

# The Economics of Peace and Security Journal

© www.epsjournal.org.uk  
ISSN 1749-852X

*A publication of  
Economists for Peace  
and Security (U.K.)*

**Vol. 8, No. 2 (2013)**

## Articles

*William C. Bunting* on conflict over fundamental rights

*Boris Gershman* on envy and conflict

*Shikha Silwal* on the spatial-temporal spread of civil war in Nepal

*Smita Ramnarain* on the role of women's cooperatives in Nepalese peacebuilding

*Guro Lien* on the political economy of security sector reform

## Editors

Jurgen Brauer, Georgia Regents University, Augusta, GA, USA  
J. Paul Dunne, University of Cape Town, South Africa

# The Economics of Peace and Security Journal

© www.epsjournal.org.uk, ISSN 1749-852X

*A publication of Economists for Peace and Security (U.K.)*

## Editors

Jurgen Brauer

Georgia Regents University, Augusta, GA, USA

J. Paul Dunne

University of Cape Town, South Africa

## Web editor

Thea Harvey-Barratt

Economists for Peace and Security, Annandale-upon-Hudson, NY, USA

## Book review editor

Elisabeth Sköns

Stockholm International Peace Research Institute, Stockholm, Sweden

## Associate editors

Michael Brzoska, Germany

Neil Cooper, UK

Lloyd J. Dumas, USA

Manuel Ferreira, Portugal

David Gold, USA

Gülay Günlük-Şenesen, Turkey

Peter Hall, Australia

Geoff Harris, South Africa

Keith Hartley, UK

Christos Kollias, Greece

Stefan Markowski, Australia

Sam Perlo-Freeman, Sweden

Thomas Scheetz, Argentina

Elisabeth Sköns, Sweden

Ron Smith, UK

Herbert Wulf, Germany

## Advisory board

Hamid Ali, Egypt

Wolfram Elsner, Germany

Jacques Fontanel, France

James Galbraith, USA

Michael D. Intriligator, USA

Richard Kaufman, USA

John Tepper Marlin, USA

Philip Verwimp, Holland/Belgium

David Throsby, Australia

Ruslan Grinberg, Russia

## EPS trustees

Clark Abt

George Akerlof\*

Oscar Arias\*

Kenneth J. Arrow\*

William J. Baumol

Barbara Bergmann

Andrew Brimmer

Robert J. Gordon

Sir Richard Jolly

Lawrence R. Klein\*

Eric Maskin\*

Daniel McFadden\*

Roger Myerson\*

Douglas C. North\*

George A. Papandreou\*

Robert Reich

Thomas Schelling\*

Amartya Sen\*

William Sharpe\*

Robert M. Solow\*

Joseph E. Stiglitz\*

(\*Nobel Laureate)

## Aims and scope

This journal raises and debates all issues related to the political economy of personal, communal, national, international, and global conflict, peace and security. The scope includes implications and ramifications of conventional and nonconventional conflict for all human and nonhuman life and for our common habitat. Special attention is paid to constructive proposals for conflict resolution and peacemaking. While open to noneconomic approaches, most contributions emphasize economic analysis of causes, consequences, and possible solutions to mitigate conflict.

The journal is aimed at specialist and nonspecialist readers, including policy analysts, policy and decisionmakers, national and international civil servants, members of the armed forces and of peacekeeping services, the business community, members of nongovernmental organizations and religious institutions, and others. Contributions are scholarly or practitioner-based, but written in a general-interest style.

Articles in *The EPS Journal* are solicited by the editors and subject to peer review. Readers are, however, encouraged to submit proposals for articles or symposia (2 to 4 articles on a common theme), or to correspond with the editors over specific contributions they might wish to make. In addition, comments on published articles (<500 words) are welcome. Write to us at [editors@epsjournal.org.uk](mailto:editors@epsjournal.org.uk) or contact us via the journal's home page at [www.epsjournal.org.uk](http://www.epsjournal.org.uk).

## **Vol. 8, No. 2 (2013) – Contents**

<b>Abstracts</b>	<b>page 4</b>
<b>Litigated conflict over fundamental rights: A static model</b> <i>William C. Bunting</i>	<b>page 5</b>
<b>Envy in the process of development: Implications for social relations and conflict</b> <i>Boris Gershman</i>	<b>page 13</b>
<b>A spatial-temporal analysis of civil war: The case of Nepal</b> <i>Shikha Silwal</i>	<b>page 20</b>
<b>The political economy of peacebuilding: The case of women's cooperatives in Nepal</b> <i>Smita Ramnarain</i>	<b>page 26</b>
<b>Bringing the economy back in: The political economy of security sector reform</b> <i>Guro Lien</i>	<b>page 35</b>

**Comments and replies as well as book reviews and books available for review are posted at [www.epsjournal.org.uk](http://www.epsjournal.org.uk).**

## Abstracts

**William C. Bunting.** “Litigated conflict over fundamental rights: A static model.” This article introduces a static, within-country, game-theoretic model of litigated conflict over fundamental rights. The static model suggests that increased judicial interference in the determination of fundamental rights through democratic elections is never social welfare-increasing, even if judicial and political biases run in opposite directions (i.e., if the judicial process is biased in favor of one interest group and the political process is biased in favor of an ideologically-opposed interest group). In addition, the analysis identifies a set of parameters where social welfare increases if the extent to which the litigated conflict over fundamental rights in the society is “constitutionalized” is decreased (i.e., if litigation effort becomes more expensive and/or less effective). A few real-world examples of the implications of this static analysis are examined, including gun control and the possible future reconstitution of the judiciary in Syria. [JEL codes: D72, D74, K23, K41, P16]

**Boris Gershman.** “Envy in the process of development: Implications for Social Relations and Conflict.” This article examines envy as an important cultural link between inequality, institutions, development, and conflict. It argues that envy can be either a source of strife and stagnation or an engine for peaceful competition and growth. The fundamental conditions that activate the constructive side of envy and shut down its destructive side are access to productive investment opportunities, equality, security of property rights, and mild social comparisons. The dominant role of envy in society gives rise to a set of related cultural norms and beliefs that affect economic performance and social relations. While constructive envy is manifested in emulation or even envy-provocation—standard features of a consumer society—destructive envy produces a fear-of-envy culture that hampers economic incentives and creates an environment of suspicion and conflict. [JEL codes: D31, D62, D74, O10, O43, Z10, Z13]

**Shikha Silwal.** “A spatial-temporal analysis of civil war: The case of Nepal.” The study models the spread of Nepal’s civil war across geography and over time. The potential effects of poverty, geography, caste, and prewar election outcomes on the spread and intensity of war-violence is examined, using data from the 1996 to 2006 Nepalese-Maoist civil war. Results suggest, first, that proximity to war-affected area is the key determinant of whether or not war spreads to another area and, second, that the intensity of violence increases as time elapses. Once proximity to areas already affected by war is accounted for, socioeconomic conditions related to poverty and geography are statistically insignificant in explaining either the spread of war or its escalation in intensity. [JEL codes: D71, D74, P48, O19]

**Smita Ramnarain.** “The political economy of peacebuilding: Women’s cooperatives in Nepal.” Critiques of liberal, top-down approaches to peacebuilding have motivated a discussion of alternative, locally-led, and community-based approaches to achieving and maintaining sustainable peace. This article uses a case study of women’s savings and credit cooperatives in post-violence Nepal to examine the ways in which grassroots-based, locally-led peace initiatives can counter top-down approaches. The article presents ethnographic evidence from fieldwork in Nepal on how cooperatives expand through their everyday activities the definition of peace to include not only the absence of violence (negative peace) but transformatory goals such as social justice (positive peace). By focusing on ongoing root causes of structural violence, cooperatives problematize the postconflict period where pre-war normalcy is presumed to have returned. They emphasize local agency and ownership over formal peace processes. The findings suggest ongoing struggles that cooperatives face due to their existence within larger, liberal paradigms of international postconflict aid and reconstruction assistance. Their uneasy relationship with liberal economic structures limit their scale and scope of effectiveness even as they provide local alternatives for peacebuilding. [JEL codes: D71, D74, P48, O19]

**Guro Lien.** “Bringing the economy back in: The political economy of security sector reform.” The mechanisms underlying the relation between development and security are difficult to define and poorly understood. This has not hindered various donor countries, NGOs, or international organizations from designing and implementing Security Sector Reform (SSR) initiatives with the presumption that increasing security, usually by strengthening state capacity, will lead to increased socioeconomic development. However, in many postwar settings, low state capacity is seen as a desired outcome. The argument in this article is that an exclusive focus on formal state structures in SSR efforts makes several assumption that reduce the possibility of success. There is no “one size fits all” approach to statebuilding, and designing SSR activities without taking into account the premises of the local economic structures may only lead to short-term regime security. [JEL codes: P26, F52, F53, O19]

## Litigated conflict over fundamental rights: A static model

William C. Bunting

Fundamental rights differ from property rights in that individuals can engage in private bargaining with respect to property rights but not with respect to fundamental rights.<sup>1</sup> In the traditional Coasian framework, well-defined, legally-enforceable property rights are allocated to a subset of the population.<sup>2</sup> If transaction costs are sufficiently low, then an efficient equilibrium outcome obtains as a by-product of perfectly-informed, private bargaining among rational, self-interested individuals. Fundamental rights are different, however. The State attaches itself to a single ideological position and commits substantial resources toward enforcing the level of fundamental rights associated with that position. Because parties cannot privately bargain around the state-sponsored allocation of fundamental rights, parties that wish to change the prevailing level of fundamental rights in society must engage in some form of conflict to achieve, from their perspective, a more optimal distribution of rights.

In the static, within-country, game-theoretic model discussed in this article, this conflict over fundamental rights, arising in lieu of private bargaining, takes the form of private civil litigation.

### Related literature

To understand the model of intergroup conflict over fundamental rights within a country, it is useful to consider how it relates to the large international relations literature on war between states. In a seminal article, J.D. Fearon develops three arguments for why states in conflict might fail to settle, *ex ante*, for bargains that they would otherwise accept *ex post*. In particular, Fearon posits that (1) war can occur because bargains depend upon factors about which states possess private information, and because states have incentives to misrepresent or misreport this information; (2) wars can derive from commitment problems (states fight because agreements are not binding and because actors have unilateral incentives to defect at a future point in time); and (3) states might be unable to bargain, short of war, because the issues in dispute are not readily divisible.<sup>3</sup>

These explanations do not apply to the within-country case. Unlike warring states, parties in a within-country context do not have the freedom to independently agree to restrict or to expand a given fundamental right. Any bargain struck between parties will be undone by the State, as it is not the contesting parties but the State that fixes fundamental rights. This implies that the parties cannot use the legal system to commit

not to breach any private agreement struck between them regarding the allocation of fundamental rights.

The model presented in this article may be viewed as a variant of bargaining in “the shadow of power.”<sup>4</sup> In these types of models, actors who have become sufficiently pessimistic about the likelihood of reaching a mutually-agreeable resolution resort to some form of power, be it legal, military, or political. They then use this power to impose a settlement that, in the absence of power, would not otherwise be obtained. For instance, in international negotiations over revisions of a territorial status quo, a state can use military force to secure a new distribution of territory if it becomes sufficiently pessimistic about the likelihood of reaching a mutually-acceptable resolution.<sup>5</sup>

Similarly, a political party (often during democratic transitions) may take to the streets in protest and turn to violence to improve upon an expected outcome to be obtained through legislative bargaining.<sup>6</sup> In my model of intergroup nonviolent conflict, ideologically-opposed special interest groups turn to the power of private civil litigation to achieve a level of fundamental rights that improves upon what can be obtained solely through democratic means, i.e., through democratic elections.

### Summary of results

The principal question is this: How do changes in the parameters that characterize litigated intergroup conflict over fundamental rights affect social welfare?<sup>7</sup>

The static model discussed here suggests that increased judicial interference is never social welfare-increasing (even when judicial and political biases run in opposite directions, as shown later).<sup>8</sup> In addition, the analysis identifies a set of parameter values whereby social welfare increases when the extent to which ideological conflict is constitutionalized is decreased (i.e., the more expensive and less effective litigation becomes). For those in position to establish peace and security in areas engulfed by violent conflict, such as Syria presently, this latter result counsels against placing too much weight upon the importance of an independent judiciary

**Fundamental rights differ from property rights. The State attaches itself to a single ideological position and commits substantial resources toward enforcing the level of fundamental rights associated with that position. Because parties cannot privately bargain around the state-sponsored allocation of fundamental rights, parties that wish to change the prevailing level of fundamental rights in society must engage in some form of conflict to achieve a more optimal distribution from their perspective. In the static, game-theoretic model presented in this article, this conflict over fundamental rights, arising in lieu of private bargaining, takes the form of private civil litigation.**

setting ideology for the country as a whole.

The article proceeds as follows. The first section sets forth, in narrative form, the basic economic model of fundamental rights and their constitutionalization. The second section discusses equilibrium outcomes for both the case of exogenously and endogenously-determined policy platforms in regard to fundamental rights. Social welfare implications are discussed. The third section examines the normative prescription that ideological conflict, under certain circumstances, should be less constitutionalized, i.e., be made more costly and less effective. A few real world examples of the implications of this analysis are briefly examined, including the possible future reconstitution of the judiciary in Syria.

### The model in narrative form

I define conflict over fundamental rights as a contest in civil court between two ideologically opposed groups. The two parameters that characterize the conflict are (1) *judicial diversity*, defined as the range of feasible conflict outcomes, and (2) the extent to which the legal conflict is *constitutionalized*, i.e., the extent to which litigation effort is both (a) more or less costly on the margin, and (b) more or less effective or decisive. The constitutionalization parameter is new to the formal political economy literature.<sup>9</sup>

### *Constitutionalization explained*

The constitutionalization parameter can be interpreted as measuring the extent to which individuals in society are able to contest constitutional rights. In what might be called an *authoritarian democracy*, for instance, it may be very costly to change the prevailing level of fundamental rights set by a society's chosen leaders (e.g., modern-day Iran). Collective efforts to increase various freedoms of religion or speech, say, may have dire consequences, including State intervention resulting in imprisonment or death. Likewise, in what might be called an *anarchic democracy*, where the rule of law is weak or nonexistent, it may be that changes in the overall level of fundamental rights can be realized only through autonomous means, including bribery of a local official or judge, and can be accomplished only at significant financial cost or personal risk (e.g., Russia in the mid-1990s). In a *constitutional democracy*, by contrast, such as the United States or Brazil, contest over fundamental rights that apply equally to all individuals in society is largely a question of constitutional interpretation. Changes in the prevailing level of fundamental rights are attained at relatively low cost; indeed, often times, it is simply a matter of hiring the right attorney.

What can be accomplished through litigated ideological conflict is, by definition, much greater in a constitutional democracy. For example, although a special interest group might succeed in altering certain fundamental rights in an authoritarian

democracy, any victory is likely to be small in magnitude. The reason for this is that it will be relatively difficult to persuade a judiciary that exists largely as an extension of an entrenched authoritarian democratic regime to deviate substantially from the ideological tenets espoused and promulgated by that regime. Short of regime change, wresting a change in fundamental rights by means of private civil litigation from a judiciary that takes its orders from a centralized and repressive authoritarian regime is likely impossible. Likewise, in an anarchic democracy, the impact of a legal victory may be relatively small, in total effect, as it may have no binding quality, vis-à-vis the State's justice system, on the many individuals in such a society that do not follow the law. In a constitutional democracy, by contrast, where contest over fundamental rights takes place between two private litigants before one judicial body in a singular constitutional moment, and the outcome of which then is binding upon all members of society, any change in the level of fundamental rights can be quite large. In the United States, for instance, in winning over a majority of the nine Supreme Court justices, a single litigant can, in a year or two, and at relatively little financial cost, permanently alter the bundle of fundamental rights available to society. The ideological landscape in a constitutional democracy can change quite dramatically, very suddenly, and with very little, if any, bloodshed.

### Exogenous and endogenous fundamental rights

The formal analysis starts by assuming that the status quo level of fundamental rights in society is *exogenously determined*. The analysis identifies three marginal social welfare effects with respect to a change in judicial diversity: (1) increased uncertainty as to judicial outcomes; (2) consumption loss due to the expenditure of costly litigation effort; and (3) changes in the expected level of fundamental rights in society. Initially assuming an unbiased judicial process, the analysis shows that greater judicial diversity is social welfare-increasing if the existing status quo standard is biased in favor of either one of the two special interest groups: The expected benefit of judicial interference, which would move the status quo standard closer to the normative benchmark, exceeds the sum of the cost of increased uncertainty as to future judicial outcomes (where litigants are risk-averse with respect to uncertain future outcomes) and the cost of lower consumption (where individuals, in response to an increase in judicial diversity, substitute litigation expenditure for consumption).<sup>10</sup> But if the judicial *process* is biased in favor of either of the two groups, then greater judicial diversity is social welfare-increasing only if the status quo standard is biased in favor of the other special interest group.<sup>11</sup>

The formal model is then extended to allow the status quo level of fundamental rights to be *endogenously determined* through electoral competition. The analysis employs a standard formal model of Downsian electoral competition and derives announced policy platforms as the unique equilibrium solution to a two-stage politico-conflict game. The comparative-static effects of changes to various



parameters describing the intergroup conflict follow directly from the derived equilibrium outcome.<sup>12</sup>

The main conclusion of the static model is that electoral candidates strategically respond to an increase in judicial diversity (an increase in the range of feasible judicial outcomes) by shifting announced policy toward the bliss point of their preferred special interest group. In other words, electoral candidates who are biased in favor of a particular special interest group, strategically offset greater adverse judicial interference in the determination of fundamental rights by enacting, in equilibrium, even more extreme, or “polarized,” ideological policy platforms that are biased in favor of their preferred interest group.<sup>13</sup>

As a real world example of this type of strategic, forward-looking behavior, consider the landmark United States Supreme Court case, *District of Columbia v. Heller* [554 U.S. 570 (2008)]. This held that the Second Amendment to the United States Constitution protects an individual’s right to possess a firearm for traditionally lawful purposes, such as self-defense within the home and within federal enclaves. The mayor of New York City, Michael Bloomberg, immediately commented that “all of the laws on the books in New York State and New York City” would be allowed by the ruling as “reasonable regulation.”<sup>14</sup> In the years following the *Heller* decision, “anti-gun” politicians similarly have aimed at restricting or otherwise limiting this newly-recognized fundamental right to the private possession of guns. The National Rifle Association and other gun-rights advocates have filed a number of lawsuits in various states.<sup>15</sup> Under my analysis, all this is a predictable consequence of greater judicial interference in the determination of fundamental rights. As the model predicts, and as Supreme Court Justice Ruth Bader Ginsburg has asserted in the context of abortion rights,<sup>16</sup> rational political actors will strategically enact legislation designed to offset the effect of subsequent legal conflict, exemplified here in the over 500 state and federal lawsuits that have been filed since the *Heller* decision seeking to maintain, implement, or further expand the newly-recognized fundamental right to the private possession of firearms.<sup>17</sup>

In addition to the prediction regarding announced policy platforms, two main welfare results are also derived from the model. First, the static model shows that increased judicial diversity is never social welfare-increasing, even if judicial and political biases run in opposite directions. The explanation for this result again lies in taking into account the strategic, forward-looking behavior of rational electoral actors. Recognizing that the influence of a policymaking institution biased against their preferred voter-type has expanded, office-seeking candidates offset expanded judicial influence in the determination of fundamental rights by adopting relatively more extreme, polarized policy positions. These relatively more extreme and socially suboptimal equilibrium policy positions then successfully offset the expected social welfare-increasing movement in the prevailing level of fundamental rights generated by the subsequent legal conflict.<sup>18</sup>

Second, the model identifies a set of parameter values where decreasing the extent

to which ideological conflict is constitutionalized increases social welfare. Given this set of parameter values, policies that facilitate the extent to which ideologically-opposed individuals are able to effectively engage in conflict with one another are to be actively discouraged by the State. Put differently, if the political and judicial institutions that determine the prevailing level of fundamental rights in society can be properly characterized by the set of parameter values isolated in the analysis, then a welfare-maximizing social planner should strive *not* to promote the judicial resolution of ideological conflict, but, rather, as examined more closely in the next section, to promote, somewhat counter-intuitively, a more costly and less effective conflict over fundamental rights.

### Against constitutionalization

The normative prescription that ideological conflict should be *less* constitutionalized, i.e., that litigation effort should be more costly and less effective, derives from two facts. First, in equilibrium, the total monetary cost of litigation effort is lowered when it becomes more costly to litigate, and second, in the model conflict is a means by which special interest groups in society use nonelectoral channels to advance their unique ideological agenda: litigation becomes a suboptimal substitute for electoral politics. Now, the capacity to use courts to advance ideological objectives, as an alternative to political conflict, is likely to increase social welfare if courts are fair and benign. But if courts are not fair or benign, and do not necessarily act in ways that serve to promote the greater social good, as literature documents,<sup>19</sup> then a country less like the United States in terms of how ideology is determined, and more like China (i.e., a country in which ideological conflict is relatively less constitutionalized) may be more likely to implement the socially-optimal level of fundamental rights.

To repeat, when courts cannot be relied upon to implement optimal outcomes, a welfare-maximizing social planner should seek to make litigated conflict more costly and less effective. Under these circumstances, legal conflict can be characterized as a means by which those who have power—not necessarily in terms of control over the State power apparatus, but in terms of the capacity to defeat ideologically-opposed groups in a court of law—use that power to circumvent socially-optimal democratic outcomes. By making the legal conflict less constitutionalized (making litigation more expensive and less decisive), it is now relatively more difficult for those who possess an advantage in legal conflict to use that advantage to modify optimal policy outcomes generated by a democratic electoral process. To reiterate, provided certain conditions hold true, the analysis advocates, somewhat counter-intuitively, for an authoritarian or anarchic democracy, rather than a constitutional democracy, as a better and more effective means by which to protect and safeguard important fundamental rights in society.

### *District of Columbia v. Heller*

As an example, consider again the case of *District of Columbia v. Heller*. The formal model implies that if the political and judicial bias parameters run in the same direction, which I believe was true at the time *Heller* was decided, then increasing the extent to which ideological conflict in society is constitutionalized is social welfare-decreasing. Specifically, the analysis suggests that the gun-control issue would be better resolved through a series of disparate electoral conflicts, each with limited reach, and not, as was the case in *Heller*, in a singular constitutional moment. Indeed, the ensuing years of substantial legal maneuvering set in motion by the *Heller* decision may be interpreted as representing the social welfare-decreasing aftermath predicted by the model, where, given this particular configuration of institutional bias parameters, conflict over fundamental rights becomes increasingly constitutionalized. Rendering the gun-control issue a purely constitutional matter in this way likely served only to increase the extent to which valuable scarce resources were dissipated in ideological conflict, and did not result in significant changes in the expected level of fundamental rights in society, in part, due to legislative actions by strategic, forward-looking politicians designed to offset the expected impact of greater judicial interference in the determination of fundamental rights.

