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**CONCEPTUALISING THE CAUSES AND
CONSEQUENCES OF FAILED STATES:
A CRITICAL REVIEW OF THE
LITERATURE**

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Conceptualising the Causes and Consequences of Failed States: A Critical Review of the Literature¹

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Introduction

The literature on ‘state failure’ has received considerable attention across the range of social science enquiry. The genesis of the term ‘state failure’ dates back to the rent-seeking literature, which emphasised the economic costs of state intervention, which welfare economics had previously ignored. The message of this literature was that state failure, in the form of inefficient growth-retarding institutional interventions is often more costly to the economy in terms of rent-seeking and corruption costs than the market failures states were attempting to correct (Krueger 1974; see Khan and Jomo 2000 for a critique). The rent-seeking literature, while influential in the increased interest in governance, has been inadequate in explaining why the effectiveness of state intervention *varies* within countries over time and across polities. However the interest in ‘state failure’ has gone beyond the analysis of why government regulation may or may not enhance economic growth and development. The problem in many less developed countries has not been only poor economic performance but a breakdown in the legitimacy and political viability of states. While there are several studies which point to the relevance of poor economic performance as a cause of state breakdown and the onset of civil war (Collier and Hoeffler 1998; World Bank 2003), there are indeed many poorly performing states in economic terms such as Tanzania, Ghana, Zambia, and Venezuela (to name but a few) that have not experienced anything like the breakdown of some other poor economic performers (such as Angola or Somalia).

In recent times, the failure of US interventions in Somalia, Haiti and Iraq, and the flourishing of terrorist organisations in Afghanistan have heightened academic and foreign policy interests in conceptualising the notion of ‘failed’ states. US foreign policy has been shaped, particularly since the September 11 bombings, by the potential threat of so-called ‘failed states’. Failed states are seen as places where terrorist organisations and international criminal networks can flourish. The document that established a focus on the threat of failed states is the National Security Strategy paper in 2002, which stated: ‘America is now threatened less by conquering states than [it is] by failing ones’.²

Although academic debates about ‘failed states’ commenced in the early 1990’s, the notion of ‘state failure’ has been germane to the political economy of international relations for centuries. The problem of state failure was taken seriously by colonial occupiers. Indeed, European colonial powers justified their empires, in part, on the idea that their rule would

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² The notion that state failure constitutes a direct threat to the United States is now seen as a mainstream view. In 1992, then-UN secretary general Boutros Boutros-Ghali laid the foundations for that principle in a treatise to the Security Council entitled ‘An Agenda for Peace, Preventive Diplomacy, Peacemaking, and Peace-Keeping’.

bring an end to 'savage' and 'barbarous' rule in the colonies. Powerful countries often intervened in poor, weaker states to stem social disorder that potentially threatened their security and trade interests (Dorff 2000). Moreover, 'the weak state provided an opportunity for territorial expansion by the great powers' (ibid.).

Sovereign states are expected to perform certain minimal functions for the security and well-being of their citizens as well as the smooth working of the international system. The political science and international relations literature has been concerned with identifying why the state itself ceases to perform core Weberian functions. States that fail to meet these minimal standards have been described as 'weak', 'fragile', or 'poorly performing' (Torres and Anderson 2004: 5). More extreme cases have been labelled 'failed' or 'collapsed'. The interest in state breakdown at this core level has been sparked by the urgency of understanding the factors behind political violence and civil war, and the growth of terrorist organisations in many less developed countries (Cramer 2006; Menkhaus 2004). The proliferation of labels - ranging from 'crisis states' to 'countries at risk of instability' and 'countries under stress'- reflects the range of ways in which the core problem has been conceived (Torres and Anderson 2004: 5).

The growing interest in state failure is no coincidence. This is because the number of new or embryonic states has grown dramatically in the last half of the twentieth century.

In 1914, in the wake of decline of the Ottoman and Austro-Hungarian empires, there were fifty-five recognised national polities. In 1919, there were fifty-nine nations. In 1950, that number reached sixty-nine. Ten years later, after the independence movements in Africa, there were ninety nations. After more African, Asian, and Oceanic territories became independent, and after the demise of the Soviet Union, the number of nations increased dramatically to 191; East Timor's independence in 2002 brought that total to 192 (Rotberg 2003: 2).

Historical evidence suggests that the process of state formation is riddled with conflict, violence and uncertainty over the institutional structure as groups compete to establish positions of power and legitimacy (Moore 1966; Tilly 1990; Mann 1993; Cramer 2006).

Five big ideas pervade the state failure literature. The first is the pre-requisite view of development. This view, which dominates the governance literature, argues that liberal markets and transparent, accountable states with bureaucracies with classic Weberian structures are a necessary input for successful economic development to proceed. The persistence of clientelist, corrupt and patrimonial states is seen in this view at best as anti-developmental and at worst a trigger for predatory state action and violent reaction among both state and non-state factions. The second is the liberal view of war and violence, which posits that economic liberalisation and democracy promote peace. In the liberal view, war is always negative in its reasons and consequences and thus represents 'development in reverse'. A third view develops the idea that clientelist and patrimonial states, while perhaps not developmental, are purposefully constructed by elites to promote their interests in capital accumulation and maintaining power. This view contrasts with the first two big ideas in that it sees identifying and measuring state failure as a misleading exercise since it fails to incorporate how leaders *adapt* to the historical constraints of the post-colonial environment by constructing informal mechanisms of social control and capital accumulation. This view attempts to incorporate the role of political agency in concrete historical contexts. The fourth

is the idea that the unravelling of states is closely related to the nature of so-called 'new wars'. The proponents of the 'new war' thesis argue that contemporary wars are distinct from old wars in their method of warfare, their causes and their financing. In this view, new wars can be understood only in the context of globalisation where the distinction between war and organised crime is blurred and where war financing is dependent more on webs of legal and illegal global networks. Moreover these wars have generated an economy that is built on plunder, which is sustained through continued violence. The proponents of this view claim that wars are nowadays apolitical: resources used to be thought of as a means of struggle, now they are conceived of as the *object* of struggle. Fifth, the 'resource curse' argument, which is the idea that abundance of natural resources, and in particular oil, causes poor growth, and raises the incidence, intensity and duration of conflict has been an influential part of the state failure literature. While mineral abundance has long been considered beneficial to economic and political development, the recent poor economic performance of oil exporters and the growing incidence of civil wars and political instability in mineral-rich economies have revived the idea that their resource abundance may be more of a curse than a blessing. This paper will address some of the important insights and shortcomings of each of these ideas and examine the extent to which they can explain the variation and change in state formation and capacity in fragile states.

What is a Failed State?

Any definition of state failure needs to begin with an understanding of the different definitions of the state.³ How the state is defined is central to an understanding of state failure. In international law, a given 'state' exists when a political entity is recognised by other states as the highest political authority in a given territory and is treated as an 'equal' among the international 'community' of states. Statehood does not require diplomatic recognition by other states, but rather a recognition that it exists. Another common definition in international customary law states that statehood exists only when a given political entity possesses a permanent population, a defined territory, a government, and the capacity to enter into relations with other states.

The classic sociological definition, first developed by Niccolò Machiavelli, emphasises the use of force, and force alone, as the foundational element of a state. Max Weber elaborated on this idea in his definition of statehood: 'a state [is] a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory' even when 'the right to used physical force is ascribed to other institutions or to individuals only to the extent to which the state permits it'.⁴

A broader definition of the state involves the idea of 'social contract', which focuses on the relationship between the state and citizen. This idea was developed by the English political philosopher, Thomas Hobbes in the 17th century. Hobbes argued that individuals living without a state and a rule of law find themselves in a situation of war, of all against all in which life is 'solitary, poor, nasty, brutish, and short'. His idea was that individuals would

³ Definitions of the state draw extensively on Nyugen (2005: 3-4).

