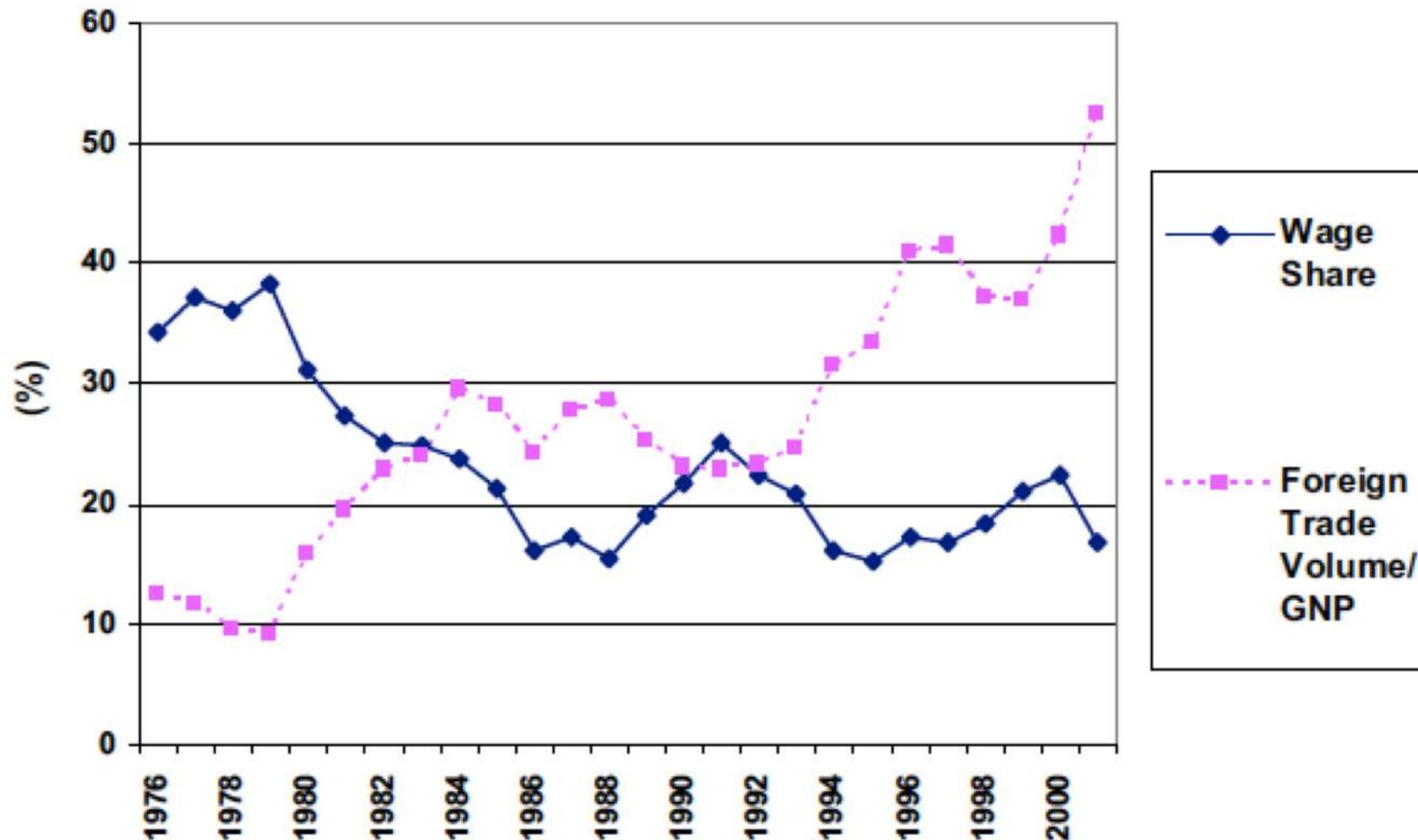


Coups in Argentina



- Coup against social democrat Juan Peron in 1955 and its effect on labour share

Coup of 1980 in Turkey (private wage share and foreign trade volume)



Thank you!