### *The reconstitution of the judiciary in Syria*

To further clarify the conclusions of the formal model, it is useful to consider how the analytic framework might be applied in areas of violent conflict, and, in particular, to think more carefully about how the analysis informs the establishment of peace and security in such areas. Take Syria, for instance, a country devastated by an (ongoing) armed conflict between forces loyal to the Ba'ath Party government and pro-reform protesters seeking the resignation of President Bashar al-Assad and an end to over four decades of Ba'ath Party rule. The conflict started on 15 March 2011, with popular demonstrations spreading nationwide by April 2011, demonstrations that were part of a broader Middle Eastern protest movement known as the Arab spring. In April 2011, Syria's army was deployed by President Assad to quell the uprising. Soldiers were ordered to open fire on demonstrators, killing a number of individuals in the southern city of Daraa [also spelled Deraa] and triggering days of violent unrest that steadily swept throughout the country over the following months, eventually devolving into a full-scale armed rebellion.

On 2 January 2013, the United Nations released an estimate that the civil war's death toll had exceeded 60,000; on 24 July 2013, that estimate was revised to over 100,000. At this point, the conflict strongly resembles a sectarian civil war, with the leading government figures, mainly Shia Alawites, pitted against the pro-reform rebels, mainly Sunni Muslims. According to the United Nations High Commissioner for Refugees, approximately 1.7 million registered Syrian refugees have fled to

neighboring countries to escape the violence, with another 200,000 individuals currently awaiting registration.<sup>20</sup> In addition, tens of thousands of protesters have been imprisoned, and there are reports of widespread torture and psychological abuse in many of the state-run prisons. The humanitarian crisis has been further intensified by the widespread destruction and razing of residential areas by the Syrian government, where towns and villages across Latakia, Idlib, Hama, and Daraa governorates, for all practical purposes, have been completely emptied of their civilian populations.

The reconstitution of Syria will come about at some point in time, but it is entirely possible that there may not be much of a judiciary left to strategize about. If so, the reconstitution of Syria may well result in an authoritarian democracy in which the judiciary is unlikely to deviate substantially from the ideological tenets promulgated by that regime. In all likelihood, this would be a mistake. The reconstruction of justice in Germany post-World War II is instructive. As Loewenstein contends, in many ways, the most exasperating aspect of the Nazi legal system lay in the fact that most of the Nazi regime's arbitrary and unjust acts were expressly couched in the form of an official statute, decree, or enactment, which, due to its formal character as a legislative act, was slavishly applied by the judiciary as "law," irrespective of whether the legal rule itself was unjust or arbitrary.<sup>21</sup> The German judiciary was largely comprised of individuals unburdened by misgivings as to the intrinsic fairness of the legal rule to be applied in a given case, provided the rule itself was validly enacted by the authority of the State. They did not, for the most part, give pause to consider or question whether this authority was, in fact, legitimate in the first instance. With this in mind, it is, therefore, critically important, in establishing peace and security in Syria, to have a judiciary that possesses, not necessarily independence of office, but independence of character, and that is open to, as Loewenstein puts it, "the postulates of a humanitarian morality."

Notwithstanding the importance of an independent judiciary to the just and balanced exercise of political power, my analysis cautions that the reconstitution of the judiciary may itself become a strategic item. Specifically, those in power may argue publicly in support of an independent judiciary, knowing full well that any

**An independent judiciary will often represent an important check on the authoritarian impulses of the ruling party—but the opposite may also be true. Thus, it is important to identify whether a push for an independent judiciary is an indication of a desire to promote and safeguard important individual freedoms and fundamental rights in society, or, instead, represents a power grab by those with a relative advantage in winning legal conflict and seeking to exploit that advantage to modify or circumvent policy outcomes generated by an otherwise perfectly well-functioning democratic electoral process.**



judicial interference that impairs their attempts to set policy for the country as a whole can be effectively offset by means of strategic, forward-looking legislative actions, as identified in the analysis. Alternatively, those in power may be perfectly willing to be viewed as embracing the virtues of a constitutional democracy, knowing full well that there exist back channels, including legal conflict (but also brute force), by which to establish and maintain ideology in the country.

An independent judiciary will often represent an important check on the authoritarian impulses of the ruling party, but the opposite may also be true. It is important to identify whether a push for an independent judiciary is an indication of a desire to promote and safeguard important individual freedoms and fundamental rights in society, or, instead, represents a power grab by those with a relative advantage in legal conflict seeking to exploit that advantage to modify or circumvent policy outcomes generated by an otherwise perfectly well-functioning democratic electoral process.

## Conclusion

The formal analysis counsels against placing too much faith in either judicial or political processes. An independent and free-thinking judiciary is socially-beneficial if judges act to protect and defend important socially-optimal fundamental rights from the tyranny of the majority. The benefits of an independent judiciary are less clear, however, if legal conflict is employed as a means by which to promote, say, a religious ideology (e.g., Shi'a Islamic law or *sharia*) that runs contrary to the socially-optimal democratic will of the people. The analysis shows that it is important not to reflexively push for fundamental rights in society to be principally determined by the judiciary, because a relatively small, but powerful, subset of the population may use legal conflict as a means to impose an ideological agenda that diverges drastically from the socially-optimal outcome, in a manner no different than what can obtain with respect to any other form of nonelectoral (and possibly violent) intergroup conflict.

## Notes

**William C. Bunting** is an economist at the American Civil Liberties Union (ACLU). All views expressed here are his own and not necessarily those of ACLU. He may be reached at <wcb231@nyu.edu>.

1. Rights considered fundamental in one country may be foreign to another. For instance, the constitutions of Canada, India, Israel, Mexico, and the United States guarantee freedom from double jeopardy, a right not provided under other legal systems. Similarly, many Americans consider gun rights to be fundamental, while other countries do not recognize them as fundamental rights.

2. Coase (1960). The framework is summarized in a set of assumptions adopted by Hoffman and Spitzer (1982): “(a) two agents to each externality (and bargain), (b) perfect knowledge of one another’s (convex) production and profit or utility functions, (c) competitive markets, (d) zero transactions costs, (e) costless court system, (f) profit-maximizing producers and expected utility-maximizing consumers, (g) no wealth effects, (h) agents will strike mutually advantageous bargains in the absence of transactions costs.”

3. Large literature: See, e.g., Wittman (1979), Gartzke (1999), Wagner (2000), Powell (2002), and Slantchev (2003). Seminal article: Fearon (1995). He dismisses the third explanation as empirically trivial because states can make side payments or take other actions that resolve the problem and allow ex ante bargains.

4. Powell (1996a; 1996b).

5. Fearon (1992).

6. Houantchekon (1994).

7. Social welfare is defined in a utilitarian manner as the population-weighted sum of individual utilities.

8. Extending the static model to a dynamic framework allows one to define judicial interference more precisely. Two measure of judicial activism can be defined: (1) *judicial deference* and (2) *judicial diversity*. In Bunting (2012), I show that parameter values exist such that, in equilibrium, a more diverse judiciary serves to increase overall welfare in society. I also show that electoral candidates announce policy platforms that perfectly offset any change in judicial deference. Social welfare is thus invariant with respect to changes in the judicial deference parameter. Unlike in the static model, a change in this particular judicial interference parameter has no long-run equilibrium effect on social welfare.

9. A sketch of the mathematics of the model of fundamental rights is provided in the Appendix. In particular, the functional form of the litigation success function is set forth, allowing the interested reader to interpret these two parameters in mathematical terms.

10. A similar result obtains with respect to changes in the extent to which ideological conflict is constitutionalized. The only difference is that increasing the extent to which conflict over fundamental rights is constitutionalized has no impact upon the range of feasible conflict outcomes.

11. See the sketch of the proof provided in the Appendix. The full mathematical details are available from the author.

12. Downsian electoral competition: See, e.g., Enelow and Hinich (1982); Coughlin (1992); Persson and Tabellini (1999). The setup of the formal Downsian model of electoral competition is given in the Appendix. The politico-conflict equilibrium concept is defined, and a brief sketch of how various results are derived is provided.

13. Interestingly, in the game-theoretic literature on separation-of-powers, electoral actors strategically respond to increased judicial interference by shifting announced policy platforms closer to the *judicial* bliss point so as to avoid judicial veto, and not farther away from this bliss point, as in my model. See, e.g., Ingberman and Yao (1991); Ferejohn and Weingast (1992a; 1992b); Levy and Spiller (1994).

14. Greg Stohr, "Individual Gun Rights Protected, Top U.S. Court Says." <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aMQxuhnFkgSk> [original: 26 June 2008; accessed 16 August 2013].

15. For example, immediately following the *Heller* decision, the NRA filed a lawsuit against the city of Chicago challenging its handgun ban, followed the next day by a lawsuit against the city of San Francisco seeking to overturn that city's ban on handguns in public housing. See "NRA Targets San Francisco, Chicago." *CBS News* [original: 27 June 2008; accessed: 10 September 2013].

16. "Roe ventured too far in the change it ordered. The sweep and detail of the opinion stimulated the mobilization of a right-to-life movement and an attendant reaction in Congress and state legislatures. In place of a trend 'toward liberalization of abortion statutes' noted in *Roe*, legislatures adopted measure aimed at minimizing the impact of the 1973 ruling, including notification and consent requirements, prescriptions for the protection of fetal life, and bans on public expenditures for poor women's abortions" (Ginsburg, 1985, pp. 381-82).

17. Adam Liptak, "Supreme Court Gun Ruling Doesn't Block Proposed Controls." *The New York Times* [original: 18 December 2012; accessed: 10 September 2013].

18. Event timing in the model is as follows: The winning candidate enacts his or her announced policy platform, and the two adverse special interest groups then exert litigation effort to move the enacted policy platform closer to their respective bliss points.

19. Supporters of the Coasian approach to private property rights have afforded too much leeway to courts, construing judicial actors as unbiased, informed, incorruptible promoters of aggregate social welfare, when, in fact, the empirical evidence is mixed. Scholars have identified jurisdictions in which courts are highly-inefficient, politically-motivated, slow, or even corrupt (see, e.g., Johnson, *et al.* 2002; Buscagliaa, 2001; Djankov, 2003).

20. See <http://data.unhcr.org/syrianrefugees/regional.php> [accessed 16 August 2013].

21. Loewenstein (1948).

## References

- Bunting, W.C. 2012. "The Conflict over Fundamental Rights: A Dynamic Model." Unpublished Manuscript. <<https://files.nyu.edu/wcb213/public/>>
- Buscagliaa, E. 2001. "An Analysis of Judicial Corruption and its Causes: An Objective Governing-Based Approach." *International Review of Law and Economics*. Vol. 21, No. 2, pp. 233-249.
- Coase, R. 1960. "The Problem of Social Cost." *Journal of Law and Economics*. Vol. 3, No. 3, pp. 1-44.
- Coughlin, P.J. 1992. *Probabilistic Voting Theory*. New York: Cambridge University Press.
- Djankov, S., R. La Porta, F. Lopez-de-Silanes, A. Shleifer. 2003. "Courts." *Quarterly Journal of Economics*. Vol. 118, No. 2, pp. 453-517.
- Enelow, J. and M.J. Hinich. 1982. "Non-Spatial Candidate Characteristics and Electoral Competition." *Journal of Politics*. Vol. 44, No. 1, pp. 115-130.
- Fearon, J.D. 1992. "War, Relative Power and Private Information," in The Annual Meeting of the International Studies Association, 31 March to 4 April 1992, Atlanta, GA.
- Fearon, J.D. 1995. "Rationalist Explanations for War." *International Organization*. Vol. 49, No. 3, pp. 379-414.
- Ferejohn, J.A. and B.R. Weingast. 1992a. "Limitation of Statutes: Strategic Statutory Interpretation." *Georgetown Law Journal*. Vol. 80, No. 3, pp. 565-582.
- Ferejohn, J.A. and B.R. Weingast. 1992b. "A Positive Theory of Statutory Interpretation." *International Review of Law and Economics*. Vol. 12, No. 2, pp. 263-279.
- Gartze, E. 1999. "War is in the Error Term." *International Organization*. Vol. 53, No. 3, pp. 567-587.
- Ginsburg, R.B. (1985). "Some Thoughts on Autonomy and Equality in Relation to *Roe v. Wade*." *North Carolina Law Review*. Vol. 63, No. 2, pp. 375-386.
- Hoffman, E. and M.L. Spitzer. 1982. "The Coase Theorem: Some Experimental Tests." *Journal of Law and Economics*. Vol. 25, No. 1, pp. 73-98.

- Houantchekon, L. 1994. "Electoral Competition with Outside Options." Unpublished Manuscript. Department of Economics. Northwestern University.
- Ingberman, D.E. and D.A. Yao. 1991. "Circumventing Formal Structure through Commitment: Presidential Influence and Agency Control." *Public Choice*. Vol. 70, No. 2, pp. 151-179.
- Johnson, S., J. McMillan, and C. Woodruff. 2002. "Property Rights and Finance." *American Economic Review*. Vol. 92, No. 5, pp. 1335-1356.
- Levy, B. and P.T. Spiller. 1994. "The Institutional Foundations of Regulatory Commitment: A Comparative Analysis of Telecommunications Regulation." *Journal of Law, Economics, and Organization*. Vol. 10, No. 2, pp. 201-246.
- Loewenstein, K. 1948. "Reconstruction of the Administration of Justice in American-Occupied Germany." *Harvard Law Review*. Vol. 61, No. 3, pp. 419-467.
- Persson, T. and G. Tabellini. 1999. "The Size and Scope of Government: Comparative Politics with Rational Politicians." *European Economic Review*. Vol. 43, Nos. 4-6, pp. 699-735.
- Powell, R. 1996a. "Bargaining in the Shadow of Power." *Games and Economic Behavior*. Vol. 15, No. 2, pp. 255-289.
- Powell, R. 1996b. "Stability and the Distribution of Power." *World Politics*. Vol. 48, No. 2, pp. 239-267.
- Powell, R. 2002. "Bargaining Theory and International Conflict." *Annual Review of Political Science*. Vol. 5, No. 1, pp. 1-20.
- Wagner, R.H. 2000. "Bargaining and War." *American Journal of Political Science*. Vol. 44, No. 3, pp. 469-484.
- Wittman, D. 1979. "How War Ends: A Rational Model Approach." *Journal of Conflict Resolution*. Vol. 23, No. 4, pp. 743-763.

## Appendix

### *Litigation success function*

Let the parameter  $\tilde{\lambda} \in [0,1]$  denote the status quo level of fundamental rights in society. Likewise, let the parameter  $c > 0$  denote the marginal cost of litigation effort. There are two litigant types, indexed by  $\tilde{i} \in \{0,1\}$ . Type 0 litigants have a bliss point equal to 0. Type 1 litigants have a bliss point equal to 1.

The *litigation success function* is denoted by  $p(e_0, e_1)$ . If type 0 litigants commit effort  $e_0$  to conflict and type 1 litigants commit effort  $e_1$ , then  $\bar{\lambda} = \tilde{\lambda} - s$  obtains with probability  $p(e_0, e_1)$  and  $\bar{\lambda} = \tilde{\lambda} + s$  obtains with probability  $1 - p(e_0, e_1)$ , where  $p(e_0, e_1)$  in this analysis assumes the following functional form:

$$p(e_0, e_1) = \frac{1}{2} + b[\theta e_0^{1/2} - e_1^{1/2}],$$

with  $b \in [0, \sqrt{2c}]$ . Note that the parameter  $b > 0$  is a measure of the effectiveness or decisiveness of litigation effort. In addition, the parameter  $s > 0$  is the *judicial diversity* parameter and defines the range of feasible judicial outcomes.

### *Exogenous political process*

Define a social welfare function (*SWF*) as the sum of individual expected welfare:

$$SWF(e_0, e_1) = U_0(e_0, e_1) + U_1(e_0, e_1).$$

Substituting equilibrium values  $e_0^*(\tilde{\lambda})$  and  $e_1^*(\tilde{\lambda})$ , which are derived as the solution to a simple two-player conflict game and which can be expressed as a function of the status quo level of fundamental rights,  $\tilde{\lambda}$ , into the above expression, it can be shown that *SWF* can be expressed as a function of announced policy platforms. Specifically,

$$SWF(\tilde{\lambda}) = \tilde{\lambda} - \tilde{\lambda}^2 + \frac{s^2 b^2}{c} [\theta^2 \tilde{\lambda}^2 - 2(1 + \theta^2) \tilde{\lambda}(1 - \tilde{\lambda}) + (1 - \tilde{\lambda})^2] - s^2.$$

Having expressed social welfare in terms of the model's parameters, including the parameter  $s$ , we can isolate the values of fundamental rights,  $\tilde{\lambda}$ , where increasing judicial diversity is social welfare-increasing by differentiating this expression with respect to the judicial diversity parameter,  $s$ , and then calculating the values of  $\tilde{\lambda}$  that satisfy the following inequality:

$$\frac{dSWF(\tilde{\lambda})}{ds} > 0.$$

Next, set  $\eta = c/b^2$ . The parameter,  $\eta > 0$ , is interpreted as a measure of the degree to which the conflict over fundamental rights is *constitutionalized*. In particular, as  $\eta \rightarrow 0$ , the conflict is described as increasingly constitutionalized. That is, the conflict over fundamental rights is increasingly constitutionalized if litigation effort becomes less costly on the margin ( $c$  decreases) or more effective or decisive ( $b$  increases).

To isolate the values of fundamental rights,  $\tilde{\lambda}$ , where increasing the extent to which the legal conflict is constitutionalized is social welfare-increasing, we differentiate the social welfare expression  $SWF(\tilde{\lambda})$  with respect to the

constitutionalization parameter  $\eta$  and calculate the values of  $\tilde{\lambda}$  that satisfy the following inequality:

$$\frac{dSFW(\tilde{\lambda})}{d\eta} < 0.$$

### *Endogenous political process*

The static model is extended by allowing the prevailing level of fundamental rights in society to be endogenously determined via electoral competition. In particular, assume that there are two electoral candidates, indexed by  $k \in \{0,1\}$  and let  $\tilde{\lambda}_k$  denote the type  $k$  candidate's announced policy platform. Similarly, there are two voter types indexed by  $j \in \{0,1\}$ . Let a type  $j$  voter's indirect preferences over an announced policy platform,  $\tilde{\lambda}$ , be represented by  $W_j(\tilde{\lambda})$ . Employing a well-known formal Downsian model of electoral competition, it can be shown that, given  $\tilde{\lambda}_i$ , the type  $k$  candidate's probability of winning the election,  $\pi_k(\tilde{\lambda}_k, \tilde{\lambda}_i)$ , can be written as follows

$$\pi_k(\tilde{\lambda}_k, \tilde{\lambda}_i) = \frac{1}{2} + \frac{X}{\bar{\psi}} [W(\tilde{\lambda}_k) - W(\tilde{\lambda}_i)],$$

where  $W(\tilde{\lambda}_k) \equiv \sum_j \psi_j W_j(\tilde{\lambda}_k)$ , and  $\bar{\psi} \equiv \sum_j \psi_j$  is the average density across voter types.

The parameters  $X$  and  $\psi_j$  are exogenously given. The parameter  $\psi_j$  is a measure of voter-specific bias in favor of the type 1 candidate, and the parameter  $X$  is a measure of the average relative popularity of the type 1 candidate.

The two electoral candidates, simultaneously and noncooperatively, choose their policy platforms so as to maximize the probability of winning the election. Specifically, candidate  $k$ 's objective function is given by

$$\Pi_k(\tilde{\lambda}_k) = \pi_k(\tilde{\lambda}_k, \cdot) R,$$

where the parameter  $R > 0$  denotes the expected value of exogenously-given ego rents.

Given this setup, the equilibrium concept is defined as follows: The pair  $(\tilde{\lambda}_k^*, \tilde{\lambda}_i^*)$  is a *politico-conflict equilibrium* if, given  $\tilde{\lambda}_i^*$ , the type 0 candidate's announced policy platform,  $\tilde{\lambda}_0^*$ , solves

$$\tilde{\lambda}_0^* = \arg \max_{\tilde{\lambda}_0} \left[ \frac{1}{2} + \frac{X}{\bar{\psi}} [W(\tilde{\lambda}_0) - W(\tilde{\lambda}_i^*)] \right] R$$

and, given  $\tilde{\lambda}_0^*$ , the type 1 candidate's announced policy platform,  $\tilde{\lambda}_1^*$ , solves

$$\tilde{\lambda}_1^* = \arg \max_{\tilde{\lambda}_1} \left[ \frac{1}{2} + \frac{X}{\bar{\psi}} [W(\tilde{\lambda}_1) - W(\tilde{\lambda}_0^*)] \right] R.$$

The optimal policy platform,  $\tilde{\lambda}_0^*$ , satisfies the following maximization problem:

$$\max_{\tilde{\lambda}_0} \left\{ \frac{X}{\bar{\psi}} \sum_j \psi_j W_j(\tilde{\lambda}_0) \right\}.$$

The politico-conflict equilibrium is solved by observing that the problem is symmetric with respect to candidate type, and thus, the equilibrium policy platforms of the two electoral candidates converge to  $\tilde{\lambda}_0^* = \tilde{\lambda}_1^* = \tilde{\lambda}^*$ .

The equilibrium policy response by electoral candidates to a change in judicial diversity or to a change in the extent to which the legal conflict is constitutionalized is derived by differentiating  $\tilde{\lambda}^*$  with respect to  $s$  and  $\eta$ , respectively. Likewise, the social welfare impact of such changes in these parameters characterizing the intergroup conflict over fundamental rights is derived by plugging  $\tilde{\lambda}^*$  into the social welfare function,  $SFW$ , and differentiating this welfare function with respect to  $s$  and  $\eta$ , respectively.



## Envy in the process of development: Implications for social relations and conflict

*Boris Gershman*

Issues of conflict and peace have attracted much attention from economists. Among other factors, control over natural resources, inequality, political regime, and ethno-linguistic fragmentation have been examined as possible determinants of violent conflict, including civil wars.<sup>1</sup> Culture—broadly defined as values, preferences, norms, and beliefs prevalent in a society—has recently come to the forefront of research on economic development, but its role in either provoking conflict or maintaining peace remains underexplored. This essay focuses on concern for relative standing, envy for short, as an important cultural link between inequality, institutions, development, and conflict. A remarkable feature of envy is that it can be either a source of strife and stagnation or, if channeled properly, an engine for peaceful competition and growth. It can be destructive or constructive.

The essay begins by introducing the main stylized facts on envy and its two sides. It then presents elements of a basic theory that captures in a unified framework the qualitatively different equilibria arising in the presence of envy under alternative socioeconomic and institutional environments. The remainder of the essay discusses the emergence, persistence, and implications of envy-related norms and beliefs, especially the fear-of-envy culture and its relation to social conflict.

### Envy and its two sides

The basic assumption of the following analysis is that individuals care about relative, rather than just absolute, economic outcomes such as consumption or wealth. Evidence in support for this assumption comes from a vast body of empirical research on happiness and job satisfaction, neuroscience, experimental economics, and various surveys. Direct measurement of the importance of social comparisons is a challenge, but recent studies provide some estimates. For instance, according to the 2006-2007 wave of the European Social Survey, relative income is at least somewhat important for three-quarters of respondents in eighteen European countries. Furthermore, relative standing is correlated with subjective wellbeing, and not just in rich countries, but also in developing regions of the world such as rural areas of Nepal and China.<sup>2</sup>

Mechanically, if a person cares about relative standing, her welfare can be improved in two major ways: by increasing her own outcome and by decreasing the relevant reference outcome. The former option shows the constructive side of envy, while the latter reveals its destructive potential. Not surprisingly, both ways of dealing with envy have been documented in various contexts. Examples of constructive

responses include entering the labor force and working longer hours in order to increase relative income and consumption, neither of which involves any violence. Destructive envy manifests itself in aggression observed in experimental settings and survey responses and is also explored in case studies from around the world. In the 2002-2003 wave of the Afrobarometer survey, an impressive average of over 9 percent of respondents in nine African countries named envy/gossip as one of the three most important sources of violent intergroup conflict, alongside religious and ethnic rivalry, disputes over land, and economic hardship.<sup>3</sup>

The destructive potential of envy affects the incentives of those making investment, production, and consumption decisions. A person anticipating an envy-motivated aggressive response to his or her relatively high wellbeing might behave preemptively to avoid or mitigate the consequences of envy-induced conflict. For this reason, even though people strive for higher relative standing, they might not want to move too far ahead of others.