⁴ A narrow economic definition of the state, as developed in the new institutional economics (Coase 1960; North 1990) views the state as the set of institutions that sanctions the creation, enforcement, and changes in property rights and contracts. Such a definition ignores what factors allow the state to achieve this.

voluntarily make a social contract with an absolute sovereign government - the state - by giving up some of their freedom in exchange for guaranteed peace and security.⁵

Helman and Ratner (1993) were among the first analysts to use the term 'failed state'. They were concerned about 'a disturbing new phenomenon' whereby a state was becoming 'utterly incapable of sustaining itself as a member of the international community'. They argued that a failed state would '[imperil] their own citizens and [threaten] their neighbours through refugee flow, political instability and random warfare'. Michael Ignatieff (2002) adopts a Machiavellian/Weberian understanding of state failure when he argues that state failure occurs when 'the central government loses the monopoly of the means of violence' (p. 118). In the wider sense of state failure, Zartman (1995) develops the idea of state failure along the lines of Hobbesian social contract theory. For Zartman, state failure occurs when 'the basic functions of the state are no longer performed....It refers to a situation where the structure, authority (legitimate power), law, and political order have fallen apart'.

There are many categories and definitions of 'state failure' that have proliferated in the literature. State failure can occur in many dimensions such as security, economic development, political representation, income distribution and so on. According to Rotberg (2002: 85):

nation-states fail because they can no longer deliver positive political goods to their people. Their governments lose legitimacy, and in the eyes and hearts of a growing plurality of its citizens, the nation-state itself becomes illegitimate.

'Failed' or 'collapsed' in his view is the end stage of failure. In extreme cases, failure may occur on all dimensions simultaneously as in Somalia. However, in most cases, there is a wide variation in the extent to which a state 'fails' across different dimensions. In Colombia, for instance, the state has been relatively impressive in macroeconomic management, but has been unable to control large parts of its rural areas where guerrilla and paramilitary groups and drug cartels are powerful. It is thus imperative for any definition of 'failure' to be explicit in which dimension a state fails. Given the variation in state capacity across sectors, aggregate measures or categorisations of 'failure' can be misleading.

The failed states literature stresses that there are certain indicators that are necessary (if not sufficient) to categorise a state as 'failed'. The persistence of political violence is salient in most definitions of 'failed states'. For Rotberg (2003):

failed states are tense, deeply conflicted, dangerous, and bitterly contested by warring factions. In most failed states, government troops battle armed revolts led by one or more warring factions.

In his definition, the absolute intensity of violence does not define a failed state. Rather, it is the enduring character of that violence (as in Angola, Burundi, and Sudan), the direction of

⁵ Przeworski (1991) argues that the notion that democracy is a social contract is logically inconsistent: 'Contracts are observed only because they are exogenously enforced; democracy, by definition, is a system in which no one stands above the will of the contending parties. As Hardin (1987: 2) notes: 'A constitution is not a contract, indeed it creates the institutions of contracting. Hence, again, its function is to resolve a problem that is prior to contracting'. In mainstream economic literature, it is also recognized that individual bargaining, or Coasean bargains (which is another name for the social contract) can not explain the emergence of the state (Olson 2000).

such violence against an existing government or regime, and the vigorous character of the political or geographical demands for shared power or autonomy that rationalise or justify that violence that identifies a failed state. In this view, political and criminal violence does not condition failure and the absence of violence does not necessarily mean the state in question has not failed. A closely related indicator of state failure is the growth of criminal violence. Here the presence of gangs, criminal syndicates, arms and drug-trafficking are the most cited. As a result of the failure of a state to provide security from violent non-state actors, people often seek protection from warlords or other armed rivals of the state.

A second indicator of failed states concerns their inability to control their borders. They lose authority over chunks of their territory. Often the expression of official power is limited to the capital city and one or more ethnically specific zones. Indeed one measure of the extent of state failure is how much of the state's geographical expanse a government genuinely controls.

Rotberg also introduces the idea that it is possible to rank failures according to in how many dimensions a state fails to deliver positive political goods. Nation-states exist to deliver political goods - security, education, health, economic opportunity, environmental surveillance, making and enforcing an institutional framework, providing and maintaining infrastructure. In order to rank the severity of state failure, Rotberg suggests that there is a hierarchy of positive state functions. These are: a) security; b) institutions to regulate and adjudicate conflicts; rule of law, secure property rights, contract enforcement; c) political participation; and d) social service delivery, infrastructure, and regulation of the economy.⁶ In this analysis, strong states perform well across these categories and with respect to each separately. Weak states show a mixed profile, and failed states are a sub-category of weak states. The main idea developed by Rotberg is that no single indicator provides certain evidence that a strong state is becoming weak or a weak state is beginning to fail. As a result it is necessary to take the indicators together.

While this hierarchy is a useful starting point to define state failure, identifying precise tipping points where state weakness transforms into either failure or collapse is difficult as Rotberg acknowledges. There are several examples of countries that have failed economically but have not experienced large-scale political violence (such as Tanzania, Zambia). Moreover, the lack of political participation does not necessarily weaken a state internally. Much of the literature in fact finds that semi-authoritarian regimes (so-called 'anocracies') are more prone to political violence than either more open democracies or more authoritarian regimes (Marshall and Gurr 2003). The extent of corruption and bureaucratic capacity, which is cited as an indicator of failure, is also misleading. Cross-country evidence for less developed countries suggests that levels of corruption and bureaucratic capacity do

⁶ In the last category, Rotberg suggests that the level of capital flight would be a good indicator of failure to manage the economy. Of course, other standard indicators would be the level of inflation (an indicator of social conflict as Rowthorn (1971) has argued), the black market premium of the exchange rate, the level of external debt relative to GDP, large deficits in the balance of payments, and long-term declines in per capita growth. Indicators of infrastructural failure could include the performance of the postal service, the phone system, the number and condition of the road system. Indicators of social service delivery could be basic health and education indicators. These would include life expectancy, infant mortality, the number of doctors and nurses per 1,000 inhabitants, adult and adolescent illiteracy rates, and the number of teachers per student population. In all these cases, it would be useful to compare these indicators with regional averages and with countries with similar incomes per capita. As well, where possible, it would be useful to estimate the regional variation of these indicators within a country. This could help assess the extent to which horizontal inequalities in access to state resources and economic opportunities are relevant.

not determine long-run growth rates (Khan 2006). Finally, the presence of large-scale political violence and criminal activity does not indicate the extent to which the state fails to secure a large section of the territory and/or can manage other functions (such as macro management and revenue collection). The difficulty comes in defining states where capacity varies substantially across functions (such as Colombia, Sri Lanka, and Mozambique). Iraq under Saddam Hussain, however distasteful, was not a ‘failed state’ in all the above-mentioned dimensions despite the absence of widespread political participation. The idea that repression is a necessary indicator of ‘failure’ is an ahistorical proposition given the construction of many developmental states before democracy became a source of legitimate government rule (Moore 1966).⁷

However, the idea that state ‘failure’ should be broken down into sub-categories is useful. This is because of the co-existence of variations in state capacity at a given time in one country and because of the movement of states to and from more and less severe conditions of failure. Vague and imprecise definitions of ‘failure’ abound in the literature. For instance, Zartman (1995) argues state collapse occurs when it can no longer perform the functions required of them to pass as states. For Zartman ‘collapse means that the basic functions of a state are no longer performed, as analyzed in various theories of the state’ (p. 5). This conflates failed with collapsed and doesn’t detail which functions are critical to each state of failure.

It is thus necessary to establish clear criteria for distinguishing collapse and failure from generic weakness or fragility, and collapse from failure. Understanding why fragile states slide toward failure will help policymakers to design methods to prevent failure, and in the cases of states that nevertheless fail (or collapse), to revive them and assist in the re-building process.

There have been other important initiatives in defining ‘state failure’ though the focus on the dimension of each definition varies. Torres and Anderson (2004) provide a brief summary of the range of definitions:

- 1) USAID: failing states are characterised by a growing inability or unwillingness to assure provision of even basic services and security to their populations.

‘Fragile States Strategy’ offers three operationally relevant definitions for failing, failed, and recovering states. The approach to assessing state fragility focuses on a state’s effectiveness (administrative capacity and resources) and legitimacy by measuring four key dimensions: political, economic, social and security. Provides dynamic explanation but focuses on security, conflict management and state capacity building. Issues of equity and inclusion are brought to the fore, but the disadvantage of this approach is that effectiveness is not sufficiently disaggregated to understand the difference between willingness and capacity.

