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How can economics help to understand today's armed conflicts? Oliver Vanden Eynde

The study of war and violent conflict is not traditionally part of economics. However, ever since the early 2000s, economists have increasingly studied conflict processes. At the same time, climate change and political changes at the global level force economists to ask new questions and adopt new methods. This editorial is taking stock of what we have learned from the economic study of conflict, and which are the challenges that conflict researchers need to confront in the coming years.

Development economists took the lead studying conflict, as the world's poor populations are increasingly concentrated in fragile states that are vulnerable to war. Of course, the study of conflict is well-established in political science and historical research. What economists have brought to the study of conflict is the use of econometric methods to analyze quantitative data – in combination with theoretical models describing the behavior of actors in conflict zones. In recent years, the disciplinary boundaries in conflict research have become blurred, in particular between political science and economics – which is a healthy development for the progression of knowledge. At the same time, the availability of data sets on historical and ongoing conflicts has grown tremendously. All of this has contributed to an explosion of data-driven work on conflict processes that uses modern methods of causal identification. Three broad challenges, on which quantitative conflict research has made real progress, deserve particular attention in the coming years: mitigating the climate-conflict nexus, designing conflict-proof political institutions, and understanding military operations.

Issue n°1: Mitigating the impact of climate shocks

One of the first questions that economists focused on was the relationship between economic shocks and violence. As climate shocks are a major (and often exogenous) determinant of economic output in developing countries, a large literature has studied if extreme weather (poor rainfall, high temperatures, or droughts) spurs conflict. The answer is clear: at least 55 studies confirm this link.¹ Underlying the relationship between poor weather and

violence is a mechanism whereby extreme climate shocks wreck livelihoods. The resulting combination of low productive opportunities and grievances is conducive to participation in conflict. In addition, the impact of extreme weather does not run exclusively through economic channels, as we know from biology that heat makes individuals more aggressive. Given the overwhelming evidence on the impact of poor weather on conflict, the current

¹ Burke M., Hsiang S. & Miguel E., 2015, "Climate and Conflict", *Annual Review of Economics*.

For a specific example in the context of India's Maoist conflict, see: Vanden Eynde O., 2018, "Targets of violence: Evidence from India's Naxalite Conflict", *The Economic Journal*.

climate crisis holds enormous risks, as the frequency and extent of extreme weather, and droughts in particular, will increase.

Recent research points towards policies that can break the link between climate shocks and violence. For example, in India, it has been shown that a major social protection program in rural areas managed to reduce the sensitivity of violence in the Maoist conflict to droughts.² By guaranteeing work at a low minimum wage in rural communities, the program gave poor cultivators and agricultural workers an alternative to joining the conflict. Similarly, a growing number of studies have found positive effects of small-scale targeted infrastructure investment or direct monetary transfers in communities that are vulnerable to conflict. But the implementation of these projects in ongoing conflict zones hinges on a fine balancing act. Armed groups have an interest in disrupting development interventions, exactly because they make the local population more independent from the conflict actors. Researchers have found evidence of this channel in the context of a large-scale community-based

development program in the Philippines.³

There is clear scope for quantitative research to further explore policy interventions that break the nexus between climate shocks and conflict, considering the specificities of the regions most affected by climate change and the policy tools available in different settings. A particularly important question is how to reduce the risk that climate migrants become targets of violence from civilians or armed groups (including state actors). In this example, but also more broadly, economic solutions cannot be implemented in isolation. Indeed, the provision of development aid in conflict zones cannot be dissociated from the security environment. The communities that are vulnerable to climate-induced violence may be particularly hard to reach for government actors or NGOs. In this sense, development interventions need to be thought of in combination with political and military interventions. These two dimensions represent additional challenges that quantitative research on conflict needs to address.

Issue n°2: Conflict-proof political institutions

As discussed earlier, we actually have some evidence on the type of development interventions that could reduce the vulnerability of communities to violent conflict. While NGOs or foreign aid can play a role in providing public services, it is hard to think of them ever achieving the scale required to offer protection to all vulnerable communities. In that sense, as

for almost any development challenge, governments are the crucial players. While the early economic literature on conflict was focused on economic shocks, there is an increasing interest in the political economy of conflict – to try to understand how political processes interact with violence dynamics in sub-national conflicts. The interactions with political systems can

² Fetzer T., 2020, “Can Workfare Programmes moderate Conflict? Evidence from India”, *Journal of the European Economic Association*, 18(6).