Since envy can be constructive or destructive, a fundamental challenge is to determine the conditions that pin down its equilibrium role in society. As argued below, this has profound implications for economic performance, welfare, social relations, and conflict.

### The basic theory

I offer a parsimonious game-theoretic framework that captures the qualitatively different equilibria arising from the two sides of envy and provides a platform to examine the dynamics of envy-related behavior over time.<sup>4</sup>

The interaction at the heart of the stylized “envy game” involves two people or social groups who are each other’s relevant reference points. The game consists of two stages. First, each person  $i$  ( $i=1,2$ ) can undertake investment that raises her individual productivity (e.g., human capital acquisition or innovation). The outcome,  $Y_i$ , of such self-improving investment depends on the time devoted to this activity,  $L_i \in [0,1]$ , the initial endowment,  $K_i$ , which may include, among other things, wealth, ability, and access to productive resources, and the availability of investment opportunities in the society,  $A$ . Specifically, the investment function is given by  $Y_i = AK_i L_i$ . Parameter  $A$  may also capture the overall stock of knowledge or the

**The essay introduces stylized facts on constructive and destructive aspects of envy and presents a basic theory that captures qualitatively different equilibria arising in the presence of envy under alternative socioeconomic and institutional environments. The essay then discusses the emergence, persistence, and implications of envy-related norms and beliefs, especially the fear-of-envy culture and its relation to social conflict.**



technological level that effectively imposes an upper bound equal to  $AK_i$  on attainable individual productivity. Wealth is unequally distributed and  $k=K_1/K_2 \in (0,1)$  captures the degree of initial inequality.

In the second stage of the game, individuals allocate their unit of time between productive and destructive activities. The former converts one's own first-stage investment outcome into output (a consumption good), while the latter disrupts the production process of the other individual. Thus, if person  $i$  allocates a fraction  $d_i \in [0,1]$  of his time to destruction, then person  $j$  retains only the fraction  $p(d_j)=1/(1+\tau d_j)$  of his final output, where  $i,j=1,2, i \neq j$ , and where  $\tau > 0$  is an institutional parameter reflecting the effectiveness of destructive technology, or the overall level of property rights protection. The time  $1-d_i$  spent productively yields final output  $(1-d_i)Y_i$  so that consumption of person  $i$  is ultimately given by  $C_i = p(d_j)(1-d_i)Y_i$ , which is the portion of final output retained given the destruction intensity,  $d_j$ , on the part of person  $j$ .

The payoff of each player depends on his relative consumption and first-stage time investment which is costly in terms of leisure:  $U_i = (C_i - \theta C_j)^{1-\sigma} (1-\sigma) - L_i$ , where the parameter  $\theta \in (0,1)$  captures the strength of envy.

The equilibrium outcome of this envy game is largely driven by the relative returns on engaging in constructive and destructive activities which are affected by a mix of economic, institutional, and cultural characteristics.<sup>5</sup> On the *economic* side, two factors are crucial: the level of available peaceful investment opportunities,  $A$ , and the inequality of initial endowments,  $k$  (that eventually translates into unequal investment and production outcomes). Broad opportunities allow individuals to gain more from the time invested in self-improvement which makes it easier for those who are behind to productively catch up with their reference group. Scarce investment opportunities, in contrast, put a limit on upward mobility which may leave aggression as the only feasible path to satisfy envy. Higher inequality makes destructive activity more attractive for the envier trying to improve his relative standing: It lowers the marginal cost of diverting time from production while raising the marginal benefit of engaging in destruction.

The *institutional* side is captured by the effectiveness of destructive technology,  $\tau$ . Intuitively, if individual property rights are well-protected, defense technology is accessible and effective, and punishment for disruptive activities is severe and inevitable, then the cost of engaging in destruction is high, thus making it an unlikely response. On the *cultural* side, what matters is the intensity of social comparisons,  $\theta$ . It is reasonable to think of this envy parameter as partly shaped by religious and moral teachings, as well as by ideology more generally. Like better property rights protection, weaker comparisons make destructive technology less attractive since it is worthwhile to engage in destruction only to the extent that a person cares about relative standing. In fact, in this simple setup the only potential reason for conflict is envy. In what follows, it is convenient to join the institutional and cultural parameters under the label of “tolerance for inequality.” Tolerance is low if property rights are poorly protected and people care a lot about relative standing, and vice versa.

## Equilibria

The scale of investment opportunities, inequality of endowments, and tolerance for inequality jointly determine the unique equilibrium outcome of the envy game. The first type of outcome is a “keeping-up-with-the-Joneses” (KUJ) competition: Everyone invests only in productive activity to satisfy relative standing concerns. Such equilibrium is likely to arise if peaceful investment opportunities are abundant, fundamental inequality is low, and tolerance for inequality is high. Factors favoring productive effort and upward mobility enable the constructive side of envy while blocking its destructive side. The view of envy as an engine of hard work and high spending captured in a KUJ equilibrium is commonly applied to modern consumer economies.<sup>6</sup>

On the other side of the spectrum are societies in which destructive envy is a real threat resulting in envy-avoidance behavior and possibly open conflict. In the “fear-of-envy” equilibrium, better endowed individuals rationally underinvest in order to avoid getting too far ahead in the consumption distribution.<sup>7</sup> Such behavior has been documented in small-scale peasant communities and developing economies around the world. Striking examples described in the literature include avoidance of basic housing improvements, rejection of lucrative jobs and intentional failure to fully collect the harvest, and refusal to adopt agricultural innovations or start a business, all due to the fear of provoking destructive envy. Importantly, in already impoverished communities, the expected envious hostility of neighbors discourages production, wealth accumulation, and consumption beyond subsistence.<sup>8</sup>

To the extent that envy-avoidance strategies are successful, the fear-of-envy equilibrium is still a peaceful one, even as anticipation of hostility has detrimental effects on the creative activity of better-endowed individuals. The fear-of-envy constraint is binding, and so long as the tolerance threshold is not crossed there is no actual destruction. Such “corner outcome” is always feasible in an idealized perfect-information world. But under uncertainty or bounded rationality, or if the cost of fully avoiding envy is too high in terms of foregone consumption, actual destruction might take place and resources are wasted to satisfy envy. The equilibria in which destructive envy is binding tend to arise when peaceful investment opportunities are scarce, fundamental inequality is high, and tolerance for inequality is low, that is, when property rights are not well-protected and social comparisons are strong.

Depending on the type of equilibrium, the marginal effects of envy on economic performance are exactly the opposite. Within the KUJ equilibrium, stronger concern for relative standing encourages investment yielding higher aggregate output, so long as a tolerance for inequality threshold is not crossed and society does not shift into the fear-of-envy region. In contrast, in the fear equilibrium, stronger concern for relative standing discourages investment on part of wealthier individuals, undermining total production. Furthermore, it brings society closer to the region of open conflict. Thus,

### DESTRUCTIVE ENVY

fear of envy envy-induced conflict envy-avoidance discourage investment
--

← scarce  
 ← high  
 ← bad  
 ← strong

investment opportunities  
 inequality of endowments  
 quality of institutions  
 social comparisons

ample →  
 low →  
 good →  
 weak →

### CONSTRUCTIVE ENVY

envious emulation peaceful competition envy-provocation encourage investment
---

**Figure 1: Factors affecting the equilibrium role of envy.**

*Source:* Based on Gershman (2012).

the equilibrium role of envy in terms of aggregate performance and social conflict depends on the economic, institutional, and cultural environment (see Figure 1).

### Welfare

Since the factors that determine the equilibrium outcome of the envy game are subject to change, so is the dominant side of envy. The above analysis implies that channeling envy into constructive direction is crucial to avoid conflict and foster mobility. Better institutions, broader opportunities, and equal access to those opportunities all work against destructive envy and the fear of it. Why not, then, agree in the first place to adopt better property rights protection or redistribute initial endowments in order to move to a higher-output KIJ equilibrium? Apart from general collective action and political economy considerations, such as commitment problems and the obvious conflict of interests due to the nature of relative standing, the theory points out an additional reason, having to do with the welfare consequences of constructive envy.

The KIJ equilibrium is known to deviate from the first-best equilibrium due to overworking and overspending caused by an envy externality.<sup>9</sup> Hence, a shift from the fear equilibrium caused by better institutions or ex-ante redistribution of endowments need not be a Pareto improvement if it triggers a “rat race” competition. In fact, everyone might be happier in the fear equilibrium with strictly lower individual consumption. Curiously, the fear of destructive envy might be able to contain the over-stimulating effects of constructive envy.

Clearly, this result is less likely to hold if destructive envy triggers actual conflict and waste of resources. Furthermore, while it makes intuitive sense in the short run, staying in the fear equilibrium causes stagnation that limits future investment opportunities, as discussed below. Since constructive envy stimulates economic growth and raises the productivity of future generations, it leads to gains in social welfare in the long run, potentially making an early institutional transformation and redistribution worthwhile.

### From fear to competition

It follows from the previous discussion that there is a two-way causal relationship between envy and economic activity: Current investment opportunities affect the equilibrium outcome of the envy game (that is, the chosen levels of investment and output) which, in turn, determine future economic opportunities via learning-by-doing and knowledge spillovers, the standard elements of endogenous growth theories and the real world.<sup>10</sup> Looking at a wide range of societies across the globe, it comes as no surprise that destructive envy and the fear of it are predominant in developing regions, while KIJ-style competition is mostly characteristic of advanced consumer economies. This raises the question of whether there exists a natural development trajectory along which the role of envy evolves over time.

Incorporation of the envy game into a simple growth model, in which future investment opportunities are enhanced by current production, yields the following prediction: While inequality and tolerance parameters fundamentally determine the development path, there is a feedback loop between envy and the growth process. Economic growth shifts the production possibilities frontier and contributes to a switch in the type of equilibrium with regard to envy, and at each point in time the type of equilibrium determines whether envy deters investment or encourages it. Overall, economic growth is instrumental in taking society away from the fear equilibrium, even though high inequality and low tolerance for inequality are serious barriers that may trap an economy in a state of stagnation and envy-induced conflict.

Anecdotal evidence suggests that a change in the role of envy is indeed partly driven by expanding economic opportunities. For instance, anthropologist George Foster documents such a transformation in the Mexican village of Tzintzuntzan in the second half of the twentieth century: With the arrival of new opportunities, a by-product of Mexican economic growth, the persistent fear of envy that plagued the community began to dissipate, paving the way to peaceful emulation and sowing the seeds of a consumer society.<sup>11</sup>

One can speculate that such a transformation is a more general phenomenon that goes beyond integration of small, traditional communities into larger market economies. At the very least one can see a systematic change in attitudes toward envy over time in a broad range of societies. Condemned by all major world religions as one of the gravest sins, envy has become a favorite tool of advertisers selling products by appealing to the human desire of being envied. Envy-related culture evolves alongside and interacts with the changing economic and institutional environment.

### Envy-related cultural norms

So far, the only cultural element of the theory had to do with the strength of social comparisons, essentially a feature of preferences plausibly influenced by socialization within the family and the larger society. Beyond preferences, there is an important connection between culture and the two sides of envy. Specifically, envy-related behavior corresponding to the dominant role of envy in society becomes curiously embedded in cultural norms and beliefs.

Under “keeping-up-with-the-Joneses,” envy-provocation via conspicuous consumption is normal, and the usual response to such behavior is to match the spending pattern of the reference group. Status-seeking via purchases of visible goods and services is, of course, an integral part of consumer culture. Envy is not avoided but rather sought, and envy-provocation is seen as desirable rather than as dangerous. In the context of the above theory, such norm reflects an environment in which destructive envy does not represent a real threat to the envied. As argued earlier, such an environment is characterized by the prospects of upward mobility and strong institutions that are critical in shutting down the destructive side of envy and enabling its constructive side.

When destructive envy is active, however, it is envy-avoidance behavior that becomes the social norm. Culturally, this is manifested in a set of beliefs sometimes collectively called institutionalized envy which includes, among other things, the fear of envy-motivated witchcraft and the evil eye belief. The latter refers to a popular and widespread superstition according to which a mere envious glance can damage the coveted property or the health of its owner. While the evil eye belief is explicitly linked to the fear of envy, witchcraft beliefs are more general in nature, even though envy is consistently named to be one of the main motivations behind acts of witchcraft. Another important difference is that the evil eye belief is largely about unintentional consequences of being envious: It is the supernatural power of envy that causes damage, regardless of what the envier does. In contrast, envy-motivated witchcraft is an intentional act of directed malevolence. Thus, witchcraft beliefs are generally more hostile and are likely to result in open conflict due to witchcraft accusations and ensuing sanctions.<sup>12</sup>

As mentioned in presenting the rational theory of envy, the typical consequence of institutionalized envy is envy-avoidance behavior, manifested in underinvestment,

**Table 1: Evil eye belief and inequality in the Standard Cross-Cultural Sample**

	(1)	(2)	(3)	(4)	(5)	(6)
Stratification dummy	0.704** (0.304)	0.744** (0.301)	0.708** (0.291)			
Specialization				0.362** (0.145)	0.407*** (0.145)	0.370*** (0.141)
Population density	0.019 (0.107)	0.139 (0.144)	0.090 (0.146)	-0.022 (0.112)	0.120 (0.143)	0.086 (0.145)
Urbanization		-0.064 (0.113)	-0.064 (0.112)		-0.107 (0.113)	-0.101 (0.112)
Settlement patterns		-0.123 (0.122)	-0.131 (0.123)		-0.136 (0.120)	-0.140 (0.123)
Money			0.186* (0.110)			0.152 (0.110)
Local hierarchy			-0.173 (0.221)			-0.149 (0.224)
Continental dummies	Yes	Yes	Yes	Yes	Yes	Yes
Distance controls	Yes	Yes	Yes	Yes	Yes	Yes
Observations	186	186	186	186	186	186
Adjusted R <sup>2</sup>	0.400	0.399	0.403	0.405	0.406	0.407

*Notes:* (a) For variable descriptions and coding, see endnote 15. (b) OLS estimates, robust standard errors in parentheses. (c) \*\*\*, \*\*, and \* denote statistical significance at the 1, 5, and 10 percent level, respectively. (d) For alternative specifications, robustness checks, and a detailed description of the data, see Gershman (2013).

concealment, and (preventive) sharing. The only distinction is that it is the supernatural, rather than natural, force of destructive envy that is feared and being avoided. Some of the documented responses to the fear of the evil eye or envy-motivated witchcraft include keeping livestock inside the house to avoid envious glances and limiting the consumption of nonessential “luxury” goods such as eggs and TV sets. Thus, the behavioral responses to the fear of natural and supernatural forces of destructive envy are often observationally equivalent. So, why does the fear-of-envy culture emerge in the first place?<sup>13</sup>

### Emergence and persistence of the fear-of-envy culture

In another paper, I explore the origins of the evil eye belief but the conceptual analysis

that follows here might also be applied to similar forms of institutionalized envy. One useful approach to understanding cultural beliefs and values treats them as “fast and frugal” heuristics approximating the right kind of behavior in an uncertain environment in which information is imperfect and learning is costly. If the cost of undertaking a fully rational response is high, a rough guide approximating optimal behavior is adopted. In the rational theory of envy outlined in the first part of this essay, the fear equilibrium requires people to know precisely the tolerance threshold of their reference group, among other things. In practice, of course, such information is not readily available. In addition, in an environment conducive to manifestations of destructive envy, particularly in traditional societies with poor institutional infrastructure, it is crucial to be cautious and to avoid taking the risk of being subject to aggression and violence of any sort. As pointed out by Jared Diamond, behavioral rules that minimize risk in a dangerous environment are worth following even if they might seem overly cautious.<sup>14</sup>

Consistent with the approach to culture summarized in the previous paragraph, the main hypothesis is that the evil eye belief emerged and persisted as a useful heuristic device under conditions that enable the destructive side of envy and thus make envy-avoidance strategies an optimal response to anticipated conflict. According to the theory of envy, such conditions include scarce opportunities for investment and upward mobility, high wealth inequality, and low tolerance for inequality manifested in the effectiveness of destructive technology and strong social comparisons.

I put this hypothesis to the test using the Standard Cross-Cultural Sample, a dataset on 186 pre-industrial societies from around the world, put together by anthropologists over the past few decades. The dataset contains an array of characteristics including an ordinal measure of the prevalence of the evil eye belief and various socioeconomic indicators. A robust outcome of the empirical analysis is a strong positive relationship between the prevalence of the evil eye belief and the proxy measures of wealth inequality. Statistically controlling for a range of potential confounding factors such as spatial diffusion of the belief due to cross-cultural transmission, population density, settlement patterns, and other correlates of early economic development, as well as controlling for continental fixed effects, the main finding is in line with the fear-of-envy theory: More unequal societies are more likely to have a strong belief in the evil eye (see Table 1).<sup>15</sup>

An important property of culture is that it is resistant to change. Cultural beliefs may persist even if the relevant economic and institutional environment has changed, rendering those beliefs inadequate. Not surprisingly, the evil eye belief, as well as witchcraft beliefs, have existed for ages and continue to affect economic decisions and social relations today. In a 2008-2009 survey conducted by the Pew Forum on Religion and Public Life in nineteen countries of Sub-Saharan Africa, over 42 percent of respondents believed in the evil eye with roughly the same proportion believing in witchcraft. Apart from the dire economic consequences of such beliefs due to envy-avoidance behavior, they additionally create an atmosphere of mistrust and

erode social capital.<sup>16</sup> Cultural beliefs based on the fear of destructive envy are often a sign of a latent conflict existing in a community even if they do not turn into an open confrontation such as witchcraft accusations and trials.

Because of the stickiness of cultural beliefs, it is particularly important to create economic and institutional conditions that work against destructive envy, such as prospects of upward mobility, equal access to investment opportunities, and a proper legal infrastructure. As adherence to obsolete cultural norms becomes costlier, they are more likely to transform reducing the tension in social relations and releasing constructive envy.

## Conclusion

Envy is a powerful motive of human behavior that has two sides, constructive and destructive. The dominant role of envy in society is jointly determined by a mix of economic, institutional, and cultural characteristics that channel envy in the direction of either self-improvement or disruptive, antisocial behavior. Policies favoring the former and discouraging the latter include the provision of opportunities for peaceful investment, equal access to those opportunities, as well as security of private property rights. Importantly, the dominance of constructive envy creates a virtuous cycle of envy-driven economic growth that raises social welfare, renders harmful fear-of-envy culture obsolete, and contributes to long-lasting peaceful competition.

## Notes

**Boris Gershman** is an assistant professor of economics at American University, Washington, D.C. He may be reached at <boris.gershman@american.edu>.

1. See Blattman and Miguel (2010) for an extensive overview of theoretical and empirical literature.
2. Vast body of empirical research: For an overview, see Clark, *et al.* (2008) and Frank and Heffetz (2011). European countries: Clark and Senik (2010). The intensity of social comparisons is estimated to be even higher in Japan (Clark, *et al.*, 2013). Relative standing and subjective wellbeing: Clark, *et al.* (2008). Nepal: Fafchamps and Shilpi (2008). China: Knight, *et al.* (2009).
3. Constructive and destructive side of envy: The distinction has a long intellectual history in economics and other social sciences. The more recent references include Elster (1991), Zizzo (2008), and Gershman (2012). Labor force: Park (2010). Longer working hours: Pérez-Asenjo (2011). Aggression: Zizzo (2003). Survey responses: Cuddy, *et al.* (2007).



4. See Gershman (2012).
5. For a rigorous derivation of all results presented below see Gershman (2012).
6. See, e.g., Schor (1991); Matt (2003).
7. Other, perhaps less damaging, responses to the fear-of-envy are concealment of wealth and (preventive) sharing.
8. Basic housing improvements: Foster (1979). Rejection: de Vidas (2007). Refusal: Schoeck (1969). Business: Mui (1995). Envious hostility of neighbors: Nash (1970); Dow (1981).
9. Frank (1985).
10. In terms of the envy model, one can assume that the current productivity level is a function of aggregate investment in the previous period.
11. Foster (1979).
12. Institutionalized envy: Wolf (1955). Motivations behind acts of witchcraft: See, for example, Madsen (1966), Ashforth (2005), and various essays in ter Haar (2007). Witchcraft accusations and ensuing sanctions: To cite a gruesome example available from the official statistics, 3,072 accused witches were killed in Sukumaland, Tanzania, between 1970 to 1988 (Miguel, 2005). More than 600 people were accused of witchcraft and lost their lives in Limpopo Province, South Africa (ter Haar, 2007).
13. Keeping livestock inside the house: Ghosh (1983). Limiting consumption: Madsen (1966).
14. Another paper: Gershman (2013). Behavior in an uncertain environment: Richerson and Boyd (2005); Nunn (2012). Jared Diamond: Diamond (2012, ch. 8).
15. *Evil eye belief*. Presence of the evil eye belief, coded on an ordinal scale from incontrovertibly absent (1) to incontrovertibly present (8). *Stratification dummy*. The original class stratification measure comprises five categories: absence of significant wealth distinctions among freemen (1); wealth distinctions based on the possession and distribution of property, not crystallized into distinct social classes (2); elite stratification, in which an elite class has control over scarce resources, particularly land (3); dual stratification into a hereditary aristocracy and a lower class of ordinary commoners or freemen (4); complex stratification into social classes correlated in large measure with extensive differentiation of occupational statuses (5). Class

stratification dummy is equal to 0 for the first category and 1 otherwise. *Specialization*. The original technological specialization measure comprises five categories: none (1); pottery only (2); loom weaving only (3); metalwork only (4); smiths, weavers, potters (5). This variable is transformed into an ordinal measure equal to 1 for the first category, 2 for categories (2)-(4), and 3 for the fifth category. It is then multiplied by the class stratification dummy. *Distance to Babylon*. Great circle distance from the location of an SCCS society, as defined by the geographical coordinates, to the location of Babylon: (32 35'N; 44 45'E). Computed using the Haversine formula and measured in 1000 km. For the New World (North and South America) this measure is set to zero. *Distance to Tenochtitlan*. Great circle distance from the location of an SCCS society, as defined by the geographical coordinates, to the location of Tenochtitlan: (19N; 99 10'W). Computed using the Haversine formula and measured in 1000 km. For the Old World (excludes North and South America) this measure is set to zero. *Distance to coastline*. Great circle distance from an SCCS society, as defined by the geographical coordinates, to the closest location on the coastline detected using ArcGis software. Computed using the Haversine formula and measured in 1000 km. *Population density*. Mean population density in the territory controlled or exploited by an SCCS society, on the following ordinal scale: less than 1 person per square mile (1); 1-5 persons per square mile (2); 5.1-25 persons per square mile (3); 26-100 persons per square mile (4); more than 100 persons per square mile (5). *Urbanization*. Average population of local communities, measured on the following ordinal scale: less than 100 persons (1); 100-199 persons (2); 200-399 persons (3); 400-999 persons (4); more than 1000 persons (5). *Settlement pattern*. A measure of residence fixity, on the ordinal scale: fully nomadic (1); seminomadic (2); semisedentary (3); sedentary but impermanent (4); sedentary and relatively permanent (5). *Money*. Measures the degree of complexity with respect to media of exchange, on the ordinal scale: lack of organized medium of exchange, barter (1); true money is lacking but the society employs domestically usable articles, such as salt, grain, livestock, or ornaments as a medium of exchange (2); the society lacks any form of indigenous money but has long used the currency of an alien people, e.g., that of its colonial rulers (3); indigenous articles of token or conventional value, such as cowrie shells, wampum, or imitation tools, as an elementary form of money (4); indigenous currency in the form of metal coins of standard weight and fineness and/or their equivalent in paper currency (5). *Local hierarchy*. Jurisdictional hierarchy of the local community, on the ordinal scale: theoretical minimum of two levels, e.g., family and band (1); three levels (2); four levels, e.g., nuclear family, extended family, clan-barrios and village (3). *Continental dummies*. Indicators for Africa, Eurasia, Oceania, North America, and South America.