- 2) The US-based Task Force, now called the Political Instability Task Force, at the University of Maryland, defines ‘state failure’ as an instance where central state authority collapsed for several years’. These included four types of events: revolutionary wars, ethnic wars, adverse regime changes, and genocides/politicides (see www.cidcm.umd.edu/inscr/stfail/).

⁷ Iraq only qualifies as a failed state after the US-led invasion.

- 3) The World Bank (www1.worldbank.org/operations/licus/): Low-income countries under stress (LICUS) are characterised by very weak policies, institutions, and governance. Aid does not work well in these environments because governments lack the capacity or inclination to use finance effectively for poverty reduction.

There are two distinct LICUS environments: post-conflict and non- post-conflict. The main advantage of the Bank's approach is that it distinguishes these countries from others, tries to develop indicators, but LICUS list is not publicly available and the classification is based on the Bank's own Country and Institutional Assessment (CPIA) system.

The Bank identifies fragile states by weak performance on the Country Policy and Institutional Assessment (CPIA). They share a common fragility, in two particular respects:

- a) State policies and institutions are weak in these countries: making them vulnerable in their capacity to deliver services to their citizens, to control corruption, or to provide for sufficient voice and accountability.
- b) They face risks of conflict and political instability. Of 26 countries with intermediate or worse civil conflicts between 1992 and 2002, 21 were also LICUS during this period.

LICUS have twice the income poverty and child mortality rates of other low income countries; they also pose a risk of negative spill-overs for their neighbours and the wider global community, through spread of conflict and organised crime, refugee flows, epidemic diseases, and barriers to trade and investment. Improving the international response in these countries is a critical development challenge. While all LICUS are characterised by weak policies and institutions, country context varies considerably and operational approaches must be carefully calibrated to take this into account. Emerging experience with country strategy implementation shows that LICUS are clustered in four main business models for engagement: (a) deteriorating; (b) prolonged political crisis; (c) fragile transition; and (d) gradual improvers. For each country type, different approaches and operational tools are needed.

In general, the policy advice is vague, there are few specifics on the nature of deep political economy analysis and the Bank proceeds with the idea that conflict is 'development in reverse', which is an ahistorical proposition (see below). There is no mention of building tax revenues, which is vital for post-war reconstruction (Boyce and O'Donnell 2007). Moreover, the goal is to get countries to achieve 'good governance', which is viewed as an input into state-building and development, an idea that is problematic, ahistorical and not supported by the evidence (Khan 2006).

- 4) The British Department for International Development (DFID) used the World Bank's Country Policy and Institutional Assessments (CPIA) methodology to draw up a list of 'fragile states', defined in a very similar way to the way 'failed states' are defined in other studies.

DFID defines fragile states as those where

the government cannot or will not deliver core functions to the majority of its people, including the poor. The most important functions of the state for poverty reduction are territorial control, safety and security, capacity to manage public resources, delivery of basic services, and the ability to protect and support the ways in which the poorest people sustain themselves' (DFID 2005: 7).⁸

This definition does not connote fragility, nor of course does it make any reference to which institutions and functions are central to identifying a state as 'fragile'.

- 5) One of the most comprehensive studies on state failure was a task force commissioned by the Central Intelligence Agency's Directorate of Intelligence in 2000.⁹ In that report, the authors sought to quantify and examine episodes of state failure between 1955 and 1998. Working from their first definition of state failure (when 'central state authority collapses for several years'), the study finds 20 cases of state failure, too small a number to produce statistically significant conclusions. As a consequence, the authors chose to broaden the definition to include the following lesser events:

a) revolutionary wars defined as 'sustained violent conflict between governments and politically organised challengers that seek to overthrow the central government, replace its leaders, or seize power in one region'.

b) ethnic wars defined as 'sustained violent conflict in which national, ethnic, religious, or other communal minorities challenge governments to seek major changes in their status'.

c) adverse regime changes defined as 'major, abrupt shifts in patterns of governance, including state collapse, periods of severe elite or regime instability, and shifts away from democratic to authoritarian rule'.

d) genocides and politicides defined as 'sustained policies by states or their agents, or in civil wars, by either of the contending authorities that result in the deaths of a substantial portion of a communal or political group'.

The category labeled 'near total failures of state authority' corresponds most closely to the authors' original definition of state failure, which the task force had rejected. There were 11 of these cases in the period 1990-1998 (Afghanistan, Bosnia and Herzegovina, Burundi, Congo-Kinshasa, Guinea-Bissau, Liberia, Rwanda, Sierra Leone, Tajikistan, USSR, Yugoslavia).

After establishing the new criteria, the authors found 114 cases of state failure between 1955 and 1998. This represents a six-fold increase. The authors contend that the change in criteria allowed them to achieve a degree of statistical significance, hardly a defensible reason. They also argued that the new methodology was chosen because 'events that fall beneath [the] total-collapse threshold often pose challenges to US foreign policy as well'. This broad adventure in categorisation included the

⁸ The full list of fragile states as categorized by DFID is available in the annex to the report.

⁹ The section on the CIA draws on the analysis of Logan and Preble (2006).

following countries as 'failed states' in December 1998: China, Egypt, India, Iran, Iraq, Indonesia, Israel, the Philippines, and Sierra Leone. Broadening (and indeed overloading) the definition (for statistical, ideological or geo-political reasons), creates obvious problems. If China, with the fastest rate of economic growth in the world and strong effective central government, is categorised as a 'failed state', then surely Sierra Leone would love to achieve such 'failure'.

- 6) The Crisis States Research Centre at the London School of Economics (Crisis States Workshop – London, March 2006) makes an attempt to categorise countries according to different states of vulnerability and effectiveness. The three categories developed are fragile, crisis, and failed. The definitions are laid out as follows:

Fragile State: A 'fragile state' is a state significantly susceptible to crisis in one or more of its sub-systems. (It is a state that is particularly vulnerable to internal and external shocks and domestic and international conflicts.) In a fragile state, institutional arrangements embody and perhaps preserve the conditions of crisis: in economic terms, this could be institutions (importantly, property rights) that reinforce stagnation or low growth rates, or embody extreme inequality (in wealth, in access to land, in access to the means to make a living); in social terms institutions may embody extreme inequality or lack of access altogether to health or education; in political terms, institutions may entrench exclusionary coalitions in power (in ethnic, religious, or perhaps regional terms), or extreme factionalism or significantly fragmented security organisations. Drawing on insights related to 'institutional multiplicity' – ubiquitous in our research so far. In fragile states, statutory institutional arrangements are vulnerable to challenges by rival institutional systems be they derived from traditional authorities, devised by communities under conditions of stress that see little of the state (in terms of security, development or welfare), or be they derived from warlords, or other non-state power brokers. The opposite of a 'fragile state' is a 'stable state' – one where dominant or statutory institutional arrangements appear able to withstand internal and external shocks and contestation remains within the boundaries of reigning institutional arrangements.

Crisis State: A crisis state is a state under acute stress, where reigning institutions face serious contestation and are potentially unable to manage conflict and shocks. (There is a danger of state collapse.) This is not an absolute condition, but a condition at a given point of time, so a state can reach a 'crisis condition' and recover from it, or can remain in crisis over relatively long periods of time, or a crisis state can unravel and collapse. Such a process could lead, as we have always argued, to the formation of new states, to war and chaos, or to the consolidation of the *ancien régime*. Specific 'crises' within the subsystems of the state can also exist - an economic crisis, a public health crisis like HIV/AIDS, a public order crisis, a constitutional crisis, for instance - with each on its own not amounting to a generalised condition of a crisis state although a subsystem crisis can be sufficiently severe and/or protracted that it gives rise to the generalised condition of a crisis state. The opposite of a crisis state is a 'resilient state', where institutions are generally able to cope with conflict, to manage sub-state crises, to respond to contestation, wherever the state sits between fragility and stability.

Failed State: We define a 'failed state' as a condition of 'state collapse', e.g. a state that can no longer perform its basic security, and development functions and that has no

effective control over its territory and borders. A failed state is one that can no longer reproduce the conditions for its own existence. This term is used in very contradictory ways in the policy community (for instance, there is a tendency to label a 'poorly performing' state as 'failed' – a tendency we reject). The opposite of a 'failed state' is an 'enduring state' and the absolute dividing line between these two conditions is difficult to ascertain at the margins. Even in a failed state, some elements of the state, such as local state organisations, might continue to exist.

