

Bandits or states? Armed groups' expropriation strategies and the economy: evidence from Eastern Congo

Raul Sanchez de la Sierra

This study collected yearly historical data on 140 rural villages in Eastern Democratic Republic of Congo to identify the conditions under which armed groups can create institutions favorable to private sector development in areas over which the central state has little or no authority. A new survey instrument aimed at reducing measurement error in historical and sensitive data was designed specifically for this project.

A dominant view across disciplines is that states first arise from a 'monopoly of violence' with criminal incentives which, under certain circumstances, can go on to provide protection and public goods as well as extract regular taxes. This study seeks to provide empirical foundations to this view of the state by focusing on two main research questions. First, if organized crime is motivated by the profits it extracts through taxation, are monopolies of violence more likely to *emerge* in locations with higher potential revenues from taxation? Second, is 'monopoly of violence' a sensible way to conceptualize the state? That is, can monopolies of violence – even those with only criminal motives – eventually develop state-like behaviours? To answer this question, I explore empirically the conditions under which existing criminal monopolists of violence protect the private sector.

Eastern Congo is a well-suited environment to examine state formation in its early stages. The country is ranked as one of the world's weakest states and is considered a 'failed state'. As a result, armed groups have proliferated in the East, where they implement violent robberies but also fight to control individual villages, in which they administer monopolies of violence, collect taxes, provide public goods, and even enjoy popular support – as in historical accounts of the formation of European states. This context thus provides systematic, observable criminal behaviour on which to ground the monopolies of violence theory of state formation.

Collecting the data

As a foundation for this study, and in order to observe how violent organizations behave in relation to the private sector, I conducted fieldwork in 'stateless' areas of Eastern Congo to collect village-level panel data on current armed groups' activity. I developed a strategy to collect sensitive historical data and trained a team of 10 Congolese surveyors. I then deployed the surveyors to 140 mining villages that were known to have been under the influence of a large number of armed groups for a long period of time (Fig.1). In each village, the surveyors recruited and trained a group of village 'history specialists' (village chiefs, elders, and mining sector experts) for the collection of non-sensitive historical data (henceforth, the village specialists). Then, over the course of a week in each village, the surveyors administered retrospective



Fig. 1 – National road 2 taken by the survey team to reach the Mwenga territory

Private Enterprise Development in Low-Income Countries

household surveys – in private environments – to verify the most sensitive information, and monitored the progress of the village specialists. At every step of the data collection process, surveyors used extensive time cues to facilitate the accurate matching of years to events. On the last day, the surveyors cross-checked the data gathered from the different sources in a day-long meeting with the village specialists (Fig. 2).



Fig. 2 – Surveyors collecting data during final day meeting with village specialists (Kalehe, Sud Kivu)

Identifying a causal relationship

With this data in hand, in order to identify the determinants of the formation of monopolies of violence in the villages under study, I examined the impact of the large sudden increases in the world price of certain minerals that took place between 1998 and 2009. Based on the timing of these price shocks, I can test whether armed groups were more likely to hold monopolies of violence in the villages endowed with these minerals in priority. If monopolies of violence are indeed more likely to emerge in locations with higher potential revenues from taxation, one would expect these positive price shocks to cause a rise in armed groups' use of organized crime in villages with higher concentrations of these minerals – by increasing the tax base from which the groups in power could extract profits.

Findings on the origins of monopolies of violence

My analysis revealed that increases in the world price of minerals induce the formation of growth-promoting monopolies of violence, but only if these minerals are easy to tax. Some villages in this dataset were endowed with coltan, a mineral that can easily be taxed because it is bulky and so cannot be easily hidden, while the rest were endowed with gold, a light, high-value mineral that is easy to conceal and hence much harder to tax. A significant rise in the demand for coltan (coming from the video-game industry) in 2000, led armed groups to establish local monopolies of violence – often by fighting each other to take control of the villages endowed with coltan. The historical data collected from the households also suggests that, once established, the armed groups started collecting taxes on economic activity, especially in the mineral sector. The later sudden rise in the world price of gold, however, did not have the same impact on armed groups' behaviour: this price shock did not make villages endowed with gold any more likely to be the target of attempted conquests by armed groups, nor did armed groups seek to settle in these villages any longer than before the shock. Since gold is easy to conceal, this is consistent with the role played by taxation in the establishment of monopolies of violence.