16. Golooba-Mutebi (2005).



## References

- Ashforth, A. 2005. *Witchcraft, Violence, and Democracy in South Africa*. Chicago, IL: The University of Chicago Press.
- Blattman, C. and E. Miguel. 2010. "Civil War." *Journal of Economic Literature*. Vol. 48, No. 1, pp. 3-57.
- Clark, A.E. and C. Senik. 2010. "Who Compares to Whom? The Anatomy of Income Comparisons in Europe." *Economic Journal*. Vol. 120, pp. 573-594.
- Clark, A.E., C. Senik, and K. Yamada. 2013. "The Joneses in Japan: Income Comparisons and Financial Satisfaction." Working Paper: Paris School of Economics.
- Clark, A.E., P. Frijters, and M. Shields. 2008. "Relative Income, Happiness and Utility: An Explanation for the Easterlin Paradox and Other Puzzles." *Journal of Economic Literature*. Vol. 46, No. 1, pp. 95-144.
- Cuddy, A.J., S.T. Fiske, and P. Glick. 2007. "The BIAS Map: Behaviors From Intergroup Affect and Stereotypes." *Journal of Personality and Social Psychology*. Vol. 92, No. 4, pp. 631-648.
- de Vidas, A.A. 2007. "The Symbolic and Ethnic Aspects of Envy Among a Teneek Community (Mexico)." *Journal of Anthropological Research*. Vol. 63, No. 2, pp. 215-237.
- Diamond, J. 2012. *The World Until Yesterday: What Can We Learn from Traditional Societies?* New York: Viking.
- Dow, J. 1981. "The Image of Limited Production: Envy and the Domestic Mode of Production in Peasant Society." *Human Organization*. Vol. 40, No. 4, pp. 360-363.
- Elster, J. 1991. "Envy in Social Life," pp. 49-82 in R.J. Zeckhauser, ed. *Strategy and Choice*. Cambridge, MA: MIT Press.
- Fafchamps, M. and F. Shilpi. 2008. "Subjective Welfare, Isolation, and Relative Consumption." *Journal of Development Economics*. Vol. 86, No. 1, pp. 43-60.
- Foster, G. 1979. *Tzintzuntzan: Mexican Peasants in a Changing World*. New York: Elsevier.
- Frank, R.H. 1985. "The Demand for Unobservable and Other Nonpositional Goods." *American Economic Review*. Vol. 75, No. 1, pp. 101-116.
- Frank, R.H. and O. Heffetz. 2011. "Preferences for Status: Evidence and Economic Implications," chapter 3 in J. Benhabib, A. Bisin, and M. Jackson, eds. *Handbook of Social Economics*. New York: Elsevier.
- Gershman, B. 2012. "The Two Sides of Envy." Working Paper. Department of Economics. American University.
- Gershman, B. 2013. "The Economic Origins of the Evil Eye Belief." Working Paper. Department of Economics. American University.
- Ghosh, A. 1983. "The Relations of Envy in an Egyptian Village." *Ethnology*. Vol. 22, No. 3, pp. 211-223.
- Golooba-Mutebi, F. 2005. "Witchcraft, Social Cohesion and Participation in a South African Village." *Development and Change*. Vol. 36, No. 5, pp. 937-958.
- Knight, J., L. Song, and R. Gunatilaka. 2009. "Subjective Well-Being and Its Determinants in Rural China." *China Economic Review*. Vol. 20, No. 4, pp. 635-649.
- Madsen, W. 1966. "Anxiety and Witchcraft in Mexican-American Acculturation." *Anthropological Quarterly*. Vol. 39, No. 2, pp. 110-127.
- Matt, S.J. 2003. *Keeping Up with the Joneses: Envy in American Consumer Society, 1890-1930*. Philadelphia, PA: University of Pennsylvania Press.
- Miguel, E. 2005. "Poverty and Witch Killing." *Review of Economic Studies*. Vol. 72, No. 4, pp. 1153-1172.
- Mui, V.-L. 1995. "The Economics of Envy." *Journal of Economic Behavior & Organization*. Vol. 26, No. 3, pp. 311-336.
- Nash, J. 1970. *In the Eyes of the Ancestors: Belief and Behavior in a Maya Community*. New Haven, CT: Yale University Press.
- Nunn, N. 2012. "Culture and the Historical Process." *Economic History of Developing Regions*. Vol. 27, pp. S108-S126.
- Park, Y. 2010. "The Second Paycheck to Keep Up With the Joneses: Relative Income Concerns and Labor Market Decisions of Married Women." *Eastern Economic Journal*. Vol. 36, pp. 255-276.
- Pérez-Asenjo, E. 2011. "If Happiness is Relative, Against Whom Do We Compare Ourselves? Implications for Labour Supply." *Journal of Population Economics*. Vol. 24, No. 4, pp. 1411-1442.
- Richerson, P.J. and R. Boyd. 2005. *Not by Genes Alone: How Culture Transformed Human Evolution*. Chicago, IL: The University of Chicago Press.
- Schoeck, H. 1969. *Envy: A Theory of Social Behavior*. New York: Harcourt, Brace, and World.
- Schor, J.B. 1991. *The Overworked American: The Unexpected Decline of Leisure*. New York: Basic Books.
- ter Haar, Gerrie, ed. 2007. *Imagining Evil: Witchcraft Beliefs and Accusations in Contemporary Africa*. Trenton, NJ: Africa World Press, Inc.
- Wolf, E.R. 1955. "Types of Latin American Peasantry: A Preliminary Discussion." *American Anthropologist*. Vol. 57, No. 3 (Part 1), pp. 452-471.
- Zizzo, D.J. 2003. "Money Burning and Rank Egalitarianism with Random Dictators." *Economics Letters*. Vol. 81, No. 2, pp. 263-266.
- Zizzo, D.J. 2008. "The Cognitive and Behavioral Economics of Envy," pp. 190-210 in R.H. Smith, ed. *Envy: Theory and Research*. New York: Oxford University Press.

## A spatial-temporal analysis of civil war: The case of Nepal

Shikha Silwal

War occurs along spatial and temporal dimensions. However, each tends to be studied separately and independently of the other, and the relationship between them remains mostly unexplored and unexplained. Moreover, the spatial spread of war is considered, if at all, primarily across international boundaries, not within a country. As a result, studies cannot fully quantify the intensity of war over time and also understand the factors that contribute to its spatial dimension. And yet, we surely need to learn why, in war, certain physical areas are engulfed in violence whereas others remain relatively unaffected by it.<sup>1</sup>

This leads to important sub-questions. How can one integrate space and time to study the characteristics of war? Can one explain war as a dynamic phenomenon with only local drivers, such as poverty and low literacy rates, behind its upsurge? If violence is a spatial-temporal process, is the spread completely spatial like the spread of a disease? And once an area is engaged in war, how does the violence evolve in time?

To address these types of questions, data with sufficient variation in the temporal and geographical spread of war are required. A civil war case that fits the requirements is that of in Nepal in the 1990s and 2000s. Within seven years of its initiation, in 1996, what initially were small-scale anti-government protests grew ferocious enough to be classified as war and had spread throughout the country.<sup>2</sup> Three major studies have appeared on the Maoist insurgency in Nepal. One analyzes the pattern of the exchange of violence between government and insurgents, and how that pattern varies with the socioeconomic conditions of a district. The two others analyze factors contributing to the escalation of violence. But, unlike the study in this article, none exploit the temporal variation in violence nor do they account for its geographic spread.<sup>3</sup>

Like the spread of an infectious disease, war can be broken down into two stages: an infection stage and an escalation stage. In the infection stage, an area becomes engaged in civil war in a certain location at a certain point in time. In the escalation stage, war spreads in time. The novelty of this article lies not in its qualitative finding but in its quantitative demonstration: First, the geographically closer an unaffected area lies to an affected area, the more quickly it gets drawn into the violence and, second, the earlier the exposure to violence, the higher its eventual intensity. Importantly, local socioeconomic conditions, such as poverty, literacy rate, and forest density do not explain contagion or escalation.

### Data

Many local factors may influence the manner in which violence unfolds. For example, poverty and literacy rates are thought to cause grievances, which then can lead to outbursts of violence. As such, the percentage of the population of a district living below the national poverty line before the war is used to measure relative poverty in a district. This data comes from the Nepal Living Standard Survey (1995-1996). Poverty, however, can be endogenous to the spread of war as higher levels of poverty can both be a result and a cause of conflict. To control for this statistically, one may use rainfall as an exogenous source of variation in income, certainly for economies such as Nepal's which are heavily reliant on agriculture (it is Nepal's largest economic sector). Thus, annual precipitation is a reasonable indicator of exogenous shocks to income and helps one to check on the robustness of the poverty measure.<sup>4</sup>

While grievance can motivate citizens to revolt against their government, the literature has suggested that rebellious activities can grow simply because such opportunity exists. Dense forest, rugged terrain, and lack of roads are thought to create a suitable environment for rebels to thrive as those areas are less accessible to government. Since Nepal is a mountainous country, there is a possibility that geography favored the rebels by providing a safe haven from government forces. Hence, I use the percentage of a district area covered by forest (forest density), length of roads per district area (road density), average elevation, and population per district area (population density) as measures of opportunities for rebellious activities. But road density and elevation are highly correlated, and so only road density is used in the main analysis. (Results are not sensitive to using either of these two variables.) All of these socioeconomic and geography indicators are measured at the district level in the prewar period (before 1996).<sup>5</sup>

Studies that analyze the spatial spillover of war view simple geographic proximity as a key driver of war spread: War spreads not because the socioeconomic condition of an area is suitable to breed insurgents, but because it is close to an area already affected by war. Distance from areas from where war began is used as a measure of proximity. Studies also use distance from a country's capital to analyze rebel activity. But for this article, distance from the capital, Kathmandu, is not particularly suitable since it would measure mere clustering of rebellious activities nearer or further away

**The novelty of this article lies not in its qualitative finding but in its quantitative demonstration: First, the geographically closer a war-unaffected area lies to a war-affected one, the more quickly it gets drawn into the violence and, second, the earlier the exposure to violence, the higher its eventual intensity. Importantly, local socioeconomic conditions, such as poverty, literacy rate, and forest density do not explain contagion or escalation.**

from the capital. But clustering is a function of rebel motivation as much as it may be a function of distance from the capital. Further, if our interest is in understanding the spread of war, the diffusion from the starting point of war should be the reference point, and this may or may not be the capital.<sup>6</sup>

Besides these drivers of violence, one expects that politics should also have an influence on the prevalence of armed struggle. Some scholars argue that more important than the geography or topology of a place is its strategic value, e.g., its population base or size. While studies tend to focus on mere population density as a possible advantage (or disadvantage) of a location, deeper knowledge is required to fully grasp the strategic advantage a population may provide. I use the share of votes the Communist Party received in the 1994 House of Representatives election as an indicator to think of an area as a “communist stronghold”. This election was the last election held immediately prior to the insurgency and it captures local support for communist ideology. Data are obtained from the Election Commission and are a proxy for consolidation of communist supporters within a district.<sup>7</sup>

Another way of identifying the strategic advantage a population may offer is to look at its ethnic composition. Some ethnic groups are known to be militarily skilled and inclined (they are “military in nature”). The Magars for example were soldiers in the King’s army who fought to unite the country (1765-1768). Although forming part of the ruling elite in the initial post-unification years, nevertheless they became marginalized in time and now view themselves as neglected by the government. Scholars argue that a history of neglect felt by this group, and their militant nature, gave Maoists much-needed support. It has also been pointed out that these ex-army members provided arms and military training to the Maoists. I use Census data for 1990 to calculate the share of a population that belongs to an ethnic group thought to be militant in nature. This is labeled as “ethnicity”. Together with “communist stronghold”, the two variables are indicative of local politics and are hypothesized to capture the strategic importance of a location.<sup>8</sup>

Finally, the levels of violence for the entire duration of the war, from 1996 to 2006, were obtained from the Informal Sector Service Center (INSEC). The Center monitors yearly levels of human rights violations, by government or by insurgents. As only killing data is available throughout the period, I use them weighted by district population in 1990 to code for the intensity of the violence. After 2001, violence escalated when the government began to engage in counter-insurgency operations. Also, several rounds of futile peace talks and cease-fires were held after 2001. For these reasons and because after 2001 the entire country was affected by war, which necessarily reduces variation in war onset to zero, I use the data from 1996-2001 only.

Descriptive statistics are presented in Table 1 and broken down by proximity in Table 2. Districts within 50 kilometers of war-affected areas are classified as “nearby” districts, and districts more than 100 kilometers away are “far away” districts, and the remainder are in-between. As Table 2 shows, the districts are rather comparable in terms of their socioeconomic character except for the year of conflict onset and the

**Table 1: Descriptive statistics**

<i>Variable</i>	<i>Obs.</i>	<i>Mean</i>	<i>Std</i>	<i>Min.</i>	<i>Max.</i>
% below poverty line	75	0.382	0.125	0.044	0.603
Literacy rate	75	0.380	0.110	0.196	0.701
Population density	75	204.6	267.2	2.388	1709.7
Forest density	75	0.398	0.189	0.017	0.983
Road density	75	0.113	0.210	0.000	1.329
Communist stronghold (a)	75	0.317	0.150	0.000	0.794
Ethnicity (b)	75	0.243	0.217	0.002	0.979
Cumulative deaths per 10,000 population in 2001	75	1.761	3.949	0.000	20.38

**Table 2: Descriptive statistics by proximity**

<i>Variable</i>	<i>0-50 km</i>	<i>51-100 km</i>	<i>&gt;100 km</i>
	<i>Mean (std)</i>	<i>Mean (std)</i>	<i>Mean (std)</i>
Cumulative deaths per 10,000 population	3.853 (5.714)	1.093 (2.729)	0.272 (0.436)
Year of conflict onset (c)	1.840 (1.700)	3.240 (1.268)	4.478 (1.122)
Distance	31.436 (20.358)	76.271 (13.109)	141.046 (32.122)
Poverty	0.388 (0.133)	0.392 (0.132)	0.377 (0.111)
Literacy rate	0.343 (0.111)	0.381 (0.116)	0.413 (0.096)
Population density	2.598 (4.173)	1.851 (1.571)	1.835 (1.235)
Forest density	0.423 (0.223)	0.427 (0.126)	0.371 (0.188)
Road density	0.150 (0.324)	0.105 (0.147)	0.091 (0.082)
Communist stronghold (a)	0.257 (0.143)	0.362 (0.147)	0.355 (0.128)
Ethnicity (b)	0.259 (0.175)	0.237 (0.249)	0.196 (0.198)
Observations (N)	25	27	23

*Notes:* Std = Standard deviation. (a) Communist stronghold is the percentage of votes received by the Communist Party in the 1994 House of Representatives election. (b) Ethnicity is the share of ethnic groups thought to be militant in nature: Magar, Rai, Tamang, Limbu, and Gurung. (c) Year of conflict onset: 1996=0, 1997=1, etc.





Figure 1: Districts affected in 1996



Figure 2: Districts affected in 1997

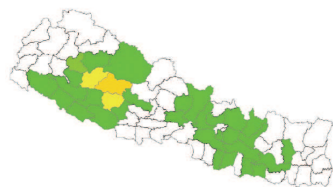


Figure 3: Districts affected in 1998

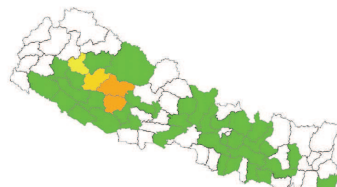


Figure 4: Districts affected in 1999

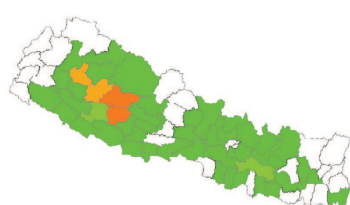


Figure 5: Districts affected in 2000

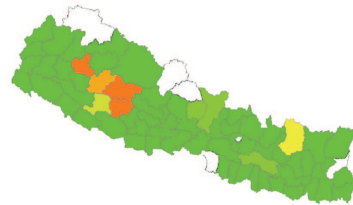


Figure 6: Districts affected in 2001

*Note:* The intensity of the violence scale goes from light to darker shades of green, then to yellow, orange, and red, the last being the most violent.

cumulative violence they experienced: “Nearby” districts suffered violence earlier and more severely than did “far away” districts.

This observation is confirmed in Figures 1 through 6. Figure 1 highlights the districts in which the war began. Figure 2 shows districts affected a year later (1997). Similarly, Figures 3-6 illustrate the spatial spread of the war from 1998 to 2001. In addition to the geographic spread of war, the figures reveal the temporal increase in violence. The darker the shading (light green to red), the more intense the violence. Descriptively, the figures show that war spread geographically and grew more ferocious over time.

## Methodology and results

Before discussing the full analytic model, a preliminary analysis not accounting for the spatial nature of war and without the correlation between the two stages is carried out. This is done to test whether in the absence of factoring in the spatial nature of the war, the results are comparable to other studies of war. Table 3 suggests that they are: The socioeconomic conditions of an area are important for war onset and escalation. Columns I-III of Table 3 pertain to war onset in an area, whereas columns IV-VI reports on violence escalation measures.

As may be seen in column I of Table 3, poverty, literacy rate, forest density, and ethnicity are statistically significant in determining the timing of the onset of violence. A negative sign indicates an earlier onset of violence (nearer to 1996). More densely forested areas and areas with higher concentration of “militant” ethnic groups were drawn into violence earlier as well. In contrast, poorer areas and areas with low literacy rates experienced a later onset of violence. Column II replaces *poverty* with *aggregate rainfall* and *road density* with *elevation*. The findings reported in columns I and II appear to broadly conform to the findings of other studies in that forest density, elevation, ethnicity, poverty, and literacy are associated—one way or another—with an upsurge in violence.

Column III, however, takes distance into account. With the inclusion of this indicator, the other conditions no longer are significant, statistically speaking, except for “ethnicity” (and then with the opposite sign). Further, including distance in the analysis statistically fits data somewhat better. Similar observations apply to models IV, V, and VI of Table 3.

Another model is developed to more completely capture the two dimensions of war, a contagion stage whereby war spreads to nearby areas (*onset*), and an intensity stage whereby violence in any given affected district escalates (*escalation*). *Onset* is modeled using a Poisson distribution. The idea is that once war starts in a district the time elapsed between this onset and the year by which it spreads to another district can be thought of as waiting time before the change is noticed. A Poisson distribution can approximate this waiting time, which is a discrete number ranging from 0 (if an area was affected in 1996) to 6 (if an area was affected in 2001). If districts did not experience violence by 2001, however, there is still a chance that those districts will have been affected after 2001. Hence, the data is truncated at 2001. The model takes this truncation into account as well.

The *escalation* stage is modeled with an OLS equation. This stage is correlated with the *onset* stage to allow unobserved heterogeneity in contagion and intensity to be interrelated. For example, if poverty affects how quickly a district gets drawn into war, then it is possible that poverty also influences the intensity of violence in the district. The correlation therefore helps us to understand the relationship, if any, between the two stages. I then use the Maximum Likelihood technique to estimate the importance of geography, socioeconomic conditions, and proximity in war *onset*

**Table 3: Preliminary analysis**

Variable	Onset (a)			Escalation (b)		
	I	II	III	IV	V	VI
Distance	-	-	3.157*** (0.575)	-	-	13.55*** (2.375)
Distance squared	-	-	1.061*** (0.246)	-	-	5.302*** (1.160)
Poverty	1.447** (0.581)	-	-0.784 (0.690)	2.299 (6.014)	-	5.451 (5.047)
Literacy rate	3.108*** (0.712)	2.823*** (0.884)	-1.054 (1.044)	-10.693 (6.682)	-12.728** (6.324)	-0.401 (6.347)
Population density	-0.037 (0.076)	-0.028 (0.030)	0.021 (0.084)	-0.314 (0.524)	-0.044 (0.539)	-0.430 (0.444)
Forest density	-1.077** (0.450)	-0.424 (0.353)	-0.165 (0.481)	5.086* (2.811)	5.828** (2.497)	2.403 (2.488)
Road density	0.276 (0.991)	-	0.821 (1.030)	6.077 (6.789)	-	3.483 (5.571)
Communist stronghold	0.182 (0.537)	0.371 (0.543)	-0.579 (0.520)	-5.007 (3.447)	-4.630 (3.453)	-0.608 (2.895)
Ethnicity	-0.901** (0.416)	-0.646 (0.395)	0.901* (0.508)	2.245 (2.854)	2.272 (2.505)	-3.239 (2.714)
Rainfall		0.058 (0.118)			0.446 (0.865)	
Elevation		0.0014* (0.00084)			0.0107 (0.007)	
Observations	73	73	73	73	73	73
Log-Likelihood (R-sq)	-137.906	-140.033	-116.558	0.224	0.254	0.504

*Notes:* (a) Onset: The dependent variable is time elapsed (in years) since the war started and since the first violence incidence in a district. It is implemented using a Poisson distribution. (b) Escalation: The dependent variable is yearly violence intensity. The two stages are analyzed separately. \*, \*\*, and \*\*\* denote statistical significance at the 10, 5, and 1 percent levels, respectively.

(contagion, or geographic spread) and *escalation* (intensity of violence over time).

Table 4 presents the main results of the estimation. Columns I, II, III and columns IV, V, VI pertain to *onset* and *escalation*, respectively. Column I reports the full model, column II tests whether the local conditions are jointly significant in explaining war spread, and column III tests the explanatory power of distance alone.