While it is difficult to identify a definitive boundary between these three categories, they can provide rough guideposts in assessing the direction in which a polity is moving. The breakdown of states into different degrees of effectiveness is useful in underlining that state formation is a *historical process* that is open-ended and continually subject to contestation, particularly in the case of new/post-war and low-income states. Rather than insisting that states need to be pigeon-holed as 'successful' or 'failed', this framework allows for an assessment of state effectiveness along a *continuum* where conflict and violence, far from an aberration of state formation and development are an integral part of these processes. In this perspective, it is possible to assess violence, war and non-state challenges not only as 'development in reverse' (though this may occur in the case of failed states), but as both reflective of the political economy of state formation in less developed economies, and, as history attests, the extent to which such contestations have the potential to be developmental. This framework also allows for assessing effectiveness in the sub-components of a state. This is useful since state capacities are not uniform across functions.

Overall, the terms 'state failure' or 'failed state' are clearly inappropriate since they imply that there is an 'end state' in which the 'failure' arrives in final form. The term 'failing state', as Dorff (2000) suggests, is somewhat more appropriate as it suggests a process of failing, and better fits the perspective of a continuum along which increased weakening of the state governing capacity occurs. Moreover, it allows for a wide range of degrees of failing, a point that the Crisis States Programme framework emphasises.

Failure, however defined, needs to be understood in the historical context in which it occurs. It is misleading, for example, to define a 'failed state' in the context where state formation never really happened in the first place. Moreover, if policy intervention is to be more effective, it is useful to establish the *time frame of 'state failure'*: processes of state weakening are likely to have different characteristics and dynamics if they are at an advanced as opposed to an initial phase.

Why states fail

While the onset of political violence, including civil war, does not necessarily imply state failure, the persistence of such violence certainly constitutes at least a failure in some basic sub-components of state functions like the provision of peace and security throughout the totality of a nation-state's territory. What is difficult is to establish causality. Does political violence cause state failure? Or does prior state failure leave a state vulnerable to insurgency?

Resource abundance, resource scarcity, state failure and violent political conflict

The literature on failed states has focused on the struggle to appropriate resources in underdeveloped economic settings. There are two main approaches. The first emphasises the role resource scarcity and environmental degradation plays in onset of political violence

generally and violent political challenges to state authority in particular. The other focuses on the role resource abundance plays in the affecting similar processes. While the later is the more influential view, let us consider the environmental scarcity argument first.

Environmental degradation and violent political conflict

One influential view on state failure is the idea that resource scarcity and environmental degradation is central to processes of political violence generally and violent political challenges to state authority in particular. Homer-Dixon (1999) for example argues that:

environmental scarcity can contribute to diffuse, persistent sub-national violence such as ethnic clashes and insurgencies. In coming decades, the incidence of such violence will probably increase as environmental scarcities worsen in some parts of the developing world.

A second view in this vein is the so-called 'Greenwar factor' where:

environmental impoverishment, increasing the conflict over resources, marginalisation of rural people, social and political unrest, displacement and uncontrolled migration lead to further conflict and the outbreak of wars between and within states (Fairhead 2000).

A third more popular view is expressed by German Prime Minister Angela Merkel where she claims 'greenhouse effect, desertification, and increasing scarcity of water are likely to cause violent conflicts and millions of environmental refugees'.

The most well developed theory behind the relationship between environmental scarcity and political violence is developed by Homer-Dixon (1999). The basic logic of his argument is as follows. Land is valued because of scarcity, and scarcity brings over-use, and land degradation, which in turn fuels poverty and rebellion. Moreover, population density aggravates this problem.

There are several problems with environmental scarcity argument. First, many conflicts occur in countries with resource wealth rather than resource scarcity as we will discuss in the next section. Many authors argue resource abundance creates incentives to capture the state and helps finance rebellions when such resources are 'lootable'. Examples would include Sierra Leone, Liberia, Biafra, Congo/Zaire, and Angola.

Second, as Fairhead (2000) argues, conflicts may not be over resources *per se*, but may equally concern struggles over means to exploit resources through a) labour force exploitation, b) access to international capital markets, c) control over means of communication and trade routes, and d) political access to markets. Examples of this point can be found in Fairchild's analysis of political violence in Sierra Leone, Liberia, Biafra, Senegal and Angola.

Third, there is a conflation of degradation with scarcity. Conflict can arise due to growing social differentiation and inequality in land access at the same time that there are

improvements in productivity in land use.¹⁰ How can increased total food production overall coincide with growing scarcity and poverty for some? The answer lies in the distribution of entitlements (Sen 1981). Increased marketisation of land can generate land inequalities as those with access to non-farm income and employment accumulate land. This process can be accelerated when traditional institutions of allocation land erode (see André and Platteau 1998 on Rwanda).

Fourth, these arguments do not examine why and how some episodes of political violence lead to state breakdown in some contexts (DRC, Afghanistan) and not others (Colombia, Mozambique). Nor do they examine why countries facing similar resource constraints experience violence (Uganda) and others do not (Tanzania). These issues are of central concern in explaining state crisis, failure and breakdown.

In sum, there are both theoretical and empirical reasons to suggest that the environmental scarcity argument is inadequate in explaining political violence and/or the state failure. There is a need in this literature to incorporate (identity) politics and political access to land rights and employment (for example see Fairhead 2000 on Rwanda) in explaining political violence, as well as violent challenges to state authority. Moreover, there is a need to examine whether the politics of patronage are indivisible or divisible, that is whether state policies are biased toward certain groups (Hirschman 1995; Stewart 2000).

The resource curse

One of the more influential propositions of recent times is the so-called 'resource curse' argument: the idea that abundance of natural resources, and in particular oil, causes poor growth, and raises the incidence, intensity and duration of conflict. While oil abundance has long been considered beneficial to economic and political development, the recent poor economic performance of oil exporters and the growing incidence of civil wars in mineral-rich economies have revived the idea that their resource abundance may be more of a curse than a blessing.

The most influential empirical work on the causes of civil war has been undertaken by Collier and Hoeffler (1998, 2001, 2002a, 2004) who find that primary commodity exports increase the likelihood of the onset of civil war. Their most recent work, which covers 161 countries and 78 civil wars between 1960-1999, claims that a state's dependence on natural resources - measured as the ratio of primary commodity exports to GDP - has a significant influence on the likelihood that a civil war will begin in the next five years.¹¹ Their data suggest that resource dependence has a non-linear effect: it increases the likelihood of conflict until the resource-GDP ratio is 32%; beyond this point resources diminish the likelihood of conflict. They also find this effect is substantial: when other variables are held at their mean, a rise in resource dependence from zero to 32% increases the likelihood of civil war from 1% to 22%.

More recent quantitative analyses found important methodological deficiencies with the natural resource-conflict correlation (Sambanis 2004; Elbadawi and Sambanis 2002; Ross

¹⁰ André and Platteau (1998) for example is careful not to equate onset of civil war with land scarcity and lack of non-agricultural employment in their study of agrarian violence in Rwanda.

¹¹ Civil war is defined when an identifiable rebel organisation challenges the government militarily and resulting in violence with more than 1,000 combat-related deaths, with at least 5 percent on each side (Collier et al. 2003: 54). The sample and definition of war are taken from the Correlates of War project (where the data can be viewed at www.correlatesofwar.org).

2004a). For instance, Collier and Hoeffler's dataset does not include diamonds and narcotics, which are often salient in the 'war economies' literature as crucial to the financing opportunities of 'greedy rebels' (Malone and Nitzschke 2005: 5). Ross (2004a:356) concludes that 'the claim that primary commodity exports are linked to civil war appears to be fragile and should be treated with caution'. Fearon and Laitin (2003: 87) provide the sharpest challenge to Collier and Hoeffler: they report that 'neither the share of primary commodities in GDP nor its square is remotely significant' in their model.