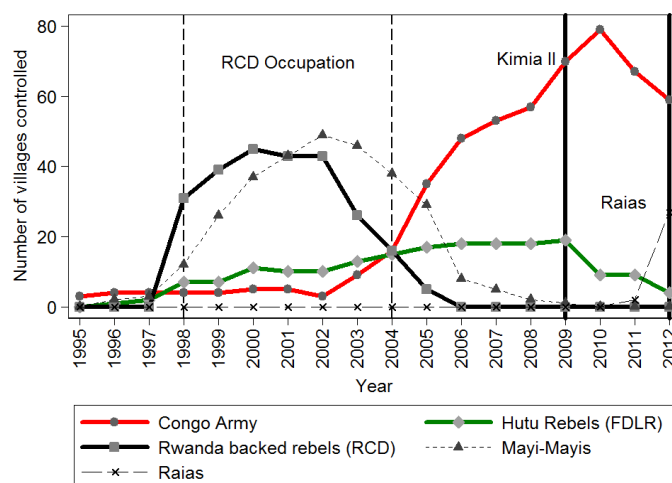


Fig. 3 – Overview of the main 'monopolies of violence' in the period under study



Private Enterprise Development in Low-Income Countries

Findings on monopolies of violence and the private sector

I find that armed groups that have established monopolies of violence develop elaborate, stable taxation plans which are similar to those of medieval states (i.e. states typically unable to observe income). They tax and regulate population movement, food sales, labor, mining output, and even collect capitation (poll) taxes. Furthermore, they provide security and administer justice in many of the areas under their control. Analysing the timing of a peace agreement also shows that the presence of monopolies of violence is associated with higher economic activity, which is consistent with the growth-promoting role of states. Finally, using the timing of a large peacekeeping military operation, I find that when their monopoly comes under threat, the armed groups in power turn from regular taxation and protection to violent pillages of their own tax base.

Possible policy implications

This project has implications for the design of policies aimed at protecting the populations of fragile and conflict-affected areas where monopolies of violence are likely to arise:

- This study demonstrates that armed groups who hold a stable monopoly of violence provide public goods and may even have a positive effect on economic activity. However, when their monopoly comes under threat, this equilibrium breaks down and armed groups turn violent against the populations under their control. This result suggests that governments interested in cleaning the mineral chain need to place particular emphasis on the protection of civilians in the aftermath of interventions aiming to limit established armed groups' stable revenues.
- Furthermore, guaranteeing a stable source of income to state officials with coercive means may reduce their incentives to engage in illegal taxes or even pillages to substitute for their income.
- Finally, development aid disbursed in 'stateless' areas can provide a source of revenue to armed groups: aid that translates into fixed assets or into observable economic activity will more easily be taxed by armed groups. Intangible assets, such as education, can hardly be taxed, as long as specific attention is paid to the process in which these services are delivered.

Moving Forward...

The project's next step will be to disseminate these results to Congolese and international stakeholders present in the DRC. I then plan to expand the data collection to the most mineral-rich and armed-groups-affected area, North Kivu, in order to provide a stronger empirical basis to these initial findings and further exploit their links with private sector development in 'stateless' regions. For instance, some of the armed groups studied here can be compared to private entrepreneurs as they provide access to credit and private protection, in contrast to state-like organizations.

The next phase of the project will also include collecting additional data to determine how access to mobile phone coverage and road infrastructure might deter the criminal activities of armed groups and armed state officials. Preliminary data from the analysis of changes in access to roads and cell phone coverage over time in the 140 villages sampled for this exploratory study suggests that improved transport and connectivity infrastructure may be a powerful deterrent of criminal activity (by either armed groups or state officials).