The effect of distance is substantial in all cases. A district's socioeconomic conditions (poverty, literacy, etc.) do not statistically influence the onset or spread of violence (column I), and its strategic importance (stronghold, ethnicity) is only marginally significant. The negative sign on the *communist stronghold* variable indicates that the greater the share of votes received by the Communist Party, the

**Table 4: Results**

Variable	Onset (a)			Escalation (b)		
	I	II	III	IV	V	VI
Distance	3.542*** (0.642)	-	2.733*** (0.598)	-	-	-
Distance squared	-1.231*** (0.275)	-	-0.934*** (0.268)	-	-	-
Poverty	-0.949 (0.949)	0.954 (1.019)	-	11.686 (15.785)	7.841 (16.413)	8.931 (15.911)
Literacy rate	-1.113 (1.273)	2.789** (1.117)	-	-5.516 (17.268)	-4.137 (19.482)	-4.367 (17.192)
Population density	0.019 (0.087)	-0.059 (0.083)	-	-1.576 (1.272)	-1.249 (1.314)	-1.176 (1.260)
Forest density	-0.277 (0.500)	-0.991 (0.514)	-	2.104 (7.394)	4.098 (8.106)	5.101 (7.244)
Road density	0.927 (1.071)	0.304 (1.077)	-	15.380 (16.520)	7.838 (17.077)	7.906 (16.336)
Communist stronghold	-0.966* (0.514)	0.455 (0.611)	-	-13.310 (8.602)	-11.126 (8.878)	-12.029 (8.512)
Ethnicity	1.119** (0.527)	-0.907* (0.484)	-	0.735 (7.284)	0.881 (7.928)	1.370 (7.510)
Duration	-	-	-	6.164*** (2.133)	6.080*** (2.354)	6.097*** (2.128)
Duration squared	-	-	-	-0.708** (0.342)	-0.709** (0.344)	-0.713** (0.342)
Log-Likelihood	-895.815	-908.881	-893.463			

*Notes:* (a) Onset: The dependent variable is time elapsed (in years) since the war started and the first violence incidence in a district. It is implemented using a Poisson distribution. (b) Escalation: The dependent variable is yearly violence intensity. Time fixed effects are included in all the analysis. \*, \*\*, and \*\*\* denote statistical significance at the 10, 5, and 1 percent levels, respectively.

quicker the onset of violence. This conforms to ideas posited by other scholars who argue that the presence of communist supporters in a district aided the Maoist struggle. As such, areas with a higher concentration of Communist Party supporters were engulfed by war earlier on in the insurgency. In contrast, the coefficient for *ethnicity* is positive: A higher concentration of an ethnic group thought to be militant in nature delayed the onset of violence in those districts. This result does not seem to support researchers' claim that these groups provided military and tactical support for the Maoists, at least not in their home districts.

None of the other conditions are statistically significant and this result is consistent across the different model specifications. Indeed, unlike distance, a statistical



hypothesis that the local drivers of war are jointly insignificant cannot be rejected at the 95 percent level of confidence. Similarly, none of the socioeconomic conditions are significant in explaining war *escalation* either (models IV, V, and VI). The most influential variable in explaining war intensity is simply its duration. In both cases—distance and duration—the statistically significant negative sign on the squared terms says that the further away is a district in space and time when violence is first experienced, the better. Qualitatively, this is not startling news, but the novelty of this article lies in the quantitative demonstration.

As mentioned, annual rainfall may be a better indicator of variation in income than is the share of the population living below the national poverty line. Hence, I also analyzed the main model specification with annual rainfall data instead of with the poverty measure. Similarly, I used elevation instead of road density. In either case, the main result does not change.

Since poverty, lower literacy rates, and rugged terrain have long been thought to affect the spread the war and its duration, it may seem puzzling that none of these variables are statistically significant, at least not for Nepal for the years 1996 to 2001. Poverty and lower literacy rates, for example, might increase the incidence of violence by lowering the opportunity cost of participating in a revolt. But this assumes that the poor and illiterate join a rebel army voluntarily, and there are examples that point to the contrary case, for instance Ugandan children mass-abducted in the 1990s by LRA insurgents. But even putting those sorts of cases aside, one pair of scholars also finds the relationship between poverty and war-violence to be spurious, just as for the case of Nepal reported here. Similarly, regional differences in literacy rates can challenge the view that lower levels of literacy are linked to the outbreak of war. For example, although African countries have low levels of schooling and high levels of violence, countries such as Lebanon, Cyprus, Yugoslavia, and Georgia had high schooling rates at the time of war. Thus, it need not surprise to find that the conflict in Nepal did not readily spread through areas of high poverty and low literacy. Other enabling and disabling mechanisms may be at work.<sup>9</sup>

As to rugged terrain, this is thought to create a geographical barrier between rebels and government. Defense forests, and the lack of roads, may then provide suitable places for rebels to hide or otherwise to use to their advantage. But at least during the initial phase of the Nepali war, Maoists sought refuge in neighboring India, not in the hinterlands of Nepal. Likewise, meetings and training were carried out in India. In a word, for the Maoist rebels more important than the country's rugged terrain or its dense forests—more important than its topography—were its Communist Party supporters and Nepal's porous international border with India. Viewed this way, the relative unimportance of geography reported in this article does not appear surprising.<sup>10</sup>

## Conclusion

The importance of proximity to explain the spread of war has long been recognized. This study furthers this knowledge by formalizing war spread and escalation of war intensity within a country. The model helps us understand key drivers of war spread and separately from the mechanisms that make violence escalate over time. For Nepal, for 1996 to 2001, distance from any war-affected area is the most significant predictor for the spread of war. None of the drivers previously thought to breed insurgent activity are statistically significant. The results are insensitive to alternative measures of poverty, road connectivity, and relative location.

Besides helping us to understand within-country variation in war attributes, in pointing to mere distance as an underlying transmission mechanism of the spread of war, one policy implication is simply that hot-spot areas ought to be targeted for intervention at the earliest possible stage: Do not let war fester. This is so because war, like a contagious disease, first spreads to nearby areas before it becomes more ferocious over time. Further, this study highlights that to understand the heterogeneity of war within a country, one must focus on local-level politics while taking the possibly transnational nature of civil war into account. As richer data at subnational levels are increasingly becoming available, our approach to understanding the nature of war needs to incorporate administrative-level (e.g., district) data and adopt statistical methods to exploit the variation in the more detailed data.

## Notes

**Shikha Silwal** is an Assistant Professor of Economics at Washington and Lee University, Lexington, VA, USA. She may be reached at <silwals@wlu.edu>.

1. *Diffusion* and *contagion* are two different mechanisms by which war spreads in space. If war spreads as a result of a gain in knowledge in war-related tactics, it is said to have *diffused*. In contrast, if war spreads due to a physical movement of armed activities from one to another war-affected area, it spreads via *contagion*. Since it is a matter of argument as to which of these mechanisms is at play, I do not distinguish between the two mechanisms in this article and simply talk about the spatial spread of war in general.

2. As per Gleditsch (2002), if fighting results in more than 1,000 deaths in a given year, it is categorized as war.

3. District patterns: Bohara, *et al.* (2006). A district is an administrative unit. There are 75 districts in Nepal. The others: Murshed and Gates (2005); Do and Iyer (2012).

4. Poverty and grievance: Collier and Hoeffler (2000). Rainfall: Miguel, *et al.* (2004).

5. Opportunity for rebellion: Fearon and Laitin (2003).
6. Spatial spillover studies: For example, Buhaug and Gleditsch (2008); Gleditsch (2002); Hill and Rothchild (1986); McColl (1967); Most and Starr (1980); Murdoch and Sandler (2002); Raleigh, *et al.* (2010); Starr (2003).
7. Some scholars: McColl (1967); Raleigh and Hegre (2009).
8. These ethnic groups are the Magar, Rai, Tamang, Limbu, and Gurung. They formed the majority of Nepalis who served with the British. On Magars specifically, see, e.g., Thapa and Sijapati (2004).
9. Poverty and war-violence: Djankov and Reynal-Querol (2010). Schooling: Sambanis (2009).
10. On mountain people and war, also see Pickering (2011). Not surprising: Along similar lines, Raleigh and Hegre (2009) find that war in Central African countries was not primarily located in difficult-to-access hinterland districts.

## References

- Bohara, A.K., N. J. Mitchell, and M. Nepal. 2006. "Opportunity, Democracy, and the Exchange of Political Violence: A Subnational Analysis of Conflict in Nepal." *Journal of Conflict Resolution*. Vol. 50, No. 1, pp. 108-128.
- Buhaug, H. and K.S. Gleditsch. 2008. "Contagion or Confusion? Why Conflicts Cluster in Space." *International Studies Quarterly*. Vol. 52, No. 2, pp. 215-233.
- Collier, P. and A. Hoeffler. 2000. "Greed and Grievance in Civil War." Working Paper 2355. Washington, D.C.: World Bank.
- Djankov, S. and M. Reynal-Querol. 2010. "Poverty and Civil Wars: Revisiting the Evidence." *Review of Economics and Statistics*. Vol. 92, No. 4, pp. 1035-1041.
- Do, Q.T. and L. Iyer. 2010. "Geography, Poverty and Conflict in Nepal." *Journal of Peace Research*. Vol. 47, No. 6, pp. 735-748.
- Fearon, J and D. Laitin. 2003. "Ethnicity, Insurgency, and Civil War." *American Political Science Review*. Vol. 97, No. 1, pp. 75-90.
- Gleditsch, K.S. 2002. *All International Politics is Local: The Diffusion of Conflict, Integration, and Democratization*. Ann Arbor, MI: University of Michigan Press.
- Hill, S. and D. Rothchild. 1986. "The Contagion of Political Conflict in Africa and the World." *Journal of Conflict Resolution*. Vol. 30, No. 4, pp. 716-735.
- McColl, R. 1967. "A Political Geography of Revolution: China, Vietnam and Thailand." *Journal of Conflict Resolution*. Vol. 11, No. 2, pp. 153-167.
- Miguel, E., S. Satyanath, and E. Sergenti. 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach." *Journal of Political Economy*, Vol. 112, No. 4, pp. 725-753.
- Most, B.A. and H. Starr. 1980. "Diffusion, Reinforcement, Geopolitics, and the Spread of War." *American Political Science Review*. Vol. 74, No. 4, pp. 932-946.
- Murdoch, J.C. and T. Sandler. 2002. "Economic Growth, Civil Wars, and Spatial Spillovers." *Journal of Conflict Resolution*. Vol. 46, pp. 91-110.
- Murshed, S.M. and S. Gates. 2005. "Spatial-Horizontal Inequality and the Maoist Insurgency in Nepal." *Review of Development Economics*. Vol. 9, No. 1, pp. 121-134.
- Nepal Living Standards Survey (I and II). Kathmandu: Bureau of Statistics, National Planning Commission Secretariat, Government of Nepal.
- Pickering, S. 2011. "Determinism in the Mountains: The Ongoing Belief in the Bellicosity of 'Mountain People'." *The Economics of Peace and Security Journal*. Vol. 6, No. 2, pp. 21-25.
- Population Census. Kathmandu: Central Bureau of Statistics, National Planning Commission Secretariat, Government of Nepal 1980, 1990, and 2000.
- Raleigh, C. and H. Hegre. 2009. "Population Size, Concentration, and Civil War: A Geographically Disaggregated Analysis." *Political Geography*. Vol. 28, No. 4, pp. 224-238.
- Raleigh, C., D.W. Frank, and W. J. O'Loughlin. 2010. "A Review and Assessment of Spatial Analysis of Conflict: The Geography of War." *The International Studies Encyclopedia*. Vol. 10, pp. 6534-6553.
- Road Statistics. Kathmandu: Ministry of Physical Planning and Works, 1989-2008.
- Sambanis, N. 2009. "Using Case Studies to Expand Economic Models of Civil War." *Perspectives on Politics*. Vol. 2, No. 2, pp. 259-279.
- Small Area Estimation of Poverty, Caloric Intake and Malnutrition Nepal. Kathmandu: Bureau of Statistics. (Joint publication with the World Bank and the United Nations World Food Programme). National Planning Commission Secretariat, Government of Nepal.
- Starr, H. 2003. "The Power of Place and the Future of Spatial Analysis in the Study of Conflict." *Conflict Management and Peace Science*. Vol. 20, No. 1, pp. 1-20.
- Statistical Yearbook of Nepal. Kathmandu: Bureau of Statistics, National Planning Commission Secretariat, Government of Nepal.
- Thapa, D. and Sijapati B. 2004. *A Kingdom Under Siege*. Kathmandu, Nepal: Printhouse.

## The political economy of peacebuilding: The case of women's cooperatives in Nepal

Smita Ramnarain

Peacebuilding occupies a significant place in the international development lexicon. Espousing democratization, free and globalized markets, the rule of law, human rights, and neoliberal development, critics argue that the liberal peace model that informs most peacebuilding efforts bases itself on the ostensible success of liberalism in Western economies and seeks simply to transplant these ideas to the lagging global South. As such it remains ethnocentric, noninclusive of local context or ownership, and is imposed from above. The search for alternatives to a top-down, liberal model of peace has led to appeals to develop grassroots, locally-led, bottom-up approaches to peacebuilding. Given the emphasis that is placed on the economic restructuring of postwar societies as part of a liberal reconstruction package, an alternative, bottom-up approach to peacebuilding necessitates an alternative grassroots economics, and political economy, of peace. This article contributes to the discussion on alternative approaches to the political economy of peacebuilding. It uses a case study of (women's) savings and credit cooperatives (SACCOs) building peace in local communities in postwar Nepal. I argue that bottom-up, local endeavors can carve out spaces to negotiate the meanings and processes of peace by refocusing attention on underlying endemic structural violence that may have given rise to war in the first place, thereby problematizing the "post" in postwar peace (or post-conflict peace, as the literature usually puts it). At the same time, I argue that the existence of such alternative efforts within a largely liberal, top-down peacebuilding universe poses context-specific challenges for their continued effectiveness.<sup>1</sup>

Nepal emerged from a decade-long Maoist-inspired war in 2006 when a comprehensive treaty was signed between rebels and government. This People's Revolution led to the abolition of the 240-year-old monarchy and to democratic elections, in 2008, for the formation of a Constituent Assembly tasked with writing the constitution for the new (*Naya*) Republic of Nepal. Since this time, Nepal has faced immense political instability, the eruption of new localized conflicts in the *Terai* (plains) region, and has yet to make significant progress on writing the constitution.<sup>2</sup> Nepal also has a long history of involvement by international development NGOs and foreign aid organizations, including the UN and the World Bank. In the postwar period, these organizations provided extensive support for Nepal's integrative peace process through reconstruction and peacebuilding programs.

During the Maoist insurgency, large and formal institutions, especially those associated with foreign aid or development organizations, came under attack for being "anti-poor".<sup>3</sup> So did exploitative moneylenders who operated in rural areas and

charged interest rates ranging from 36 to 100 percent. In contrast, grassroots organizations perceived to be inclusive and transparent, credit cooperatives focusing on women and the marginalized in particular, were allowed to operate in most war-affected areas. In the aftermath, SACCOs have provided economic alternatives to communities. A few of them also emerged as grassroots peace constituencies to mitigate the effects of conflict and of structural violence and partnered with larger development organizations for peacebuilding and reconstruction activities in local communities.<sup>4</sup>

This article is based on fieldwork carried out in nine districts of Nepal in January and February 2011. Using ethnographic methods—in-depth, open-ended interviews of cooperatives' leadership (board of directors or executive committee), group discussions and interviews with members, onsite observations, and textual analysis of primary and secondary literary sources (reports, memos, news articles)—the grassroots efforts of cooperatives to articulate an alternative vision of peace through their everyday activities is documented. Through their activities such as the provisioning of credit and services, health and child care, open membership, and engagement with structural injustices affecting their membership body, they are able to formulate a political economy of peacebuilding that emphasizes local agency and collective action. At the same time, the cooperatives also exist within the context of an overarching liberal postwar development paradigm and dialogue with international donor agencies who represent this paradigm. As such, even as they provide an alternative to the liberal, top-down model, they face constraints in terms of their scale and scope, especially when operating within a short-term-oriented aid structure that oversees postwar development.<sup>5</sup>

The article is organized as follows: The first section briefly discuss the hegemonic liberal model of peacebuilding and reviews the literature on the impact of (neo)liberal policies on war-torn economies. This motivates, second, a discussion of an alternative political economy of peacebuilding and socioeconomic reconstruction, specifically a bottom-up, grassroots approach. The third section focuses on SACCOs in Nepal, detailing their perspectives on peace and interventions to address structural violence, discrimination, and social exclusion in the aftermath of violence. The fourth section undertakes a critical examination of the successes and shortcomings of SACCOs in

**Bottom-up, locally-led peacebuilding endeavors can carve out spaces to negotiate the meanings and processes of peace by refocusing attention on an underlying endemic structural violence that may have given rise to war in the first place. This problematizes the "post" in postwar peace (or post-conflict peace, as the literature usually puts it). However, the existence of such alternative efforts within a largely liberal, top-down peacebuilding universe poses context-specific challenges for their continued effectiveness.**

building peace, including their complex relationship to top-down aid structures. I conclude by suggesting that despite their constraints, cooperatives can function as springboards for a peace that can “reflect local adaptations and resistance to foreign presence ... by alternative concepts of intervention.”<sup>6</sup>

### Hegemonic, liberal peacebuilding

The notion of peacebuilding gained currency in international relations in the 1990s in response to the post-cold war spread of political instability and violent intrastate conflict in newly formed, newly liberated, and newly democratized countries of the global South. The erstwhile Secretary General of the UN, Boutros-Ghali, in his report, *An Agenda for Peace*, argued that while short-term humanitarian relief, rehabilitation, and crisis intervention were important, they were not enough in societies persistently “threatened by brutal ethnic, religious, social, cultural or linguistic strife.” Instead, the emphasis should be on identifying and supporting structures that increase these societies’ capacities for conflict resolution and the building of sustainable peace. Peacebuilding is to involve a comprehensive set of strategies, approaches, processes, and stages needed for the social transformation of a conflict-affected society toward more sustainable, peaceful relationships.<sup>7</sup>

The term peacebuilding, as initially featured in the literature, aimed at decentralizing social and economic authority and “bottom-up” mitigation of endemic structural violence. But since being adopted by international organizations doing development work in war-torn countries—most prominently the UN, the UNDP, the World Bank, and the IMF, and by bilateral development agencies such as UK’s Department for International Development (DFID), the Canadian International Development Agency (CIDA), and the United States Agency for International Development (USAID) among others—a “top-down”, donor-driven perspective prevails. This top-down model adheres to a broader liberal paradigm, the focus of much work in international relations and peace studies. Based on a premise that democracies seldom go to war, this paradigm emphasizes good governance, law, democracy, development, and constitution-building without questioning the validity of these components or the motivations of its agents. The perceived success of liberal market democracy in the First World meant that its near-universal adoption was the “natural” solution to endemic violence, with little discussion of alternatives. The export of liberal democracy to war-torn states went hand-in-hand with a movement toward market-oriented economics as well. Central to the now near-hegemonic, liberal, postwar peace model is the assumption that as long as security can be provided, the benefits of top-down democratization and marketization will inevitably trickle down and galvanize the grassroots.<sup>8</sup>

Critical scholars question these premises. They point not only to the general conceptual ambiguity and rather broad rubric of liberal peacebuilding but also to the distinctly illiberal outcomes of the top-down peace project in conflict-affected and

recovering states. The experiences of conflict-torn states with the liberal economic package have been especially revealing: The very economic and political interventions purported to bring peace have destabilized war-affected states. One scholar discusses the adverse effects of fast-tracking decentralization in the politically charged atmosphere of Sierra Leone and the new divisions the process produced. In the Balkans, the Dayton Accord sought to transform Bosnia to a liberal democracy with an explicit commitment to free market principles in the constitution. However, the austerity policies, currency devaluation, trade and price liberalization, and removal of food subsidies that followed led to a rise in unemployment, social polarization, and heightened tensions. In Timor-Leste, the failure of the liberal peace project has been attributed to its lack of attention to the welfare requirements of the new state’s citizens. Evidence from Iraq and Afghanistan points to the failure of the liberal peace model and its associated neoliberal economic policies to ensure lasting peace. In short, liberal, top-down peacebuilding and postwar reconstruction has come under fire for reflecting the ideological and practical interests of the global North, regardless of cost, and for its evasion of issues around persistent forms of structural violence in societies recovering from violence.<sup>9</sup>

### Alternatives to top-down peacebuilding

In acknowledgment of these critiques, there has been a growing interest—on the part of international development agencies as well as by scholars and practitioners—in viable alternative approaches that explore the possibility of an organic peacebuilding politics, one that can impart a genuine sense of civic participation and responsibility, i.e., peacebuilding from below.

First, peacebuilding from below, or bottom-up, implies that its strategies must be devised by local actors, use local resources, and be adopted with a sense of local ownership. Similarly, others argue for a community-based, bottom-up peacebuilding based on participatory processes, so that people most affected by violence can find and articulate the most appropriate and effective solutions for their context. In moving beyond liberal peace and in expressing a growing interest in “the political economy of the grassroots levels,” bottom-up peacebuilding departs from orthodoxy without precluding its use. Rather, scholars and practitioners suggest a reorientation of the top-down approach, even perhaps the coexistence of liberal and communitarian approaches in a hybrid space.<sup>10</sup>

Second, a realization prevails that alternative approaches to peacebuilding cannot emerge without an alternative economics and political economy of peace. Some recent works have taken steps in this direction. One critiques the imposition of peace conditionalities—formal performance criteria and informal policy dialogue—on war-torn countries, arguing that these ignore the insidious political repercussions of conditionality. Significant reform of the aid sector in humanitarian and peacebuilding contexts is called for. Another argues that support of social recovery is more essential



and effective than reconstruction and stabilization. Yet another proposes an active role for the state in postwar reconstruction. All these focus largely on the macroeconomy and retain emphasis on postwar interventions, operationalized by international or state actors.<sup>11</sup>

A third, and relatively underresearched, approach that is emerging from the interdisciplinary terrain of development studies and political economy focuses on building an alternative economics of peace from the ground up through attention to community-based organizations, especially organizations of a cooperative nature. Self-help cooperatives have been especially important in conflict-torn or conflict-prone economies, especially when such economies lack a cohesive or stable central authority. In such cases, self-help cooperatives or community-based organizations can form the nucleus of an alternative political economy of peacebuilding. Economic studies in other contexts have emphasized the importance of such initiatives in situations of crisis, where community organizations have supported livelihoods, provided essential services such as insurance against risk, and supported small-scale private enterprise. The success of the Mondragon worker cooperatives in the aftermath of the Spanish civil war in mitigating widespread unemployment, low levels of education, and general postwar malaise in the Basque region provided an early example of the significant role cooperatives could play in restoring postwar economies. More recently, experiments in the former Yugoslavia (Montenegro and Macedonia) find that farmer cooperatives enabled the reconstruction of livelihoods and acted as “ethnic bridging institutions” with leadership drawn from a variety of communities. In the post-genocide period, agricultural cooperatives in Rwanda have brought about community reconciliation, besides ensuring their livelihoods options. Similarly, cooperative experiments in several conflict-affected contexts in East Asia and Central America show replenished social capital, restored interpersonal relationships, and a renewed sense of participation and inclusion among members. The interest in community-based initiatives such as self-help cooperatives emerges, therefore, from the twin objectives of bottom-up peacebuilding: ensuring economic recovery as well as socially inclusive and locally-owned peace processes.<sup>12</sup>

### **Women's SACCOs and positive peace in postwar Nepal**

Although some also provide legal advice, health care, and literacy services, women's SACCOs in Nepal are primarily credit unions providing banking and insurance services. They are nonprofit, community-based organizations owned and managed by their members. SACCOs follow the Rochdale principles of nondiscrimination and inclusion, in membership as well as in cooperative leadership. The ability of SACCOs to operate during the war meant that they were a crucial component of members' livelihood strategies, assisting women and conflict-affected communities in rural areas with the provision of credit services, livelihood programs and training, and emotional support against abuse, persecution, and violence during conflict. In the aftermath,

SACCOs used their reputation and networks in their respective communities to emerge as platforms for peacebuilding and to continue working on socioeconomic reconstruction.<sup>13</sup>

The objective of field research in Nepal was to examine the spillover effects of SACCOs as platforms for peace and reconstruction. In interviews and focus group discussions, conducted in early 2011, to look into the processes of bottom-up peacebuilding, participants interpreted “conflict” broadly, to include not only overt violence as had taken place in the civil war, but also structural violence, including domestic violence and strife, caste-based discrimination, class-based exploitation, and gender inequalities. SACCO members frequently drew a link between the overt manifestations of violence in Nepal—the Maoist insurgency, the *Terai* conflicts, and the frequent political violence that erupted in the postwar period—and the endemic structural injustices driving direct violence.<sup>14</sup> As one member stated:

We start at the grassroots level in our politics and argue for social change. We advocate for social equality because peace cannot prevail where there is social injustice. Social help is the base of all good and positive politics, and positive peace.