There is, however, greater consensus among most analysts that oil abundance is significantly correlated to the onset of civil war in less developed countries in the period 1945-1999. Some analysts have estimated that oil exports are significantly correlated with the full set of civil war onsets (de Soysa 2002a; Fearon and Laitin 2003), while others find that oil export abundance is significantly associated with a sub-set of civil wars, namely, secessionist wars (Collier and Hoeffler 2002a; Collier et al. 2003).¹² Ross (2004a), in assessing the recent evidence, concludes that 'there is good quantitative evidence that oil exports are significantly associated with the onset of civil wars'. Furthermore, Ross makes an important contribution by presenting the various mechanisms that may account for the link between oil and political violence. Some of the possible mechanisms he suggests to explain these links are supposedly well-known manifestations of the 'resource curse' in oil economies, namely, poor economic growth, high corruption, and authoritarianism.

The resource curse argument has two variants. The first is the so-called 'honey pot', or rent-seeking argument, which suggests that oil abundant less developed countries generate valuable rents and that the existence of these rents tends to generate violent forms of rent-seeking that take the form of 'greed-based' insurgencies (Collier and Hoeffler 2004).¹³ Overall, their model of rebellion finds that low-income, economic decline and dependence on primary commodities increase the risk of the onset of civil war (Collier et al 2003: 101). Collier and Hoeffler (2002a) further suggest that one particular mineral, oil, is especially relevant in secessionist wars. They attempt to demonstrate that oil abundance helps predict the type of war (secessionist as opposed to non-secessionist) once primary commodity exports have been controlled for (Collier et al. 2003:60-61).

The second variant of the resource curse argument, used to explain the mechanisms through which resource abundance generates violent conflict, is the rentier state model. The main premise of the rentier state model of governance is that when states gain a large proportion of their revenues from external sources, such as resource rents, the reduced necessity of state decision-makers to levy domestic taxes causes leaders to be less accountable to individuals and groups within civil society. Fearon and Laitin (2003), drawing on the work of rentier state theorists (for example Karl 1997), argues that oil states are more likely to have weak state structures because they have less need to create strong bureaucracies to raise revenue. Weak state structures, in turn, can make the state more vulnerable to insurgency. Because oil economies possess the highest levels of rents available in the economy, the validity of the resource abundant-political violence link in such economies is crucial to claims that mineral resource rents contribute to armed rebellion in less developed countries.

¹² de Soysa's correlation linking oil and civil war is based on a definition of war with much lower threshold of battle-deaths (25) than the Collier and Hoeffler threshold, which is 1,000 battle-related deaths. Thus, de Soysa's finding does not tell us whether mineral and fuel export dependence is correlated to the onset of larger-scale political violence.

¹³ Oil abundance is defined as those economies that derive at least one-third of their exports from oil.

The idea that mineral resource rents generate economic incentives for violent rebellion was developed first in a series of papers by Collier and Hoeffler.¹⁴ Their so-called ‘greed’ thesis is an application of rent-seeking theory, which, in its simple form, posits that the existence of a valuable ‘prize’ induces individuals to spend time and resources to appropriate the ‘prize’. Mineral resource rents (such as from oil), in this model, provide both the motivation to try to capture the state, and, potentially, the means to finance rebellions. The idea that rebels can ‘do well out of war’ was proposed as a more convincing explanation of the onset of conflict than socio-political grievances, income and asset inequality, ethnic rivalry, or the absence of democracy (Collier 2000).

Collier and Hoeffler (1998) propose that mineral rents can lead to rebellion through a ‘looting’ mechanism. If rebel organisations have the opportunity to extract and sell resources (or extort money from those who do), then they are more likely to launch a civil war. From this perspective, war is caused by ‘greed’ rather than ‘grievance’. As Cramer (2002b) notes, the logic of *homo economicus* posits that:

rebellion against injustice has something of the qualities of a public good and, therefore, will also display the weaknesses of a public good, primarily susceptibility to free riders: hence, injustice might exist but will not produce sufficient conflict. Similarly, there is a time-consistency problem in that actors of violence are presumed not to trust the promises of leaders, reasonably expecting them to renege on their mobilizing pledges to put right a range of social wrongs or sources of grievance. On the other hand, appealing to people’s demand for instant gratification through loot nicely overcomes these difficulties (p. 1848).

Collier and Hoeffler note that natural resources offer rebel groups a funding opportunity because they produce rents that are location-specific and can be looted on a sustained basis. The possibility of looting or extorting money from manufacturing firms is less because these firms are more mobile.

The notion that the existence of oil rents necessarily generates greater conflict is consistent with mainstream theories of rent-seeking. Rents refer to the ‘excess incomes’, or the ‘proportion of earnings in excess of the minimum amount needed to attract a worker to accept a particular job or a firm to enter a particular industry’ (Milgrom & Roberts 1992: 269). Rents can take many forms, such as: higher than competitive rates of return in monopolies; extra income earned from exclusive ownership of a scarce resource, whether natural resources or specialised knowledge; extra income from politically organised transfers such as subsidies (Khan 2000a). In the mainstream view, the availability of rents is the ultimate source of rent-seeking and corruption (Mauro 1998: 11) and some have even postulated an ‘iron law’ of rent-seeking ‘wherever a rent is to be found, a rent-seeker will be there trying to get it’ (Mueller 1989: 241).

Rent-seeking broadly can be interpreted as activities which seek to create, maintain or change the rights and institutions on which particular rents are based. Since rents specify incomes, which are higher than would otherwise have been earned, there are incentives to create and

¹⁴ Following on the work of Hirschleifer (1987, 1994) Collier and Hoeffler (1998, 2001), and Collier (2000) develop models to show that war is more likely where the gains from a possible victory outweigh the costs of coordinating a rebellion.

maintain these rents (Khan 2000b). Rent-seeking can be conceptualised as influencing activities, which range from bribing, political lobbying, and advertising, to taking up arms. The greed-based theories of war make two implicit assumptions: the first is that the existence of oil rents will induce greater rent-seeking generally and second, that violent forms of rent-seeking are more likely to occur when oil rents exist.

Implicit in the rent-seeking models of rebellion is that *non-violent forms of rent-seeking* are *not* sufficient to prevent *violent* challenges to state authority. It is useful to consider that there are a multiplicity of mechanisms that link state and society. The first are legal and institutional influencing activities, which are the dominant form of rent-seeking in advanced economies and the least developed form in poor economies. Business chambers and labour unions represent a small part of the population. Moreover, political parties, who potentially could aggregate interests and mobilise 'voice', are often factionalised in less developed countries. In contrast, lobby groups, political parties, labour unions and legal campaign contributions to parties on the part of business groups are well established forms of institutionalised rent-seeking or influencing in richer countries. The second mechanism of influencing is informal patron-client networks, which are a central feature of many poor economies. Such clientelism is a substitute for the welfare state, which is often inadequate in meeting welfare demands of large parts of the population. Third, and closely related to the second, are illegal forms of rent-seeking or corruption. In the absence of viable legal and institutionalised mechanisms to influence the state, corruption and clientelism become important substitute forms of influencing the policy-making process in less developed economies. When one or more of the above three mechanisms fail to provide influencing opportunities to political actors, political violence represents a fourth path to influence and/or capture the state. The models of Collier and Hoeffler, and that of Fearon and Laitin, do not specify why or if the three non-violent forms of influencing/rent-seeking are less effective in oil-abundant economies as opposed to non-oil abundant economies. Indeed, it may be equally plausible to argue that large oil rents permit state leaders to buy off political opposition through corrupt transactions and patronage-led rent allocations, and thus prevent violent challenges to their authority.

The deterministic model of violent rent-seeking proposed by Collier and Hoeffler ignores how the level of political contestation and political processes of conflict resolution are likely to affect distributive struggles over oil rents. Is it, however, necessarily the case that increases in rents, of whatever type, induce increases in rent-seeking? The answer would depend on the political conditions that induce struggle in the first place and the relative power of competing groups to engage in rent-seeking struggles, including violent ones. One of the possible factors that might induce rent-seeking struggle could be a dispute over the distribution of rights and assets sanctioned by the state. If there is at least a passive acceptance of the distribution of rights and rents that emanate from mineral income, then rent-seeking struggles may be low. This means that the issue of political legitimacy needs to be central to any analysis of the impact of mineral abundance or rent-seeking on political outcomes, including patterns of conflict and violence. It is when the distribution of rights is perceived as illegitimate by significant groups within a society that conflict and violence becomes more likely.¹⁵ It is not clear, *a priori*, that oil-rich economies generate a more unjust or illegitimate distribution of rights and income than non-mineral dominant economies. Even if it were the case that oil economies generate greater inequality of income, the evidence suggests that injustice and inequality do not inevitably generate conflict (Cramer 2002b:1848-49).