³ Crost B., Felter J. & Johnston P., 2014, “Aid under fire: Development projects and civil conflict”, *American Economic Review*.

be subtle as shown in a study revealing that iron ore royalties provide incentives for subnational governments to engage in the Maoist conflict.⁴ Such research recognizes that there may be scope to design political institutions to limit the vulnerability to conflict.

At least two broad lessons come out of the literature on how political institutions can mitigate the risk of conflict. First, institutional design could reduce conflict by creating political units that are not polarized. Indonesia created a large number of new districts in the last few decades, and research has shown that the creation less polarized units has led to lower social and political violence.⁵ Of course, redrawing political borders may not be practically feasible, and may not solve conflict over policies that concerns higher levels of government. But, a second lesson from the literature offers a way out. More inclusive institutions appear to break conflict processes. Cross-national research has shown that natural disasters have a weaker effect on conflict when political institutions are more “inclusive”, in the sense that the executive faces more constraints. Recent work on Nigeria has shown that elected sub-national governments manage to prevent oil price booms from sparking conflict – unlike appointed governments.⁶ Work on Northern Ireland has also shown that

institutions imposing power-sharing in local governments has reduced conflict.⁷

It is worth pointing out that inclusivity goes beyond the regular organization of elections (or democratic institutions), and is particularly concerned with the treatment of minority groups who may be driving the armed resistance against a majority-dominated government. Indeed, the idea of a “democratic peace”, as promoted by Kant⁸, appears to have limited validity for internal violent conflict. Quantitative work in political science only supports the hypothesis that democracies are less likely to engage in *external conflicts*.

This last stylized fact also touches on a limitation of the literature that has emerged at the frontier of political science and economics on political institutions and conflict: quantitative conflict research is very constrained in studying external wars. Inter-state wars have been so rare in the last 40 years that most of the quantitative empirical literature on conflict has focused on intra-state conflicts. In some sense, the proliferation and prevalence of “small wars” between the end of the second world war has been particularly well-suited to apply the methods developed as part of the causality revolution in applied economics. But, solutions that have been developed to reduce the risk of internal

⁴ Shapiro J. N. & Vanden Eynde O., 2023, “Fiscal Incentives for Conflict: Evidence from India’s Red Corridor”, *Review of Economics and Statistics*.

⁵ Bazzi S. & Gudgeon M., 2021, “The political boundaries of ethnic divisions”, *American Economic Journal: Applied Economics*.

⁶ Fetzer T. & Kyburz S., 2022, “Cohesive institutions and political violence”, *The Review of Economics and Statistics*.

⁷ Mueller H. & Rohner D., 2018, “Can power-sharing foster peace? Evidence from Northern Ireland”, *Economic Policy*.

⁸ The democratic peace theory argues that democracies are more peaceful in their foreign relations.

conflict cannot be translated easily to other contexts. For example, recent research has shown that football victories in the Africa cup seem to promote a common national identity and reduce ethnic violence.⁹ However, nation-building to reduce tensions between ethnic groups in the same country could backfire if it degenerates into a form of nationalism that fuels external conflict. As new wars may become bigger and necessitate analysis at a higher level, there could be more scope for theory, structural approaches, and also narrow collaboration with political scientists who have a long tradition of studying interstate conflicts and transitions between political systems.

The existing evidence in the literature supports the idea political institutions can be designed and tweaked promoting peace. At the same time, it is particularly

hard to change or impose political institutions, both at the level of countries and of international organizations. This challenge is clearly illustrated by the failure of NATO in establishing a stable democracy in Afghanistan. The recent military coups in West-Africa also show the limits of French influence in the Sahel region. Even if the scope for public policy interventions may appear limited, the challenges at the political level are enormous. The world is experiencing a rise in autocratic regimes. In addition to pressures coming from the climate crisis, i.e. threats to livelihoods and migration flows that are unlikely to affect regions or countries to the same extent, there is a real risk that both intra-state and interstate conflict will become more prevalent in recent years. The war in Ukraine, where Europe experiences its first interstate armed conflict since World War II, may be symptomatic of this new world.