Gender and caste-based discrimination received the most attention in the actions of SACCOs due to their immediate pertinence to cooperative members' everyday lives at the household (micro) and community (meso) levels (see Figure 1), and their links to direct personal and societal violence. The desire to make cooperatives a safe and equal space for all women in the newly democratic Nepal emerged not only from idealism but also from a pragmatic recognition that mitigating conflict and promoting social unity is a necessary condition for economic prosperity. Discussions with women members highlighted the ways in which SACCOs contributed to household survival and to women's increased bargaining power within the household. However, SACCO leaders were quick to recognize that the benefits of cooperative membership went beyond the economic realm. While it was acknowledged that material resources and development, or progress (*bikas*, in Nepali), was important, members articulated a vision of development that was wellbeing-oriented, inclusive, and which provided protection for the most vulnerable. The heavy involvement of foreign capital in Nepali development attracted cynicism from SACCO members. Locally-based cooperatives, on the other hand, were considered to be vehicles of self-reliance, education, and information, especially for women in rural areas. Because of their investment in local communities, members argued that SACCOs could intervene effectively at the micro and meso levels to prevent violence and to build peace.<sup>15</sup>

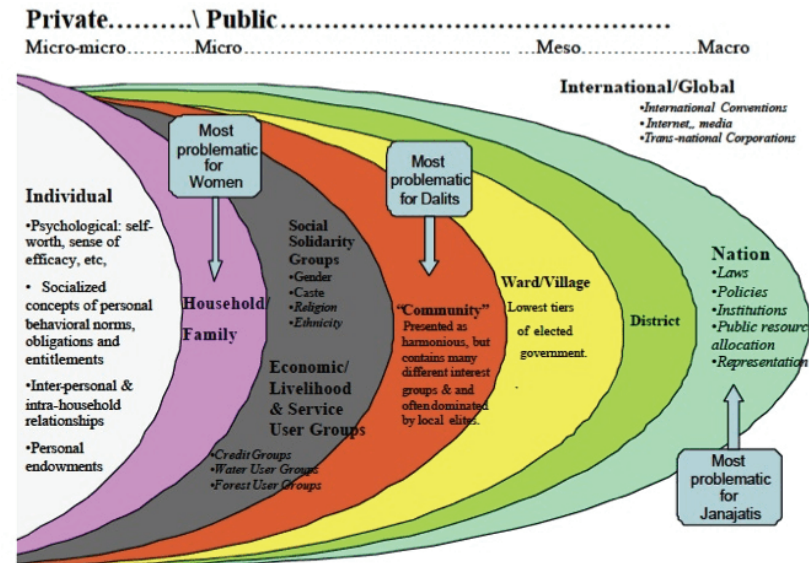
Cooperatives attempted to address the issue of ethnic and caste-based discrimination through outreach activities—awareness campaigns and community mobilization—seeking representation of women from the *Dalit* (so-called low caste) and *Janjati* (indigenous) communities in SACCO membership and leadership.

Age-old traditions such as the practice of untouchability still grip many communities in Nepal. However, cooperatives themselves have emerged as sites of nondiscrimination, democracy, and egalitarianism, as well as of education and consciousness-raising, in order to battle prevalent caste oppressions. The commitment of the SACCOS to the Rochdale principles of nondiscrimination was upheld through everyday actions such as sitting or eating together. Members engage with their own households and the larger community on matters of gender, caste, religious, and ethnic discrimination, emphasizing the importance of “moving with the times” in the new Nepal. Class-based exploitation, namely instances of debt bondage, could be addressed due to the lower rates of interest on cooperative loans than on those charged by rural moneylenders. SACCO members frequently recognized the immense challenges that social inclusion posed for them, especially in including *Dalit*, but were hopeful that sustained efforts would bear fruit.<sup>16</sup>

SACCOS attempted to tackle gender-based discrimination by campaigning for women’s access to education, citizenship rights, and ownership of property. SACCOS set up paralegal teams to provide legal counsel and obtain justice for survivors of domestic violence or gender-based abuse, such as the persecution of widows. In the run-up to the Constituent Assembly elections, SACCOS worked for women’s representation in the Assembly and for their rights to citizenship and property in the new constitution. In the political domain, SACCOS remained impartial and nonpartisan which helped to establish their credibility as inclusive community organizations. There was a sense of ownership and pride among members of the contributions to local reconciliation and peacebuilding, especially through community engagement, made by the SACCOS’ concerted actions, despite frustration with the slow progress on constitution writing and the lack of political stability. Members commented that the sense of community imparted by cooperative membership was a source of security in “changeable times.”<sup>17</sup>

### Winds of change? Critical perspectives on the political economy of bottom-up peacebuilding

The experiences of women’s SACCOS in Nepal illustrate the possibility of an alternative discourse of peace, a bottom-up approach linking economic with social objectives in peacebuilding processes. Besides providing livelihood options to their members, SACCOS in Nepal have drawn links between deprivation and violence and redirected attention to structural injustices that are root causes of violence. They challenge the liberal conception of the “post” in postwar as a finite, irreversible period of time where the root causes of violence have been obliterated. They espouse a holistic and emancipatory approach to social peace, one focusing on the needs of everyday life and critical of patriarchy and discrimination, rather than a band-aid approach that only addresses overt symptoms of violence. By privileging local needs and agency in their strategies for peacebuilding, actively seeking the inclusion of



**Figure 1: Sites of empowerment and inclusion.**

Source: Bennett (2005).

marginalized groups, providing platforms for reconciliation, consciousness-raising and empowerment, and affording economic strategies to address the material needs of members, SACCOS have tried to expand the definition and the agenda of peace to include social justice. In this articulation, social justice and equality are seen as essential components of peace, reflecting the distinction drawn by Johan Galtung between positive and negative peace. While peace could simply mean the absence of violence (a negative peace for Galtung), SACCOS go beyond this definition to articulate a “positively defined condition” for peace, i.e., the absence of structural violence and an egalitarian distribution of power and resources.<sup>18</sup>

Yet, romanticizing cooperatives’ role in conflict transformation and peacebuilding is problematic. Cooperatives, as community-based organizations placed within both a conflict-affected and a liberal milieu, face limitations and challenges. For one, although arguably successful in mediating boundaries of caste, ethnicity, and creed, the membership bodies of cooperatives may not be entirely impervious to divisive pressures along these lines. Being community organizations, cooperatives’ membership bodies can reflect ethno-nationalism, be susceptible to elite capture, or be at risk of fostering relationships of superiority and condescension among (groups of) members, especially if membership is heterogeneous. The history of the

cooperative and the commitment of its members to uphold equality and social unity contribute to the ability of the cooperative to deal with these pressures. The SACCOs in Nepal only had mixed success in this task: Some SACCOs were able to foster dialogue on ethnic and caste equality and ensure equal representation in the governing bodies, while others reflected clear divisions between leadership and membership. Some SACCOs articulated social goals and a desire to provide alternatives for women. These SACCOs integrated their financial and social activities (4 out of 12 visited for this study). The majority, however, were preoccupied with financial sustainability and were narrow in their scope: They only took on advocacy activities when they received special funds for these (from international donors) and these activities were limited in scope (such as training and workshops during a specific project period).<sup>19</sup>

A second issue emerges with the complex relationship of cooperatives to international development organizations and, more broadly, to the liberal peace project. From the perspective of international development organizations, Nepal's SACCOs afford opportunities to mainstream local participation into liberal peacebuilding. The cooperatives envisage an alternative political economy of peacebuilding, but this has not precluded their obtaining funds from international organizations for livelihood or peacebuilding projects at various times, especially in the context of ever-declining state support and a constant shortage of resources. Nepal's SACCOs have frequently functioned as receptacles for liberal peacebuilding interventions, for instance through providing a ready-made audience for top-down peace education, consciousness-raising, and democratic education workshops, and have been platforms for social engineering in the postwar context. SACCOs that did not explicitly include transformative goals in their cooperative charter would nevertheless undertake short-term programs on peacebuilding, conflict mediation, and democratic education if these projects were being funded by international donors. In such cases, however, the agenda was set by international donors and the SACCOs were simply the delivery mechanism. SACCO leaders were skeptical about the role of international organizations, highlighting the disjunction between SACCO's longer-term efforts to deal with structural violence and the short-term priorities of funders. Most "toed the line," however, in order to retain their access to funds. As other authors have observed, local actors in a heavily developmentalized context such as Nepal are all too aware that being too critical of donors would simply drive them to a "more compliant local" that does not make implementation too difficult. Many SACCOs are caught in this very trap.<sup>20</sup> As one SACCO secretary put it:

We do our best ... Sometimes we have to compromise. If we don't find a common ground, the funds will go elsewhere and then, who knows ... At least we try to make sure that we do some good. When we are given some funds, we try our best to allocate them to the uses that we think will be most appropriate for our needs.

A related concern is that while collective action is a radical strategy used by cooperatives to address local problems, their efforts seem to largely focus on helping communities survive the postwar, liberal transition through self-help, rather than advocate for a paradigm shift. Even as they target structural injustices, the mechanisms by which poverty and inequality are perpetuated have escaped scrutiny. Ironically, liberal elements creep into the terrain of cooperatives, manifested in their advocacy for women's ownership of property, even as they have supported communal forms of property ownership. SACCOs have actively participated in liberal peace education programs aimed at constructing "good citizens" in the new democracy. The perception also prevails that the state is an unreliable or corrupt actor, which is in tune with the liberal idea of a minimalist state. As cooperatives attempt to fill the gaps in postwar governance through local provisioning, they thus retain a complex relationship to liberal structures, resisting as well as reinforcing liberal principles.<sup>21</sup>

Despite incorporating radical notions of empowerment in their everyday actions, the cooperatives remain localized, not only lacking the critical mass to be full-fledged alternatives to liberal peace and development, but also cooperating with the liberal machinery as one strategy for organizational survival.

## Conclusion

Are cooperatives successful in formulating a political economy of postwar peacebuilding that is truly grassroots-oriented? The liberal discourse on peace has largely focused on macroeconomic restructuring in war-torn states rather than the protection of the poor and it has assigned responsibility to war-torn states for recovery without transferring to them the corresponding power for self-determination. The discursive hegemony that the liberal model has enjoyed means that the very existence of cooperatives as alternative spaces for grassroots peacebuilding provides fodder for optimism. For one, through their focus on endemic structural violence, SACCOs have highlighted the limitations of the liberal model and its myopic, "quick-fix" approach to peacebuilding and postwar reconstruction. Cooperatives potentially articulate a grassroots political economy of peacebuilding that builds the basis for more sustainable forms of peace, based on social justice, not simply the absence of violence. For another, cooperatives provide a platform that allows individuals and communities to "live and develop political strategies in their local environment" through their everyday actions and address local economic needs through provisioning for these needs as in cases of gender-based violence that threatens local communities. At the very least, the experiences of cooperatives inform discussions on the potential for hybrid forms of peacebuilding to emerge, through local adaptations of and responses to top-down directives.<sup>22</sup>

While cooperatives can allow for peace agendas to be formulated through bottom-up processes, the experiences of SACCOs raise further questions for the role of "the local." An overly sanguine view of the local as a remedy and counterbalance

to the domination of the global is problematic, not least due to the unequal configuration of power the two are placed in. On the one hand, grassroots organizations must be alert to local hierarchies coopting their goals. On the other hand, the increased interest of global players in the local, and the lure of resources available through these players, impose new threats on slow-simmering, organic, community-based organizations, whose transformative processes always run the risk of being captured by external interests. Established grassroots cooperatives are better positioned to negotiate terms and resist impositions. Fledgling organizations such as the majority of Nepal's SACCOs face significant challenges, especially in the context of postwar scarcity.

Ultimately, deeper explorations are required of the complex ways in which the local interacts with the global, and of how viable resistance to the liberal model can be formulated in the postwar terrain.

### Acknowledgment

I thank the Canadian Cooperatives' Association (CCA) for allowing the use in this article of interview and focus group data first collected for CCA.

### Notes

**Smita Ramnarain** is an Assistant Professor of Economics at Siena College, NY, USA She may be reached at <sramnarain@siena.edu>.

1. Espousing: Herring (2008, p. 48). Critics: Donais (2009). From above: Mac Ginty (2010); Donais (2009). Appeals: Lederach (1997). Emphasis on economic restructuring: Pugh (2005); Herring (2008). Alternative economics: Pearce (2005).

2. The Constituent Assembly, formed after the cease-fire in 2008, was dissolved on 27 May 2012. Elections for the new Constituent Assembly have been postponed multiple times and were yet to be held at the time this article was being written.

3. International aid organizations: Examples include the Emergency Peace Support Project (2008-2014) funded by the World Bank's International Development Association, and the United Nations Peacebuilding Fund in Nepal. Anti-poor quote: Wehnert and Shakya (2003).

4. Peace constituencies: The term is used by Lederach (1997) to signify networks of peacebuilding among local actors. Moneylenders: Dhakal (2007, p. 7). Cooperatives allowed: This depended largely on the nature of the organization and how it was perceived in the local communities. Transparent, inclusive, and democratic organizations, especially savings and credit cooperatives, were left alone.

Organizations perceived to be instruments of the government of Nepal (GON) such as small farmers' cooperatives (SFCL) under the aegis of Rural Finance Nepal, or those associated with foreign development organizations provoked Maoist ire and were more frequently attacked. See Wehnert and Shakya (2003); interviews conducted by the author corroborate this information.

5. Nine districts: Rolpa, Dang, Chitwan, Kavre, Kathmandu and Lalitpur, Tanahu, Dhading, Morang, and Sunsari. Thirty-two in-depth interviews with SACCO members, fifteen interviews with SACCO leaders, and six focus group discussions were conducted in January 2011. 77 respondents participated in total. Everyday activities: The "everyday" has received attention recently for providing the basis for resistance to the liberal peacebuilding project. For a detailed and fascinating study of the "everyday" in peacebuilding praxis, see Richmond (2010).

6. Quote: Pugh (2011, p. 308).

7. Boutros-Ghali and quote: Boutros-Ghali (1992, p. 3). Comprehensive set of strategies: Lederach (1997).

8. Structural violence: Galtung (1969) elaborated on a difference between direct violence and structural violence. While direct violence is the result of overt conflict, Galtung pointed to the violence that social structures and institutions may perpetrate on individuals resulting in their inability to meet their basic needs and achieve their potential. Structural violence could include exploitation, discrimination, sexism, racism, nationalism etc. Although it is logically possible for structural violence and direct/personal violence to exist without the other, the two are highly interdependent, i.e. "one shades into the other" (Galtung 1969, p. 182). Also see Galtung (1976). Development agencies: Barnett, *et al.* (2007); Paris (2004). Democracies seldom go to war: Paris (2004, p. 41). No questioning paradigm validity: Richmond (2006). Movement toward market-oriented economies: Paris (2004); Pugh (2005). Marketization: Indeed, given the specific concerns of war economies—namely that war leads to economic activity that is contingent upon its own continuation—the economic aspects of peacebuilding have lately been emphasized as vital in ending war and reaching sustainable peace (EPIC, 2007, in Herring, 2008). Trickle down: Richmond (2009).

9. Conceptual ambiguity: Goodhand and Lewer (1999). Distinctly illiberal: Goodhand and Walton (2009); Donais (2009). Sierra Leone: Fanthorpe (2006). Bosnia: Woodward (1995). Timor-Leste: Richmond and Franks (2008). Iraq: Dodge (2010); Herring (2008). Afghanistan: Suhrke (2008). Ideological and practical interests: Klein (2007); Guttal (2005). Evasion of issues: Pugh (2005); Mac Ginty (2010).



10. Organic peacebuilding and local ownership: Lederach (1997, esp. p. 242). Participatory processes: E.g., Paffenholz (2003). Pugh: (2005, p. 12). Hybrid space: Mac Ginty (2010); Donais (2009); Pugh (2011).

11. Alternative economics of peace: Pearce (2005); Pugh (2005). Peace conditionalities: Boyce (2002). Social recovery: Brauer and Dunne (2012). Yet another: Ballentine and Sherman (2003).

12. Importance of self-help: Pugh (2005). Situations of crisis: Herzberg (2007); Glennester, *et al.* (2011). Mondragon: Whyte and Whyte (1991). Former Yugoslavia: Weihe (2004, p. 1). Rwanda: Sentama (2009). East Asia and Central America: Examples are in Parnell (2003).

13. SACCOs during the war: Shima and Ghale (2007).

14. It is important to note here that despite the nearly universal agreement of SACCO members that peace includes the absence of structural violence, the actual degree to which SACCOs took on a social role alongside the economic one varied widely. Out of twelve SACCOs visited in nine districts, only four explicitly articulated their transformatory social goals in their charters. The remaining eight engaged in advocacy only occasionally, and on a case-by-case basis. These caveats will be taken up for discussion in the next section.

15. All statements in this paragraph are based on interviews and focus groups. SACCO representatives were also aware of the limitations of locally-based initiatives to influence the macro level. These issues will be taken up in the next section.

16. "Moving with the times" quote: From a SACCO member in a focus group discussion. Immense challenges: For instance, SACCO members in Chitwan district commented on efforts that were underway to integrate a nearby *Chamar* (also a so-called low caste) community into their membership body. Similarly, cooperatives in the *Terai* (plains) acknowledged the imbalances in cooperative leadership between the so-called upper castes (who were dominant) and the *Madhesi* castes (indigenous to the plains).

17. Gender-based discrimination and property ownership: Interviews of SACCO leaders in Dhading Besi, a region with high levels of domestic and gender-based violence; also focus groups in Eastern Nepal with SACCO members, 2011. Run-up to elections: Women frequently need a male guardian to be able to buy, sell, or give away movable property, or to obtain loans. Women must also depend on a male guardian for their citizenship papers. While these laws have been changed on paper, their implementation in Nepal remains mixed. Further, the stalemate in writing the

constitution has proved to be a frustrating element for ensuring women's representation in the political sphere. Ownership and pride with contribution: Interviews and author's observations. "Changeable times" quote: Focus group discussions; quote from SACCO member.

18. Challenge liberal conceptions: See, e.g., Moore (2000). Everyday life: Richmond (2010). Galtung and quote: Galtung (1969, p. 183).

19. Ethno-nationalism: Ruwanpura (2007). Be at risk: Mansuri and Rao (2004). Clear divisions: Author's observations from fieldwork in Nepal.

20. Ready-made audience: Also see Ramnarain (2011). Other authors: Miklian, *et al.* (2011, p. 299),

21. Self-help: Pugh (2005).

22. Assigned responsibility: Pugh, Cooper, and Turner (2008). Quote: Richmond (2010, p. 670).

## References

- Ballentine, K. and J. Sherman, eds. 2003. *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder CO: Lynne Rienner/International Peace Academy.
- Barnett, M., H. Kim, M. O'Donnell, and L. Sitea. 2007. "Peacebuilding: What Is in a Name?" *Global Governance: A Review of Multilateralism and International Organizations*. Vol. 13, No. 1, pp. 35-58.
- Bennett, L. 2005. "Gender, Caste and Ethnic Exclusion in Nepal: Following the Policy Process from Analysis to Action,? Conference Paper: New Frontiers in Social Policy, Arusha. <http://www.k4health.org/sites/default/files/Gender,%20caste%20and%20ethnic%20exclusion%20in%20Nepal.pdf> [accessed 11 September 2013].
- Boutros-Ghali, B. 1992. Report of the UN Secretary-General: An Agenda for Peace. Published 17 June 17 1992. <http://www.cfr.org/peacekeeping/report-un-secretary-general-agenda-peace/p23439> [accessed 13 July 2013].
- Boyce, J. 2002. "Aid Conditionality as a Tool for Peacebuilding: Opportunities and Constraints." *Development and Change*. Vol. 33, No. 5, pp. 1025-1048.
- Brauer, J. and J.P. Dunne. 2012. *Peace Economics: A Macroeconomic Primer for Violence-Afflicted States*. Washington, D.C.: United States Institute of Peace Press.
- Dhakal, N.H. 2007. "Towards Expanding the Frontier of Microfinance Services in Nepal." Paper. International Conference on Rural Finance Research: Bringing