¹⁵ This draws on Putzel's (1999) notion of 'political legitimacy'.

What is particularly problematic for the notion that oil economies are vulnerable to violent rent-seeking is that the looting mechanism is not so relevant in such economies since oil rents are point resources, not diffuse, and thus should be less likely to be 'lootable'. As a result, there are not convincing theoretical arguments as to why violent rent-seeking is either more likely in economies dominated by oil (or other 'point' resources such as kimberlite diamonds or copper), which rely on capital-intensive production methods and are subject to significant barriers to entry.¹⁶ More generally, without incorporating political analysis, it is not possible to understand why and how violent forms of rent-seeking become feasible in the first place.

The second main argument of the mineral wealth-conflict hypothesis is the rentier state model. The core argument of the second variant, which has been called 'political Dutch Disease', is that rentier state leaders, by relying on 'unearned' income (in the form of mineral rents and/or aid), do not develop a set of reciprocal obligations with citizens via the nexus of domestic taxation (Moore 1998, 2001).¹⁷ As a result, mineral rents (particularly oil and gas) can, in lower-income countries, coincide with weak or illegitimate state institutions which may trigger conflict.

'Unearned' income through mineral resource rents can allow elites to purchase security through corrupt patron-client networks, rather than with the establishment of a 'social contract' based on the exchange of public goods financed through domestic taxation. Such arrangements, according to this model, can reduce a regime's legitimacy and relative military, administrative, political and economic power, which, in turn, can render the regime vulnerable to rebellion (Reno 2002; Le Billon 2003). Fearon & Laitin (2003), drawing on rentier state theorists (see Chaudhry 1989; Karl 1997), posit that oil dependent poor countries are more prone to conflict than non-oil economies because 'oil producers tend to have weaker state apparatuses than one would expect given their level of income because rulers have less need for socially intrusive and elaborate bureaucratic systems to raise revenues – a political Dutch Disease' (p. 81).

According to rentier state theorists, the reliance on unearned income can have several negative effects on a regime's legitimacy and capacity to combat or prevent rebellion. The first outcome of increased unearned income is a growing independence of states from citizens. This increased autonomy of states from citizens can increase the ability of state leaders to act in predatory ways, or at the very least reduces the need for state leaders to develop long-run political bargains with interest groups. This, in turn, makes taxation and revenues more unpredictable, which may increase arbitrary confiscation when volatile mineral rents suddenly collapse. The second retarding effect on state capacity of unearned income is the decline in bureaucratic capacity. With little bureaucratic presence in tax collection and limited

¹⁶ The case of kimberlite diamonds is analogous to oil and gas production in that both require large-scale, capital-intensive extraction mechanisms, yet there is *no* evidence in the literature reviewed by Ross (2004a) that economies abundant in kimberlite diamonds produce secessionist wars. Cases that link war to diamonds involve economies with abundant alluvial diamonds such as Sierra Leone and Angola. Alluvial diamonds, found near the earth's surface, can be extracted by artisan miners and thus represent a more 'lootable' resource with lower barriers to entry in production. As such, rebel leaders can more credibly commit to offering material incentives to rebel soldiers, thus lessening the problem of rebel recruitment.

¹⁷ The economic concept of Dutch Disease refers to the potential negative effects natural resource windfalls and accompanying appreciations of exchange rates can have for the rest of the economy. One of the potential dangers of oil booms, for example, is that exchange rate appreciation renders the non-oil-tradable sectors such as manufacturing less competitive and thus can generate de-industrialisation.

information about what goes on at the grassroots level, states may be vulnerable to organised predators including guerrillas and private armies. A third argument of rentier state theorists is that mismanagement of resource wealth can create grievances that, when combined with a history of ethnically-based secessionist tendencies, can increase the likelihood of organised armed rebellion (Malone & Nitzschke 2005: 5). The plausibility of these arguments depends on the extent to which oil wealth necessarily generates the aforementioned problems.

Rentier state theories are subject to several important shortcomings. First of all, leaders are implicitly assumed to 'own' the natural resources, that is, they are assigned the 'property rights' over resources. How rulers appropriate and maintain power is not adequately analysed. By assigning 'rights' to leaders (whether in the state or civil society), the whole problematic of how 'common pool resources' are managed is neglected, when the real problem of common pool resources is, in fact, analysing the processes through which rights are assigned, enforced, maintained and changed (Olson 1965; Libecap 1989; Ostrom 1990). In other words, it is assumed that there are no collective actors within the society that can impose some domestic conditionality on how those who occupy the state exercise their power. Second, it is assumed that a weak state exists at the time of the discovery of 'external rents' (Karl 1997: 42). It is not clear in this framework whether resource endowment caused a particular state to be weak in the first place.

Third, leaders are assumed to have predatory as opposed to developmental aims. The neglect of the political processes through which a leader appropriates power limits our understanding of the motivations of state leaders. The state is not a thing, such as 'a predator', but a set of social relations. The existence of oil abundance does not preclude the possibility that state leaders share income from resource rents with groups that comprise their political support base. Even if it is assumed that the leader has absolute power and is thus the 'owner' or 'residual claimant'¹⁸ in an economy, it does not necessarily follow that leaders will act in predatory ways. Following Olson (1993), a leader that has a long time horizon, what he calls a 'stationary bandit', has the incentive to maximise the rate of economic growth as this will maximise the resources accruing to the state in the long-run. A dictator, who does not have to tax citizens to maintain power, still can rationally have developmental as opposed to predatory motivations. Predatory behaviour on the part of leaders - that is, making money out of perpetuating civil war - cannot be assumed or simply described, but needs to be explained. Predation will occur as a consequence of the failure to adopt much more lucrative and broad-based legitimacy-enhancing developmental aims. The decision of leaders to purposefully engage in rapacious acts to accumulate capital thus assumes that they have made a prior decision that long-run economic development is either undesirable or politically and/or economically unfeasible. However, the conditions under which predatory behaviour dominates developmental behaviour in an oil economy are not addressed in the rentier state model and thus there is little relevant policy advice on offer from such a deterministic perspective.

Indeed, in a recent comparative work on oil states, Smith (2004) has found that, in the period 1974-1999, oil wealth is robustly associated with increased regime stability, even when controlling for repression, and with a lower likelihood of civil war. Smith finds that neither

¹⁸ In the neoclassical theory of the firm, the residual claimant refers to the firm owner (Alchain and Demsetz 1972). The firm owner in this theory is assigned the right to appropriate the residual, that is, profits, of the firm's team production. According to this theory, private ownership of firms provides the incentives for owners to monitor team production efficiently.

boom nor bust periods exerted any significant effect on regime stability in states most dependent on exports, even while those states saw more protests during the bust. This is an interesting finding since patronage levels to buy support declined significantly in the bust period. This again points to political processes of durable coalition-building, a facet lacking in the rentier state proposition. The durability and long-run resistance to organised rebellion in many oil states suggest regimes in these economies have generally avoided the substitution of oil for statecraft, and there is little in the literature to guide scholarship in the study of how oil wealth and strong institutions might mix (*ibid*).

In sum, the rebel centred models of Collier and Hoeffler and Fearon and Laitin do not consider the crucial *prior* question of how and why regimes became vulnerable to insurgency in the first place. There is thus no attempt to incorporate political processes in analyses of state capacity to resist and prevent rebellion. As such, there is little guidance into explaining how and why the resource curse can be avoided.

Mainstream theories of rent-seeking neglect the role that politics plays in the *use* of state-created rents. Because political struggle and settlements are historically specific, deterministic models are misleading in explaining rent allocation in actual political systems. The extent to which mineral economies generate both higher rent-seeking costs and less developmental rent-seeking outcomes is ultimately an empirical issue.