Issue n°3: Understanding military operations

Naturally, a lot of attention from economists studying conflict has been on development interventions in conflict zones. Only recently, economists have started to study the extent to which military actions in ongoing conflicts affect violence dynamics. Security operations are essential to understand the evolution of armed conflicts. In principle, the complete tool box of empirical methods that have been developed to evaluate public policies can be applied to conflict settings. But applying them to the study of conflict poses a range of challenges.

Information on military operations, strategies, and conflict outcomes may not be easily available. In addition, it may be hard to determine the nature of a particular military strategy, which hampers the interpretation and generalizability of any findings. One particular intervention that has been studied in a variety of settings are bombing campaigns. For example, there is evidence showing that US bombing campaigns in the Vietnam war actually strengthened the local population's support for the Viet Cong fighters who were targeted by the attacks.¹⁰ There is now a set of studies in a

⁹ Campante F., Depetris-Chauvin E. & Durante R., 2020, "Building Nations through Shared Experiences: Evidence from African Football", *American Economic Review*.

¹⁰ Dell M. & Querubin P., 2018, "Nation building through foreign intervention: Evidence from discontinuities in military strategies", *The Quarterly Journal of Economics*.

variety of settings confirming the idea that aerial bombing campaigns tend to backfire.¹¹ This is an important finding, as countries engaged in war rely increasingly on bombing campaigns (with drones) and try to limit the involvement of soldiers to the bare minimum. This was the case of the recent French mission in the Sahel region.

There are other examples of research on important military decisions, such as the shift of security responsibility from an international intervention force to local security forces. Looking at the withdrawal of NATO troops from Afghanistan between 2011 and 2014, we find that the transfer of security to Afghan forces initially improved security, but that the closure of military bases contributed to an escalation of violence. These patterns are consistent with the Taliban fighters laying down strategically during the transition in order to speed up the withdrawal process – a strategy that they continued to adopt until the final withdrawal of US troops and the collapse of the Afghan republic in the summer of 2021.¹² In addition to studying the impacts of military strategy, it can be useful to understand the drivers of military decisions – in particular those that lead to human rights abuses or civilian deaths.¹³

The news on the War in Ukraine also gives us daily reminders of the complexity and stakes of military planning, including its logistical and organizational components. The drivers and impacts of military

strategies are likely to be highly context specific, and this is certainly true of the examples mentioned above. Attempts to translate the conclusions of these studies to other contexts clearly require a deep understanding of different conflict contexts, as would be obtained from more traditional military analysis. Still, there is a large potential for quantitative conflict research to create a body of evidence that can help inform and understand military decision-making. Of course, academic research in this area cannot ignore normative questions about the objectives and costs of military campaigns. At the same time, security operations are unavoidable in certain settings, for example, when decision makers inherit ongoing conflicts or need to respond to external aggression. In these contexts, it is particularly important to understand which military decisions can reduce the human cost of war and which decisions can – literally – backfire.

Conclusion

The tight link between conflict processes, political institutions, and economic activity has long been identified as a challenge for the developing world. Mostly focusing on civil war settings, quantitative conflict researchers have made substantial progress in providing evidence that can help address these challenges. Still, the combination of climate change and a rise of authoritarian regimes forces us to focus on

¹¹ For example: Condra L. N., Felter J. H., Iyengar R. K. & Shapiro J. N., 2010, *The effect of civilian casualties in Afghanistan and Iraq*, NBER Working Paper n°16152

¹² Fetzer T., Souza P. C., Vanden Eynde O. & Wright, A. L., 2021, "Security Transitions", *American Economic Review*.

¹³ Ekaterina Zhuravskaya has studied how Israel times its attacks in the Palestinian Territories strategically to limit the coverage of casualties in the US news cycles.

Durante R. & Zhuravskaya E., 2018, "Attack When the World Is Not Watching? US News and the Israeli-Palestinian Conflict", *Journal of Political Economy*.

new questions and to adjust our approaches. The war in Ukraine could be symptomatic of some of these changes. It has sadly also raised the stakes of understanding conflict processes for

Europe's economic and political future. For all these reasons, data-driven economic research on conflict is more important than ever.