- Research into Policy and Practices, 19-21 March 2007. Rome, Italy: FAO. [http://www.fao.org/ag/rurfinconference/docs/papers\\_theme\\_2/towards\\_expanding\\_the\\_frontier.pdf](http://www.fao.org/ag/rurfinconference/docs/papers_theme_2/towards_expanding_the_frontier.pdf) [accessed on 21 July 2013].
- Dodge, T. 2010. "The Ideological Roots of Failure: The Application of Kinetic Neo-liberalism to Iraq." *International Affairs*. Vol. 86, No. 6, pp. 1269–1286.
- Donais, T. 2009. "Empowerment or Imposition? Dilemmas of Local Ownership in Postconflict Peacebuilding Processes." *Peace and Change*. Vol. 34, No. 1, pp. 3-26.
- EPIC [Education for Peace in Iraq Center]. 2007. "National Groups Join with EPIC in Calling for Humanitarian, Economic Surge to Help End Iraq War." 24 July. For reference, see Herring (2008) below.
- Fanthorpe, R. 2006. "On the Limits of Liberal Peace: Chiefs and Democratic Decentralization in Post-War Sierra Leone." *African Affairs*. Vol. 105, No. 418, pp. 27-49.
- Galtung, J. 1969. "Violence, Peace and Peace Research." *Journal of Peace Research*. Vol. 6, No. 3, pp. 167-191.
- Galtung, J. 1976. "Three Approaches to Peace: Peacekeeping, Peacemaking, and Peacebuilding," pp. 297-298 in J. Galtung, ed. *Peace, War and Defense: Essays in Peace Research*, Vol. II. Copenhagen: Christian Ejlertsen.
- Glennester, R., E. Miguel, and K. Casey. 2011. "Reshaping Institutions: Evidence on External Aid and Local Collective Action." Cambridge, MA: NBER Working Paper 17012.
- Goodhand, J. and N. Lewer. 1999. "Sri Lanka: NGOs and Peace-Building in Complex Political Emergencies." *Third World Quarterly*. Vol. 20, No. 1, pp. 69-87.
- Goodhand, J. and O. Walton. 2009. "The Limits of Liberal Peacebuilding? International Engagement in the Sri Lankan Peace Process." *Journal of Intervention and Statebuilding*. Vol. 3, No. 3, pp. 303-323.
- Guttal, S. 2005. "The Politics of Post-War/Post-Conflict Reconstruction." *Development*. Vol. 48, No. 3, pp. 73-81.
- Herzberg, B. 2007. "Monitoring and Evaluation During the Bull-dozer Initiative: 50 Investment Climate Reforms in 150 Days. Washington, D.C.: World Bank.
- Herring, E. 2008. "Neoliberalism Versus Peacebuilding in Iraq," pp. 47-64 in M. Pugh, N. Cooper, and M. Turner, eds. *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*. Basingstoke: Palgrave Macmillan.
- Klein, N. 2007. *The Shock Doctrine: The Rise of Disaster Capitalism*. London: Penguin.
- Lederach, J.P. 1997. *Building Peace: Sustainable Reconciliation in Divided Societies*. Washington, D.C.: United States Institute of Peace Press.
- Mac Ginty, R. 2010. "Hybrid Peace: The Interaction Between 'Top-Down' and 'Bottom-Up' Peace." *Security Dialogue*. Vol. 41, No. 4, pp. 391-412.
- Mansuri, G. and V. Rao. 2004. "Community-Based and Driven Development." *World Bank Research Observer*. Vol. 19, No. 1, pp. 1-39.
- Miklian, J., K. Lidén, and Å. Kolås. 2011. "The Perils of 'Going Local': Liberal Peacebuilding Agendas in Nepal." *Conflict, Security and Development*. Vol. 11, No. 3, pp. 285-308.
- Moore, D. 2000. "Levelling the Playing Field and Embedding Illusions: 'Post-Conflict' Discourse and Neo-Liberal 'Development' in War-Torn Africa." *Review of African Political Economy*. Vol. 27, No. 83, pp. 11-28.
- Paffenholz, T. 2003. *Community-based Bottom-up Peacebuilding. The Development of the Life and Peace Institute's Approach to Peacebuilding and Lessons Learned from the Somalia Experience (1990-2000)*. Uppsala: Life and Peace Institute.
- Paris, R. 2004. *At War's End: Building Peace After Civil Conflict*. Cambridge, UK: Cambridge University Press.
- Parnell, E. 2003. "The Role for Cooperatives and Other Self-Help Organizations (SHOs)," pp. 285-308 in E. Date-Bah, ed. *Jobs After War: A Critical Challenge in the Peace and Reconstruction Puzzle*. Geneva: ILO.
- Pearce, J. 2005. "The International Community and Peacebuilding." *Development*. Vol. 48, No. 3, pp. 41-49.
- Pugh, M. 2005. "The Political Economy of Peacebuilding: A Critical Theory Perspective." *International Journal of Peace Studies*. Vol. 10, No. 2, pp. 23-42.
- Pugh, M. 2011. "Local Agency and Political Economies of Peacebuilding." *Studies in Ethnicity and Nationalism*. Vol. 11, No. 4, pp. 308-320.
- Pugh, M., N. Cooper, and M. Turner, eds. 2008. *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*. London: Palgrave.
- Ramnarain, S. 2011. "Women's Cooperatives and Peace in India and Nepal." International Research Series. Toronto: Canadian Cooperatives' Association.
- Richmond, O. 2006. "The Problem of Peace: Understanding the 'Liberal Peace'." *Conflict, Security and Development*. Vol. 6, No. 3, pp. 291-314.
- Richmond, O. 2009. "Becoming Liberal, Unbecoming Liberalism: Liberal-Local Hybridity via the Everyday as a Response to the Paradoxes of Liberal Peacebuilding." *Journal of Intervention and Statebuilding*. Vol. 3, No. 3, pp. 324-344.
- Richmond, O. 2010. "Resistance and the Post-Liberal Peace." *Millennium: Journal of International Studies*. Vol. 38, No. 3, pp. 665-692.
- Richmond, O. and J. Franks. 2008. "Liberal Peacebuilding in Timor-Leste: The Emperor's New Clothes?" *International Peacekeeping*. Vol. 15, No. 2, pp. 185-200.
- Ruwanpura, K. 2007. "Awareness and Action: The Ethno-Gender Dynamics of Sri Lankan NGOs." *Gender, Place and Culture: A Journal of Feminist Geography*. Vol. 14, No. 3, pp. 317-333.
- Sentama, E. 2009. "Peacebuilding in Post-Genocide Rwanda: The Role of Co-operatives in the Restoration of Interpersonal Relationships." Ph.D. Thesis. University of Gothenburg: School of Global Studies. Sweden.
- Shima, S. and Y. Ghale. 2007. "Building Hope while Providing Credit Through

- Co-operatives: A Case Study of Women Coping with Conflict in Nepal,” pp. 207-215 in J. Emmanuel and I. MacPherson, eds. *Co-operatives and the Pursuit of Peace*. British Columbia Institute of Co-operative Studies. [City]: New Rochdale Press.
- Suhrke, A. 2008. “Democratizing a Dependent State: The Case of Afghanistan.” *Democratization*. Vol. 15, No. 3, pp. 630-648.
- Wehnert, U. and R. Shakya. 2003. “Microfinance and Armed Conflict in Nepal: The Adverse Effects of the Insurgency on the Small Farmer Cooperatives Ltd. (SFCLs).” Working Paper No. 3. Kathmandu: Rural Finance Nepal.
- Weihe, T. 2004. *Co-operatives in Conflict and Failed States*. Washington, D.C.: United States Overseas Co-operative Development Council.
- Whyte, W.F. and K.K. Whyte. 1991. *Making Mondragon*. 2nd rev. ed. Ithaca, NY: ILR Press.
- Woodward, S. 1995. *Balkan Tragedy: Chaos and Dissolution after the Cold War*. Washington, D.C.: Brookings Institution.

## Bringing the economy back in: The political economy of security sector reform

Guro Lien

A much-cited quote from then UN Secretary-General Kofi Annan's speech to the African Union in 2005 is that "the world will not enjoy development without security, nor security without development." Although difficult to deny, the mechanisms underlying the relation between development and security are difficult to define and poorly understood. This has not inhibited donor countries, international organizations, and nongovernmental organizations to design and implement security sector reform (SSR) initiatives on the presumption that increasing security, usually by strengthening state capacity, will lead to increased socioeconomic development. But recent studies have shown that the relation between security and development is less straightforward than previously assumed.<sup>1</sup>

The argument in this article is that an overbearing focus on formal state structures in SSR efforts relies on two crucial assumptions whose nonfulfillment reduce the possibility of SSR success. First, it is assumed that a well-functioning relationship between state and society exists and, second, that all relevant actors desire a strong, democratic state structure, comparable to that of a Western state. Yet in many postwar settings neither is the case. Due to corrupt political elites, illegitimate government, and lacking public service provision, a proper state-society relation is often missing, and the continuation of low state capacity is, in fact, often the desired outcome.

Some countries are what Egnell and Haldén call society-less: No political community or political elite demanding a well-functioning state exists. This does not mean that these spaces are ungoverned. The political and security vacuum that may emerge after conflict can be structured to be exploited by less than benign actors such as warlords, criminal networks, and corrupt political elites, or traditional governance structures can reemerge, but all with the result that the formal state is but one among several competing organizations that actually govern society.<sup>2</sup>

What is important, then, when designing security sector reforms is to be aware of the actually existing structures and their relation to the state that is being rebuilt. A fuller understanding of how the political economy of a country is structured may then yield more productive approaches to designing SSR initiatives. There is no one-size-fits-all approach to statebuilding, and designing SSR activities without taking into account the premises of local economic structures may only lead to short-term regime security.

The first section part of the article provides an overview of the conceptual underpinnings of the argument. Principles of good governance form the basis of many SSR initiatives, but, as will be shown, these presuppose the existence of a specific

relation between state and society. Applied to the cases of Afghanistan and Bosnia and Herzegovina, both of which attempted to undertake security sector reforms, we find limited success. In Afghanistan, the proliferation of warlords, some even supported by Western governments, is an effective hindrance to the reform initiatives. Coupled with an illegitimate, corrupt central government and a lacking sense of nationhood, this has meant that attempts at strengthening the state through SSR has led to unintended consequences. Bosnia and Herzegovina is an interesting case because of persistent problems with large-scale corruption, organized crime, and clientelism, which is undermining both the peacebuilding effort and the reform processes. In spite of year-long efforts from European and U.S. partners, the reform effort, especially on the political level, is painstakingly slow. Still, democracy is fairly well established, civil society is increasingly vibrant, and there has been some progress in security sector reform. Both cases show how local power structures and actors influence the statebuilding process and thus also the success of SSR efforts. The concluding section places this article in the wider context of critical political economy literature.

This is a limited study of course, a mere snapshot of a complex and multifaceted topic. Only two cases are chosen, and only some of the relevant actors are analyzed. For instance, the study does not take into account the actions of external players. A more comprehensive analysis might result in different conclusions.

### Good governance and the social contract

Security sector reform is a complicated and ambitious undertaking. The concept denotes activities concerning the rebuilding and strengthening of effective and accountable security institutions and their oversight bodies in postwar settings. The SSR agenda is largely based on the idea of good governance, i.e., certain Western, liberal principles in which the state has a prominent place. According to the United Nations, good governance centers around five principles: transparency, responsibility, accountability, participation, and responsiveness to the needs of the people. In addition, the UN specifies four realms to which good governance reforms should be applied: democratic institutions, service delivery, rule of law, and anti-corruption. In relation to SSR, promoting good governance entails strengthening national security institutions, ensuring democratic control of the armed forces and the state's monopoly of force over its entire territory, as well as establishing an independent judiciary and

**The argument in this article is that an overbearing focus on formal state structures in security sector reform efforts makes crucial assumptions whose nonfulfillment reduce the chances of successful reform. The argument is illustrated with extensive case materials on Afghanistan and on Bosnia and Herzegovina.**



the rule of law. It is largely because of these aspects that SSR is often viewed as a normative concept, promoting ideals of successful, liberal Western democracies such as those in Europe and North America, and thus the same ideals and principles are to be applied in other regions and states.<sup>3</sup>

Few would argue that the principles underpinning good governance are unsound, based as they are on a genuine desire to increase the security and wellbeing of a given country's population. The argument here is not that the principles are the problem, but rather that the SSR agenda and the idea of good governance take for granted the existence of a specific type of state and of a specific relationship between this state and society within it. According to Egnell and Haldén, "what is in effect an ideal-type description of the modern, Western state has often been taken for granted as a timeless entity. Another time- and place-bound conception that, explicitly or implicitly, is often taken as a timeless 'given' is the separation between state and society." The good governance agenda has been accepted almost by default, and there has been a lack of discussion in the academic sphere regarding the applicability and universality of the principles underlying the term. But the development of the state system we have in Europe today is inherently European, not universal.<sup>4</sup>

Numerous theories explain the rise of the modern state system in the West. Social contract theory, as developed by Thomas Hobbes, John Locke, and Jean-Jacques Rousseau, emphasizes a specific relation between state and people in which citizens cede some freedoms in return for representation and protection. For the population to cede rights—for instance, to form their own armed militias and to claim taxes and tolls in their region—they must receive guarantees that the state will provide security. Through taxation, the central state was able to provide collective protection and other public goods, and this "led to a greater involvement of the people in the affairs of the state, where the taxed demanded greater accountability from the state that was taxing them." Over time this led to more democratic practices. Other state formation theories stress the importance of violence and war in creating modern states. According to Charles Tilly, "states made war and war made the state," and Max Weber's canonical definition views the state as "a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory." Both Tilly and Weber emphasize that the security sector is fundamental to the modern state. Statebuilding and security sector reform are closely linked: Increasing the efficiency of the state often includes increasing its capacity to enforce order and security.<sup>5</sup>

Due to these developments, democracy in the West is seen as consisting of two distinct spheres, society and state. Society is the primary entity, granting legitimacy and power to the state. This idea dominates political thinking in the West but is much less intuitive outside of Europe and North America. As stated by Egnell and Haldén: "In areas that do not have functioning states or indeed have never had them, we cannot assume that there is a 'society' in our understanding of the word." We are dealing with countries that are not only stateless, but society-less. A central problem regarding SSR in postwar countries may be the lack of a society demanding a state.

It is usually taken for granted that such a demand exists but this is often not the case. On the contrary, actors exist who do not want a functioning state structure to emerge. In this situation, any state institutions that are built will be isolated from the rest of society, and no proper state-society relation exists in the Western understanding of the term. As Heinrich and Kulesa have argued in relation to Somalia: "Before the state can be constructed again, the society has to be built to form a 'political community'."<sup>6</sup>

However, the lack of a state or a political community does not mean the lack of governance. On the contrary, "comparative studies ... have shown that people do not live in a political and administrative vacuum after the breakdown of state structures and functions; rather communities fall back on other structures and mechanisms in order to resolve necessary matters of common concern." These old structures are often warlords, tribal structures, or patronage networks, existing before and within the state. The power-holders in these types of societies often thrive on weak state structures and will oppose reforms that threaten their control. As summarized by Menkhaus in his analysis of ungoverned spaces:<sup>7</sup>

Policies designed to address failed and fragile states generally operate on the assumption that the problem of state failure is low capacity ... [This view] lends itself to 'off-the-shelf' technical solutions that, not coincidentally, are ideally suited for conventional foreign aid programmes. More funding, better trained civil servants, a more professional and better-equipped police force, and a healthy dose of democratisation (where not politically inconvenient) have been the main elements of state-building strategies. Yet two decades of research on the dynamics of weak and failed states suggests that in some circumstances state failure is viewed by local elites as a desired outcome, not a problem to be solved. This reflects a political strategy of survivalism and an economic strategy of personal enrichment.

To sum up, although the principles underlying good governance are sensible, they are not universally applicable. The principles assume that there exists a state-society relation similar to that in the West, and it assumes that all the main actors want peace, a strong state, and economic development. But much recent research has shown that this is not always the case. The postwar setting may result in different outcomes, two of which are explored here. First, in countries where a society requesting a state is lacking, a strong central state will be seen as alien and perhaps irrelevant, and "entrenched elements and traditional structures re-emerge."<sup>8</sup> These structures, often substate economic actors such as Afghan warlords, frequently obstruct statebuilding and SSR efforts because they challenge their power. Second, where a state structure does exist, but it is weak and corrupt, the state may be captured by elites, and erodes the state-society relation that good governance rests upon. Corrupt political elites may oppose reforms and resist change because they benefit economically from the weak institutional capacity of the state, such as in Bosnia and Herzegovina. The next section

explores these ideas in regard to Afghanistan and Bosnia and Herzegovina.

### **Violent entrepreneurs and the SSR effort**

As discussed, SSR essentially assumes that all relevant actors in a country want a strong state, socioeconomic development, and democracy. The following case studies show that this is not always the case. Actors such as warlords or organized criminal networks thrive in weak state structures. Violent entrepreneurs<sup>9</sup> are different from other economic criminals in that they often provide a minimum of public goods, such as security and employment, especially in places where the formal state is unable or unwilling to provide such services. This may bestow nonstate actors with some public support, and even, in some cases, a degree of legitimacy.

Since these actors benefit from a weak state, they play an active role in disrupting SSR efforts, such as the warlords in Afghanistan and corrupt political elites in Bosnia and Herzegovina. In Afghanistan, there is a strong central state, but outside the capital it has little actual power. This has alienated society from the state, so that in effect a society desiring a state structure is lacking. The warlords profit from this situation, gaining economic and political power, and thus attempts at introducing SSR are resisted or co-opted by local power structures. In Bosnia and Herzegovina, the central state is inefficient, the public sector is too large, and the political elite is considered corrupt and nepotistic. Since the national elite benefits from the status quo, SSR has obstructed and delayed at the political level.

### *Afghanistan*

There are two main hindrances to effective security sector reform in Afghanistan. One is that pervasive political corruption reverses attempts at statebuilding. The other is that “the real rulers outside of Kabul are the warlords.” This has led to the emergence of a “political economy of arms.” Interestingly, Western powers have supported both the central government and the warlords, thus undermining Afghanistan’s fragile state-society relation, if there ever was one, and alienating people from their putative state. Society does not see the benefit of a strong central state, and traditional power structures have reemerged.<sup>10</sup>

Western strategy has been to support President Karzai and his cabinet, building a centralized government with a strong executive deriving legitimacy from elections and public service provision. But the Afghan government has not been able to provide services such as education and health care, thus eroding its popularity and legitimacy. The majority of the population also lack access to clean water and electricity. In addition, NGOs and foreign donors have provided direct aid and service provision, further undermining statebuilding efforts. This has created a dual public sector, with large amounts of money circumventing official government budgets. Large-scale election fraud and violence surrounding elections has caused great damage to the

legitimacy of both the democratic process and the ruling regime. Voter turnout has dropped, and the entire political system seems to estrange people from the state.<sup>11</sup>

Historically, Afghan governments were decentralized and functioned as a mediating council between groups within Afghan society who retained a great deal of local self-rule. In contrast, in the new Afghan state, an enormous amount of power has been vested in the office of the president. The president is personally responsible for appointing all cabinet ministers, 34 provincial governors, 400 district subgovernors, and all government officials down to the level of district administrator, as well as the attorney general, the head of the Central Bank, the national security director, judges, military, police, and national security officers, and other high-ranking officials. At the same time, the Afghan constitution places almost no constraints or oversights on the president’s rule. This has led to a personalization of government and to a personalization of state-society relations. All this is alien to Afghanistan’s people who are unaccustomed to such a strong central executive.<sup>12</sup>

Political corruption is widespread in the Afghan state and affects almost every aspect of its interaction with society. Most damaging has been political corruption within state structures, where senior politicians or government officials have used state resources to build power bases through complex webs of patronage. In addition, some ministers “actively undermine the state in order to continue to profit from illegal economic activities (mainly drug production and export).”<sup>13</sup> Any attempt at reducing or removing political corruption is seen as a direct threat to the ruling elite. This elite resists attempts at reform because it threatens their economic and political power. Reform of the civilian security sector and of the judicial sector has been protracted and inconsistent. Much effort has been invested in building an Afghan army and police force, and less attention has been paid to the civilian structures of security governance.

The second major impediment to effective SSR in Afghanistan is the power of the warlords. Restricting the power of the central government outside of Kabul and challenging the state’s monopoly of force, they often provide a minimal level of public goods such as security, food, and employment, and this gives them a degree of legitimacy. For instance, Ismail Khan, a well-known warlord from Herat, served as governor of Herat from 2000. He provided for security, payment of government employees, and made investments in public services. But he refused to pass on to the central government revenues gained from custom taxes imposed on goods transiting from Iran and Turkmenistan through Herat. Thus he effectively hindered the larger statebuilding effort and helped to undermine the legitimacy of the Afghan state. Since 2005, he has served as Minister of Water and Energy in the Karzai cabinet. During this time, he has been accused of human rights abuses in connection with attacks on journalists as well as illegally distributing weapons to his supporters.<sup>14</sup>

Thriving within existing state structures, warlords usually are not secessionist. For instance, Atta Mohammad Noor, a well-known and powerful warlord, serves as the governor of the Balkh district. Although progress has been made in both security and

economic development, control of the region also served as a source of personal enrichment for Noor, and there has been little democratic development. This behavior is typical of warlords: Through control of specific territories and their boundaries, they are able to levy taxes, monopolize business, and control the means of violence in their area of influence: “The Afghan warlords have created regional monopolies or oligopolies in key economic sectors, using intimidation to drive out competitors and further enmeshing state institutions into the illegal narcotics trade.” Weak states such as Afghanistan have very low capacity for enforcing legislation beyond the capital, a factor that warlords take advantage of by converting military force into economic and political resources. A more notorious warlord, Abdul Rashid Dostum, served as Deputy Defense Minister and, briefly, as Commander-in-Chief of the Afghan National Army. He was later appointed as a Special Advisor on Security and Military Affairs, with effective control over security in the northern Afghan provinces. Around the same time, he was under investigation by the UN for extensive human rights abuses.<sup>15</sup>

Supporting warlords may lead to short-term stability, but this is unlikely to lead to long-term security. Warlords rarely make good statebuilders. By building private armies and collecting local taxes, they undermine the legitimacy and power of the central government in Kabul. There have been attempts at co-opting warlords by building local security forces such as the Arbakai, but these forces were soon accused of excessive use of force and levying illegal taxes. In addition, studies have found that the Arbakai initiative did little to reduce warlords’ patronage networks and their legitimacy in their local communities. The warlords submitted only their least loyal troops and low quality weapons, while their power bases and networks remained intact. Instead of contributing to increasing the reach of the Afghan state, they actually undermined the legitimacy of the state.<sup>16</sup>

Building a stronger state with more capacity to enforce central rules and regulations means that warlords will lose their political and economic power. They therefore wish to keep the state weak and easy to manipulate, so that it can continue to serve as a source of personal enrichment. SSR efforts challenge the warlords’ power. They therefore resist these efforts both in the central government and through their control of the provinces. For instance, the Disarmament, Demobilization, and Reintegration (DDR) program initiated as part of the SSR effort was delayed several times, partly due to the reluctance of the Ministry of Defense to undertake structural reforms. In Afghanistan, the inclusion of warlords in the central government increased their political and economic influence. Studies have found that warlords maintained their former patronage networks even after they were included in the central government, which enabled them to manipulate both formal and informal power structures to serve their personal interests. For example, the processing and smuggling of opium is now controlled by powerful warlords with close ties to the government and suggests that organized crime has been consolidated within the current regime.<sup>17</sup>

In sum, the illegitimacy of the central government coupled with a web of strong warlords both inside the government and outside the capital has led to a nonexistent

state-society relationship. The SSR effort is focused on formal state structures, such as building an efficient ministry of defense and ensuring political control of the national army. These efforts seem to exacerbate the current status quo, further empowering corrupt government officials and powerful strongmen. The disarmament process has benefitted the more powerful warlords, who have increased the control over their territories in the process.<sup>18</sup> These factors have further alienated the people from the state. It is therefore unlikely that SSR activities will have any long-term effects if the underlying power alignments remain the same. A narrow focus on top-down SSR and/or a bottom-up focus on supporting warlords disguised as tribal structures is inadequate or misplaced. For there to be any realistic hope of success, the social contract between society and state will need to be reestablished by a legitimate and accountable government.