It has been suggested that the risk of civil war is increased in oil states because oil states tend to produce authoritarian governance (Ross 2001b, de Soysa 2002b). Implicit in this argument is that authoritarian governments are more predatory, and thus more likely to engage in violent attacks on opponents. This in turn may induce violent retaliations since non-violent forms of influencing the state and non-violent forms of conflict resolution are generally less developed in authoritarian regimes.

There are, however, important shortcomings in this argument. First, there is no convincing evidence to support this position. In the period 1974-1999, oil states were no more likely to enter civil war than non-oil states (Smith 2004). Secondly, there is no evidence that democratic regimes in less developed countries were *less* likely to succumb to civil wars. In fact, there is some evidence that the process of democratisation in less developed countries can be used to exacerbate nationalist and ethnic tensions and thus increases the risk of civil wars (Mansfield and Snyder 1995; Snyder 2000). These authors find that democratisation typically creates a syndrome of weak central authority, unstable domestic coalitions and high-energy mass politics. Elites need to gain mass allies to defend weakened positions, and often whip up nationalism to bolster fragmented support. These arguments are consistent with other institutional analyses that find, in transitions to democracy, increased competition over resources often leads to greater rent-seeking, weakening of property rights, and worsening economic performance (Clague et al. 1997). In sum, the argument that oil states are more prone to conflict because they are authoritarian is not convincing.

While Ross (2004a) finds that there is satisfactory evidence that oil states are more prone to civil conflict than non-oil economies, here too the evidence is fragile. Fearon and Laitin (2003) claim that, in the period 1945-1999, oil states are more prone to civil war than other developing economies after controlling for income per capita and a series of other variables. However, this result breaks down in later time periods, is sensitive to the definition of civil war, and is not statistically significant when one excludes a small group of countries, which were questionably coded as undergoing 'civil wars'. Let us consider each of these factors that

undermine the robustness of the correlation between oil abundance and the onset of civil war. First, the result breaks down for the post-1965 period: Humphreys (2003) reports that, in the Fearon and Laitin (2003) model, the ‘oil exporter’ dummy loses significance when observations prior to 1965 are dropped from the estimations. This period is part of the boom period in oil prices, which takes place largely in the 1970s and early 1980s, when oil surpluses are greatest as a percentage of GDP in oil-rich LDCs. This is further refutation of the proposition that the size of oil rents in the economy does increase the risk of civil war. Secondly, the relationship between oil and conflict breaks down when certain outliers and/or cases that are questionably included (such as the first two years of Algerian and Indonesian independence, and Russia) are left out of the model. A robust correlation should not break down with the removal of one or two cases. As Humphreys notes, there are non-trivial grounds for the removal of these particular cases: the early Algeria conflict may be regarded as a continuation of the independence struggle rather than the onset of a new war; while the Indonesia and Russia cases each involve multiple occurrences of war onset (at least 4 each).¹⁹ The Fearon-Laitin model inappropriately treats these multiple occurrences as if they were definitely independent. As a result, the likelihood of civil war onset in oil states rests on the questionable inclusion of two rather idiosyncratic cases. Thirdly, Smith (2004), using the Gleditsch et al. (2002) dataset, finds that oil wealth is robustly associated with increased regime stability, even when controlling for repression, and with a lower likelihood of civil war in the period 1974-1999. This corroborates the failure of Fearon and Laitin to find a significant relationship between oil wealth and civil in the period 1965-1999.²⁰ It is important to note that Iraq, Angola, and Qatar are excluded from the regressions in Smith’s study due to lack of data availability for certain variables. While Smith acknowledges that the inclusion of these countries may alter the results, this once again underscores the sensitivity of the result to very few cases. Even so, of the three missing cases for this period, Qatar and Iraq were both durable regimes and did not experience civil war during this period. In the case of Angola, there is substantial case evidence that the onset of civil war began before oil and diamonds were salient economic sectors and had much more to do with the failure to diversify the economy in the 1960’s (see below).

The second concern is that correlation does not demonstrate causality. For instance, it is at least as probable that civil wars might produce or sustain mineral resource dependence. This could occur if conflict raised transaction costs and risk and thus reduced the amount of manufacturing investment, which tends to have a longer gestation period (Ross 2001a). At the same time, the mineral investment may continue through conflict since the returns are higher given the higher level of ground rent and given that investment in the sector cannot flee because mineral resources are location-specific. Even though Collier and Hoeffler employ lagged independent variables in their regressions, this does not rule out reverse causality; since civil wars are not recognised as ‘beginning’ until they have generated at least a thousand combat-related deaths, they might be preceded by significant enough levels of violence and political conflict that it is a disincentive to long-run manufacturing investment, generating a higher level of resource dependence before the civil war technically begins.

¹⁹ See also Sambanis (2004) on the problems of coding the onset and termination of wars both generally and in the Fearon and Laitin (2003) model.

²⁰ In Smith’s study, oil economies are categorised as those countries that depended on oil exports for more than 10% of GDP for at least five years in the period 1974-1999. The countries are: Algeria, Bahrain, Congo (Brazzaville), Ecuador, Egypt, Gabon, Indonesia, Iran, Kuwait, Libya, Mexico, Nigeria, Oman, Saudi Arabia, Syria, Trinidad and Tobago, Tunisia, United Arab Emirates, Venezuela.

The case of Angola in the 1960s is instructive.²¹ According to Cramer (2002a), oil and diamonds had little to do with the onset of war in the 1960s. Minerals were a very small part of total exports and gross domestic product at the onset of political conflict. War and policy-making in the 1960's can be seen to have created a dependence on mineral exports. The Angolan economy was undergoing a dramatic structural change. Manufacturing accounted for 25 percent of GDP by independence in 1961 and the late 1960s and early 1970s saw Angola achieve one of the most rapid manufacturing growth rates in sub-Saharan Africa. The onset of war along with inefficient industrial policies led to falls in agricultural and industrial production on the eve of oil windfalls in the early 1970s. The direction of causality seems to be the reverse of that posited by the rent-seeking and rentier state model.

Fourth, it is also possible that war may prevent an economy from becoming more resource abundant in the first place. If state leaders are to appropriate oil revenues, for instance, they need to secure and enforce property rights in the territory where there is oil. Oil rents, like all rents, themselves require the specification of rights, which do not occur naturally. Moreover, state leaders need to be able to either extract taxation from multinationals, or what is even more difficult, extract the mineral wealth through public enterprise production. Wars can just as easily prevent a state becoming a more abundant mineral producer. The case of war preventing the further development of oil in the Sudan in the 1990's is a case in point. In this case, the causality between resource abundance and war would be the opposite of the rentier state argument.

Fifth, there is a neglect of the effect of prior wars and neighbouring wars as a cause of conflict. In the poorest region, sub-Saharan Africa (where most of the civil wars have occurred in the period 1960-1999), a main trait of many current conflicts is that they occur in countries or sub-regions that have had a previous and/or neighbouring conflict (see Table 1).

Table 1. Persistence and Contagion: Wars in Africa, 1989-1999

<u>Country</u>	<u>War before</u>	<u>War next door</u>
Angola	Yes	Zaire/Congo
Burundi	(1970s)	Rwanda
Congo-Brazzaville	No	Zaire/Congo
Djibouti	No	All neighbours
Guinea Bissau	(1970s)	Casamance, Senegal
Liberia	No	No
Mali	(1960s)	Algeria, Mauritania
Rwanda	(1960s)	Uganda
Senegal (Casamance)	border wars	border wars
Sierra Leone	No	Liberia
Somalia	Yes	Ethiopia
Sudan	Yes	Ethiopia, Uganda, Chad
Uganda	Yes	Sudan, D.R.