### *Bosnia and Herzegovina*

Bosnia and Herzegovina (BiH) is still struggling with the remnants of the Balkan wars. The legacy of the Dayton Agreement entailed extensive power-sharing between the ethnic groups as well as an influential High Representative shaping the political agenda. The country’s institutional structure still remains entrenched within ethnic and political divisions, and after the war there was a power vacuum. This presented opportunities for a political elite to pursue a “corrupt rent-seeking agenda” disguised by ethnic divisions, which lead to the establishment of clientelist structures, informal economic activity, and large-scale corruption. Other scholars write that “the economic paradigm introduced for transition limited any attempt to establish a social contract between individual and the state.” In addition, the decentralization of economic power and accountability in the Dayton Agreement provided opportunities for rent-seeking and abuse of public office, leading to a “criminalization of the state, the politicization of the public sector, complicated power structures and fragmented administration.”<sup>19</sup>

Public confidence in politics and public administration has plummeted, indicating that, as in Afghanistan, people in BiH feel alienated from the state. The public sector is bloated, and the complex organization of the bureaucracy hinders transparency. It has been argued that the very institutional system set up in the Dayton Agreement makes it difficult to implement reforms, even if there was political will. However, elections in BiH are generally considered free and fair by Freedom House, and there have been no reports of excessive pressure on opposition parties. It seems that the major political parties adhere to the democratic system of governance, at least in principle. The national government has undertaken a number of reforms, including in the security sector. Many of these reforms have been initiated by external actors, often due to demands from international organizations such as the EU and NATO as conditions for applying for membership. In spite of some progress in SSR, distrust between people and state may make it difficult to fully implement reforms at a lower level. There have also been examples of election fraud at the local level.<sup>20</sup>

Corruption threatens democracy because it weakens trust between people and the authorities. It also reduces predictability for businesses and foreign investors, and it is an impediment to economic and political development. According to Transparency International's (TI) Corruption Perceptions Index 2012, corruption is widespread in BiH, affecting "the judiciary, tax and custom administration, public utilities, procurement and privatisation schemes as well as all major political processes." TI also claims that the executive places undue pressure on the institutions responsible for implementing anti-corruption laws. Similarly, a report from the International Crisis Group claims that corruption is widespread at all levels in BiH, and that family ties and acquaintances are regularly exploited in order to secure economic and political advantages. State-owned businesses are often controlled by prominent politicians, and the privatization that has taken place has been not been transparent or followed the proper procedures. The Bosnian authorities established an Anti-Corruption Agency in 2010, but the agency has so far been both underpowered and underfunded.<sup>21</sup>

For instance, the President of the Federation of Bosnia and Herzegovina, Živko Budimir, has been accused of actively resisting a restructuring of the Federation's government. In 2012, he refused to approve a government reshuffle and the appointment of judges to the constitutional court. On 26 April 2013, he was arrested for corruption and charged with taking bribes to approve amnesties. Bosnian State Prosecutor Oleg Cavka claimed that Budimir approved 205 amnesties in less than two years, mostly for people guilty of grave offences such as attempted murder. Yet, the Bosnian Constitutional Court released Budimir on 27 May 2013 by. Since the Bosnian Constitution is unclear whether Budimir can continue in his post, he resumed office and continued his work. Meanwhile, the State Prosecutor is preparing an indictment against Budimir and will appeal the Court's decision to release him. Another case concerns Jerko Ivankovic-Lijanovic, Vice-President of the People's Party Work for Progress (NSRzB) and current Deputy Prime Minister of the Federation of BiH. He was arrested in May 2013 for vote-buying in the 2010 election, by using his government position to amend laws that allowed him to issue agricultural incentives that benefitted his supporters. Political parties have been known to undermine law enforcement institutions such as the judiciary, prosecution services, and the police in Bosnia and Herzegovina, and public positions are regularly appointed on the basis of political party membership. International actors including the High Representative have remained silent regarding political corruption in BiH, further exacerbating the problem. In effect, public trust in the political system is eroding.<sup>22</sup>

Even more seriously, perhaps, is the alleged link between organized crime and elite politicians in BiH. As the Budimir example shows, it is not unheard of that national politicians directly or indirectly interfere with law enforcement agencies to hinder them from prosecuting certain criminals. According to Transparency International, "audit offices have pointed out numerous irregularities in public expenditures and public contracting that were never prosecuted by the judiciary." According to a comprehensive study by Brady, conducted in 2012, the political elite

seems unwilling to face the issue of organized crime and corruption in order to protect personal and professional interests. The study also found that a common perception among the public is that powerful politicians use estate capture, abuse of public funds, misuse of utility companies, and inflation of contracts in order to maximize their own empires and those of their friends and family, blurring the line between businessmen and politicians. Transparency International writes: "The close connections between the ruling elite and criminal networks represent a further area of great concern." Although it is difficult to get a clear picture of the extent and direct involvement of key politicians in organized crime, what is evident is the detrimental effects this has on public confidence in the political system. The unwillingness of the political elite to act against corruption and organized crime suggests that reforms in the judicial sector are unlikely in the near future. Both criminal actors and politicians benefit from the status quo, similar in many ways to the warlords of Afghanistan, and have much to gain from blocking reform efforts.<sup>23</sup>

In the postwar period, a series of liberal market reforms were introduced in BiH. This led a reduced state sector, increased emphasis on private industry, and reliance on exports that were not labor-intensive. The result was higher unemployment, an increasing share of foreign-owned companies in BiH, and the development of a large informal economic sector. Remittances from overseas make up the majority of this sector; informal employment in agriculture is also an important source of income for many. In addition, due to the scaling back of the state and a limitation on the central government's regulatory capacity, "liberalisation and deregulation made it harder for the state to police corruption." People's reliance on the informal economy has done little to strengthen the bonds between people and state. On the contrary, it has led to distrust of a state that is seen as unable or unwilling to provide public goods for the population.<sup>24</sup>

Several analysts argue that corruption and cronyism has hindered reforms and capacity-building of the Bosnian state, including its security sector. Reforms have been slow to take hold and are often blocked by political processes or interests. Donais argues that strong ties between political parties and organized crime have "acted as a brake on the reform process." But compared with Afghanistan, BiH is at a more advantageous place as it does have a relatively well-functioning government administration, a working army and police force, and a much more developed industrial sector. SSR efforts have been partially successful, especially in reforming the Bosnian Armed Forces. In spite of a communist legacy with a politicized command structure and nontransparent budgeting process, there have been significant improvements. For example, the three predominantly Bosniak armies of Bosnia—of the Republic of Bosnia and Herzegovina, the Bosnian Serb Army of Republika Srpska, and the Croat Defence Council—were combined into a single force in 2003, with relatively little resistance from the three constituent entities. A NATO Defense Review from 2008 claims that the Armed Forces of BiH are professionalized and scaled back, and that it is one of the institutions the people of BiH trust the most.<sup>25</sup>



But there have also been less successful SSR initiatives in BiH. For example, veterans' and widows' benefits have been unreasonably large in some parts of the country and at one point were 2 to 3 times larger than the defense budget, clearly not sustainable. The reason for this was that prior to the elections in 2006 politicians promised to pay benefits to anyone who applied, regardless of need, efforts made at finding work, or willingness to retrain. The result is that BiH have more war veterans today than at the end of the war in 1999. In addition, police reform in BiH has been far less successful than hoped for. Reluctance to cede control over police forces is attributed to the fear of surrendering the right to self-government. An 2009 analysis by Celador concludes that much-needed reforms were overshadowed by the Bosnian government's inability to agree on a police restructuring plan as well as to a lack of local ownership. The division of the police force makes fighting organized crime difficult because criminals can evade prosecution simply by moving from one entity to the other.<sup>26</sup>

In Bosnia and Herzegovina, overemphasis on market liberalization coupled with endemic political corruption and criminalization of the state has eroded public trust in the BiH government and severely damaged state-society relations. Many actors, both within organized crime and in government, benefit from a weak and fragmented government with limited resources to prosecute crimes or undertake reforms. But in spite of lacking progress in some areas, BiH has made steps in the right direction, much due to pressure from international organizations, and has undertaken a series of security sector reforms. But for any lasting change to take place, and to avoid further decoupling, a social contract between society and state will need to be reestablished. To achieve this, it is necessary to tackle corruption at all levels of government and introduce more transparency in both business and politics. Without dealing with political economy factors such as corruption, organized crime, and the large informal economy, SSR efforts are likely to continue to be slow and disjointed. It takes more than formal statehood to ensure SSR success.<sup>27</sup>

## Conclusion

As mentioned at the outset, that postwar countries can be stateless and society-less does not mean that they are ungoverned. The political and security vacuum emerging after war can be exploited by actors such as warlords, criminal networks, and corrupt political elites. Other, traditional structures also often reemerge, and the state becomes but one among several competing organizations governing society. Security sector reform must examine its assumptions, or at least make the implicit assumptions more explicit.

A number of scholars have criticized the technical-bureaucratic nature of security sector reform and humanitarian and development aid. For instance, Mark Duffield and Lisa Denney both have questioned the supposition that increasing security will inevitably lead to development, the so-called "security first" discourse. There are very

few, if any, examples that simply increasing security automatically leads to increased development. Similarly, Michael Pugh has found that many of the economic reforms implemented in postwar countries, such as privatization and a reduction of the public sector, have had adverse consequences. He also makes an interesting point that many of the Western states preaching neoliberal reforms abroad have strong and active state institutions themselves. Others, like Mary Kaldor, have stressed the notion of human security—that the security of individuals is paramount, and that through human security we can solve the problems of global insecurity. In addition, she claims the state-society relationship is of limited use in today's globalized world, where people have multiple loyalties, and sets forth a theory of a global civil society as an answer to war. Mark Duffield, on the other hand, asserts that the focus on human security effectively authorizes further policing of other states and creates a divide between the insecure South threatening the secure West. Then again, scholars like David Chandler argues that human-centered approaches are of limited use and emphasizes a revisit to the structures of economic, political, and social relations. Human beings, he claims, do not act merely as individual and separate "human agents." On the contrary, we are shaped by the institutions and structures we live under, as well as shaping them in return through our "subjective constructions of political collectivity."<sup>28</sup>

This debate goes straight to the core of what SSR entails: transforming and reshaping the relationship between state, society, and political community. These overarching perspectives are currently lacking in the security sector reform agenda. Much of the debate within SSR is about which reforms to implement and how to implement and sequencing them, rather than about the fundamental questions concerning the very relationship between security and development and the role of the state. The case studies in this article demonstrate the importance of looking beyond both formal state structures as well as individual actors, and suggest a renewed emphasis on the fundamental principles of security sector reform. As described by Edmunds:

the legitimacy and coherence of the wider political community matters in SSR. A consolidated political community provides a clear framework against which to premise the normative objectives of SSR. If the political community is weak or contested then these fault lines are likely to be reflected in the reform process itself, with a consequently negative impact on its viability and effectiveness.<sup>29</sup>

## Notes

**Guro Lien** is a researcher at the Norwegian Defence Research Establishment. She may be reached at <Guro.Lien@ffi.no>. The views expressed in this article are her own.

1. Denney (2011).
2. Society-less: Egnell and Haldén (2009). Migdal (1988).
3. Principles and realms: UN Commission on Human Rights (2000). Rule of law: Jackson (2011). Norms: Denney (2011), Edmunds (2007).
4. Quote: Egnell and Haldén (2009, p. 39); also see Edmunds (2007). Academic discussion: Brzoska (2006); Edmunds (2007). European, not universal: Egnell and Haldén (2009).
5. Social contract: Hobbes (1651); Locke (1689); Rousseau (1762). Taxation quote: Egnell and Haldén (2009, p. 37). Tilly: Tilly (1990). Weber: Weber (1946 [1919]).
6. Primary entity and following quote: Egnell and Haldén (2009, p. 40). Somalia quote: Heinrich and Kulesa (2005, p 67).
7. Comparative studies: Heinrich and Kulesa (2005, p. 60). Old structures and long quote to follow: Menkhaus (2010, pp. 176-177).
8. Brzoska (2006, p. 7).
9. Volkov (1998).
10. Reversal: Dodge and Redman (2011, p. 73). Quotes: Spanta (2005, p. 72).
11. Deriving legitimacy and circumventing official budgets: Dodge and Redman (2011). Damage to legitimacy: Spanta (2005).
12. Local self-rule and appointments of officials: Dodge and Redman (2011).
13. Menkhaus (2010, p. 180).
14. On Ismail Khan, see Middlebrook and Sedra (2005).
15. Little democratic development: Mukhopadhyay (2009). Area of influence and quote following: Martens (2012, p. 308).
16. Long-term security: Martens (2012). Illegal taxes and intact networks: Sedra (2008).
17. Resistance to structural reform: Sedra (2008). Personal interests: Lister (2007); Strand (2008). Organized crime: Blanchard (2004); Shaw (2006).
18. Spanta (2005).
19. Rent-seeking agenda: Chêne (2009). Others scholars: Divjak and Pugh (2008). Criminalization of the state: Mathisen and Devine (2005).
20. Complex organization: Chêne (2009). Dayton Agreement setup: Donais (2003). Elections free and fair: Freedom House (2008).
21. Transparency International: Chêne (2009). Ant-corruption laws: Transparency International (2012). International Crisis Group: Crisis Group Europe (2010). Aniti-Corruption Agency: Jukic (2012).
22. Budimir and Cavka: BBC News online (2013); Balkan Insight (2013). Ivankovic-Lijanovic: SETimes (2013). Public position appointments: Divjak and Pugh (2008).
23. Transparency International: Transparency International (2012). Brady: Brady (2012). Transparency International: Chêne (2009).
24. Large informal sector and quote: Divjak and Pugh (2008, pp. 380-381).
25. Several analysts: Divjak and Pugh (2008); Donais (2003). Quote: Donais (2003, p. 378). NATO: NATO Defence Review (2008).
26. Veterans' and widows' benefits: Crisis Group Europe (2010). Police: Celador (2009).
27. Egnell and Haldén (2009, p. 46).
28. Duffield and Denney: Duffield (2007); Denney (2011); Pugh (2006). Kaldor: Kaldor (2007). Kaldor theory: Kaldor (2003). Duffield and Chandler: Duffield (2007); Chandler (2008; 2013). Final quote: Chandler (2013, p. 157).
29. Role of the state: see Hendrickson (1999); Sedra (2010); Scheye and Peak (2005). Edmunds quote: Edmunds (2007, p. 245).

## References

Balkan Insight. 2013. "Bosnia Federation President Faces Corruption Indictment."

- Published 28 May 2013. <<http://www.balkaninsight.com/en/article/prosecutor-announces-indictment-against-bosnia-federation-president>>. [accessed 28 May 2013].
- BBC News online 2013. “Bosnia court detains Bosniak-Croat President Zivko Budimir.” Published 28 April 2013. <<http://www.bbc.co.uk/news/world-europe-22328570>> [accessed 28 May 2013].
- Blanchard, C. 2004. “Afghanistan, Narcotics and U.S Policy.” Report for Congress. Washington, D.C.: Congressional Research Service.
- Brady, S. 2012. “Organised Crime in Bosnia Herzegovina. A Silent War Fought by an Ambush of Toothless Tigers or a War not yet Fought?” Organised Crime and Corruption Reporting Project. <[https://reportingproject.net/occrp/documents/OC\\_in\\_BH\\_ENG.pdf](https://reportingproject.net/occrp/documents/OC_in_BH_ENG.pdf)>. [accessed 26 May 2013].
- Brzoska, M. 2006. “Introduction. Criteria for Evaluating Post-Conflict Reconstruction and Security Sector Reform in Peace Support Operations.” *International Peacekeeping*. Vol. 13, No. 1, pp. 1-13.
- Celador, G.C. 2009. “Becoming ‘European’ through Police Reform: A Successful Strategy in Bosnia and Herzegovina?” *Crime, Law and Social Change*. Vol. 51, No. 2, pp. 231-242.
- Chêne, M. 2009. “Corruption and Anti-Corruption in Bosnia and Herzegovina (BiH).” Transparency International. [www.u4.no](http://www.u4.no). Transparency International, 2012.
- Crisis Group Europe. 2010. “Federation of Bosnia and Herzegovina—A Parallel Crisis.” Brussels: International Crisis Group. Report No 209.
- Denney, L. 2011. “Reducing Poverty with Teargas and Batons.” *African Affairs*. Vol. 110, No. 439, pp. 275-294.
- Divjak, B. and M. Pugh. 2008. “The Political Economy of Corruption in Bosnia and Herzegovina.” *International Peacekeeping*. Vol 15, No. 3, pp. 373-386.
- Dodge, T. and N. Redman. 2011. *Afghanistan to 2015 and Beyond*. London: Routledge.
- Donais, T. 2003. “The Political Economy of Stalemate: Organised Crime, Corruption and Economic Deformation in Post-Dayton Bosnia.” *Conflict, Security and Development*. Vol 3, No. 3, pp. 359-382.
- Edmunds, T. 2007. *Security Sector Reform in Transforming Societies: Croatia, Serbia and Montenegro*. Manchester: Manchester University Press.
- Egnell, R. and P. Haldén. 2009. “Laudable, Ahistorical and Overambitious: Security Sector Reform Meets State Formation Theory.” *Conflict, Security and Development*. Vol. 9, No. 1, pp. 27-54.
- Freedom House. 2008. “Nations in Transit Country Report: Bosnia and Herzegovina.” <<http://www.freedomhouse.org/report/nations-transit/2008/bosnia-and-herzegovina>> [accessed 24 May 2013].
- Heinrich, W. and M. Kulessa. 2005. “Deconstruction of States as an Opportunity for New Statism? The Example of Somalia and Somaliland,” pp. 57-69 in J. Hipple, ed. *Nation-building. A Key Concept for Peaceful Conflict Transformation*. London: Pluto Press.
- Hobbes, T. 1996 [1651]. *Leviathan*. New York: Oxford University Press.
- Jackson, P. 2011. “Security Sector Reform and State Building.” *Third World Quarterly*. Vol. 32, No. 10, pp. 1803-1822.
- Jukic, E. 2012. “Bosnia Urged To Boost Anti-Corruption Agency.” *Balkan Insight*. Published 20 March 2012. <<http://www.balkaninsight.com/en/article/eu-urged-bosnia-to-strengthen-anti-corruption-agency>> [accessed 24 May 2013].
- Keen, D. 2000. “Incentives and Disincentives for Violence,” pp. 19-41 in M. Bernal and D.M. Malone, eds. *Greed and Grievance. Economic Agendas in Civil Wars*. Boulder, CO: Lynne Rienne Publishers.
- Lister, S. 2007. “Understanding State-Building and Local Government in Afghanistan.” Working Paper No. 14. London School of Economics and Political Science, Crisis States Research Centre. <<http://www.lse.ac.uk/international-development/research/crisisStates/download/wp/wpSeries2/wp142.pdf>> [accessed 13 September 2013]
- Locke, J. 1956 [1689]. *Second Treatise on Government*. Oxford: Blackwell.
- Martens, K. 2012. *Warlords. Strong-Arm Brokers in Weak States*. New York: Cornell University Press.
- Martens, K. 2011. “Warlords,” pp. 302-314 in H. Strachan and S. Scheipers, eds. *The Changing Character of War*. Oxford: Oxford University Press.
- Mathisen, H. and V. Devine. 2005. “Corruption in Bosnia and Herzegovina, 2005.” Chr. Michelsen Institute [CMI] Report R2005:8. Bergen, Norway: Chr. Michelsen Institute.
- Menkhous, K. 2010. “State Failure and Ungoverned Space,” pp. 171-188 in M. Bernal and A. Wennmann, eds. *Ending Wars, Consolidating Peace: Economic Perspectives*. London: International Institute for Strategic Studies.
- Middlebrook, P. and M. Sedra. 2005. “Revisioning the International Compact for Afghanistan.” *Foreign Policy in Focus*. <[http://www.fpiif.org/reports/revisioning\\_the\\_international\\_compact\\_for\\_afghanistan](http://www.fpiif.org/reports/revisioning_the_international_compact_for_afghanistan)> [accessed 27 May 2013].
- Migdal, J.S. 1988. *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World*. Princeton, NJ: Princeton University Press.
- Mukhopadhyay, D. 2009. “Warlords as Bureaucrats: the Afghan Experience.” Carnegie Endowment for International Peace. Middle East Program. Nr. 101. Washington, D.C.: Carnegie Endowment for International Peace.
- NATO Defence Review. 2008. “Bosnia: A New Model Army?” <[www.nato.int/docu/review/2008/07/VID\\_BOSNIA\\_DEFENCEREFORM/EN](http://www.nato.int/docu/review/2008/07/VID_BOSNIA_DEFENCEREFORM/EN)> [accessed 24 May 2013].
- Rousseau, J.J. 1999 [1762]. *The Social Contract, or Principles of Political Right*. New York: Oxford University Press.
- Sedra, M. 2008. “Small Arms and Security Sector Reform” pp. 72-110 in M. Bathia and M. Sedra, eds. *Afghanistan, Arms and Conflict*. New York: Routledge.
- Shaw, M. 2006. “Drug Trafficking and the Development of Organized Crime in

- Post-Taliban Afghanistan,” pp. 189-214 in D. Buddenberg and W. Byrd, eds. *Afghanistan’s Drug Industry: Structure, Functioning, Dynamics and Implications for Counter-Narcotics Policy*. <[http://www.unodc.org/pdf/Afgh\\_drugindustry\\_Nov06.pdf](http://www.unodc.org/pdf/Afgh_drugindustry_Nov06.pdf)> [accessed 24 May 2013].
- SETimes online. 2013. “New Corruption Charges Seen as an Indictment of BiH Politics.” Published 14 May 2013. <[http://www.setimes.com/cocoon/setimes/xhtml/en\\_GB/features/setimes/features/2013/05/14/feature-02](http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2013/05/14/feature-02)> [accessed 28 May 2013].
- Spanta, R.D. 2005. “Afghanistan: Nation-Building in the Shadow of the Warlords and the ‘War on Terror’,” pp. 70-80 in J. Hippler, ed. *Nation-building. A Key Concept for Peaceful Conflict Transformation*. London: Pluto Press.
- Strand, A. 2008. “Fighting for Peace? Former Combatants and the Afghan Peace Process,” pp. 236-262 in S. Baranyi, ed. *The Paradoxes of Peacebuilding Post-9/11*. Vancouver and Toronto: University of British Columbia Press.
- Tilly, C. 1990. *Coercion, Capital, and European States, AD 990-1990*. Cambridge, MA: Blackwell Publishers.
- Transparency International. 2012. “Country Profile: Bosnia and Herzegovina.” <<http://www.transparency.org/country#BIH>> [accessed 24 May 2013].
- UN Commission on Human Rights. 2000. “The Role of Good Governance in the Promotion of Human Rights.” Commission on Human Rights Resolution 2000/64. 27 April 2000. E/CN.4/RES/2000/64. <<http://www.refworld.org/docid/3b00f28414.html>> [accessed 23 May 2013].
- Volkov, V. 1998. “Who is Strong when the State is Weak? Violent Entrepreneurs in Post-Communist Russia.” Conference presentation “Russia at the End of the Twentieth Century.” Stanford University, 5-7 November 1998.
- Weber, M. 1946 [1919]. “Politics as a Vocation,” pp. 77-128 in H.H. Gerth and C. Wright Mills, eds. *Essays in Sociology*. New York: Macmillan.



### **Economists for Peace and Security**

*Economists for Peace and Security* (EPS) is a network of affiliated organizations. Affiliates exist in Australia, Canada, Chile, Egypt, France, Germany, Greece, India, Israel, Japan, the Netherlands/Belgium, Russia, South Africa, Spain, and the United Kingdom. Each is legally independent and determines its own membership criteria and activities. (This journal is an activity of the affiliate in the United Kingdom.)

A group of prominent individuals serve as current trustees for EPS. They are: Clark Abt, George Akerlof\*, Oscar Arias\*, Kenneth J. Arrow\*, William J. Baumol, Barbara Bergmann, Andrew Brimmer, Robert J. Gordon, Sir Richard Jolly, Lawrence R. Klein\*, Eric Maskin\*, Daniel L. McFadden\*, Roger Myerson\*, Douglass C. North\*, George A. Papandreou, Robert Reich, Thomas Schelling\*, Amartya Sen\*, William Sharpe\*, Robert M. Solow\*, and Joseph E. Stiglitz\* (\*Nobel Laureate).

Late trustees: Robert Eisner, Franco Modigliani\*, John Kenneth Galbraith, Sir Clive Granger\*, Robert Heilbroner, Walter Isard, Wassily Leontief\*, Robert S. McNamara, Robert J. Schwartz (Founding Trustee), Jan Tinbergen\*, James Tobin\*, and Dorrie Weiss.

For more information about EPS and its affiliates, please visit the U.S. affiliates' web site at [www.epsusa.org](http://www.epsusa.org).