²¹ This paragraph draws primarily on Cramer (2002a: 13-14).

insurrections Zaire/D.R. Congo	(1960s, 70s)	Congo Rwanda, Angola
<u>Border Wars</u>		
Country		
Mauritania-	yes	
Senegal	(Mauritania)	Western Sahara
Ethiopia-Eritrea	yes (both)	Sudan, Somalia

Source: de Waal (2000:5)

In the period 1989-1999 de Waal (2000: 1-34) shows that there are two important elements of war in Africa: first is the persistence of war and second, wars are readily transmissible from one country to another. Of the sixteen cases of war de Waal highlights, seven had recent wars before and a further five suffered wars within twenty years of their most recent conflict. Fifteen of the wars occurred in the countries where there was a recent war in a neighbouring country (the so-called 'war next door' syndrome).²² Only one case, Liberia, is an exception. Of these sixteen cases, seven cases (Burundi, Djibouti, Mali, Rwanda, Somalia, Sudan, Uganda, and Ethiopia-Eritrea) were *non*-mineral dominant economies, and only one, Angola, is an oil economy. Even here, the 'wars before, war next door' syndrome was present. The prevalence of the 'wars before, war next door' syndrome in both mineral resource-rich and mineral-resource poor, countries, suggests that the dynamics of persistence and contagion are the result of contingent issues of political economy.

Sixth, all of the statistical studies discussed are guilty of selection bias. By definition, most countries that do not have a diversified agricultural and manufacturing base become mineral dependent. In historical terms, almost all countries began as mineral-dominant economies. For instance, the US, Canada, Norway, Sweden, the Netherlands, Australia, and Malaysia were, in earlier stages of development, more mineral-dominant, less diversified economies.²³ If that is the case, then it makes sense to ask why political conflicts prevented growth in some mineral dependent economies and not in others. This is also an important problematic because the majority of countries suffering civil wars and humanitarian emergencies have experienced several years, or even decades, of prolonged stagnation and/or decline in economic growth (Nafziger and Auvinen 2002: 155). In the period 1980-1991, 40 of 58 (69%) African and Asian countries experienced negative growth. In contrast, only 9 of 53 had experienced negative growth in the period 1960-1980 (*ibid.*). While it is a complex issue to explain why there is such a difference in this total between periods, one economic factor has been the deflationary impact of structural adjustment programs throughout the region.²⁴

²² On the relevance of the *regional* dynamics and dimensions of war, see also Väyrynen (1996) and Wallensteen and Sollenberg (1998). See the discussion in Section 3b below.

²³ It is true that oil rents as a percentage of GDP are far greater in oil-rich LDCs today than for the now advanced countries cited above in earlier periods of their history. However, the *lack* of any relationship between conflict and oil abundance in the 1965-1999 period (Humphreys, 2003), when levels of oil rents as a percentage of GDP were at their *highest* due to the oil booms of the 1970s and early 1980s, suggests that the *size* of oil rents does not necessarily affect conflict.

²⁴ See: Mosely, Subasat and Weeks (1995); UNCTAD (1998); Sender (2002), and Mkandawire (2005a). Other factors that may have contributed to this are poor and declining agricultural export growth and increasing debt burdens.

An important political factor has been the end of the regulation of the arms trade after the Cold War.

In sum, there seems to be little convincing evidence that oil abundance *per se* causes conflict although there is some evidence that once a conflict is underway, some types of natural resources may facilitate the prolongation of war. The evidence thus suggests that factor endowments do not determine politics. The indeterminacy of oil wealth and violence suggests that the nature of conflicts in mineral-dominant economies does not exist prior to politics. Because political bargaining surrounding common pool mineral rents is historically specific, the case study and comparative political economy approach will be useful in furthering our understanding of political violence in poor economies.

Historically grounded research on the origins and nature of political organisations and their support base may enable us to develop a framework for understanding the extent to which conflict becomes more or less divisible (see Hirschman 1995 on divisibility). Systematic analysis of competing political party strategies and their effects in generating more or less divisible parameters of contestation should prove useful. In order to specify the mechanisms through which political settlements and coalitions generate political violence, future research needs to focus more on the case study and comparative approach and less on variable-oriented approaches. The salience and intensity of ethnic, regional and/or religious cleavages is contingent on political party organisation, co-optation and other strategies. The approaches of Collier and Hoeffler, and Fearon and Laitin cannot accommodate these important contingencies, sequences of action and interactions of political action. The most influential models of conflict do not examine important relationships between political parties and the state, the structural characteristics of inter and intra-party competition, and as such, cannot illuminate historically specific processes of conflict/cleavages in a given society. Ethnic conflict and natural resource plunder do not, like class, exist *prior* to politics.

The indeterminacy of natural resource abundance on conflict also suggests that examining historically specific processes of political conflict and conflict management in economies, and the effect these processes have on economic growth and diversification, defines a major research agenda to understand the genealogy of war in poor economies. Given the importance of low per capita income and economic decline in increasing the risk of war, it would be helpful if further research examines the extent to which mineral/oil resource abundance leads to conflict by perpetuating growth-restricting governance, Dutch Disease, and underdevelopment. While there may be nothing more practical than a good theory, it is clear that *simplistic and deterministic* theories of resource abundance, as posited in the rentier state model, do not adequately capture the range and interaction of factors that constitute a *complex* emergency. The focus on the role of oil abundance as a cause of conflict simply delves deeply into the surface of conflicts in poor economies. As a result, the rentier state model, while useful in bringing issues of the source of taxation and resource mobilisation back into a discussion of state capacity and accountability, is an inadequate framework and guide for more profound, penetrating and lasting interventions for peace-building, state capacity-building and economic reconstruction in conflict-ridden societies.

Finally, if it is reasonable to conclude that politics and policy have been decisive for the trajectory of mineral-dominant economies, then several policy implications may be suggested. The first is that more effective intervention in humanitarian emergencies will require an account of the causes of conflict that move beyond economic and factor endowment determinism. Second, attention should shift toward understanding how past government

policies affect the processes of growth and diversification of mineral-dominant economies. Very negative economic performance surely contributes to undermining regime and government legitimacy and therefore may increase widespread support for abrupt and even violent changes. Third, greater attention should be paid to understanding the political economy dynamics of *regional war zones* that transcend the nation-state. The econometric evidence focuses on the nation-state as the unit of analysis. This misses the importance of how easily war can spill over into neighbouring countries and perpetuate what Wallenstein and Sollenberg (1998) call 'regional conflict complexes'. Fourth, more attention might be paid to patterns of the arms trade and the extent to which changing patterns of production and distribution of arms in the post-Cold War period exacerbates ongoing violent conflicts in mineral dependent and more diversified economies.

Functionalist theories of the state

A series of authors working on post-colonial African states have challenged the idea that 'state failure' is a useful way of examining how elites in actually existing political systems legitimate rule, accumulate capital and maintain a semblance of political stability in the context of underdevelopment (Keen 1998; Bayart 1993; Reno 1998; Chabal and Daloz 1999). They challenge the basic idea of measuring degrees of 'stateness' along a continuum starting with those that meet classical Weberian criteria of statehood and ending with those that meet none of the criteria of 'successful' statehood. In general these authors seek to explain how anti-developmental states have emerged as well as attempting to explain the political logic holding these states together.

The starting point for most of these theories is to explain the emergence of patrimonial and clientelist politics. A key historical focal point is the legacy of indirect rule of colonialism (Lockwood 2005: 70), which left three traits: a) natives were subjects of tribal leaders and not citizens (legacy of legal dualism); b) a bifurcated state that operated differently in urban and rural areas; and c) a despotic system. The speed with which independence occurred created the context which generated politics based on political patronage. This system has become known by a variety of terms including clientelism and neo-patrimonialism. The need to construct political alliances at short notice with minimal resources and the absence of party organisation outside urban areas meant that nationalist leaders – typically urban, union-based teachers, union leaders and administrators - had to rely on existing political structures. This meant finding individuals - often chiefs or other prominent notables, and using patronage to bind these individuals to the party, and local voters to candidates (ibid.)

As Lockwood, in reviewing the literature on the African state points out, there were several effects that rapid de-colonisation and the nature of colonial rule had. First, politics was based more around personalities than classes; second, contestation often involved winner take all political competition; and third, unstable cabinet appointments (and resulting high turnover) due to the uncertain and fluid nature of clientelist factions, which in turn led to weak bureaucratic capacity to re-allocate resources in growth-enhancing ways. This is not to say that economic growth did not take place; in fact, sub-Saharan Africa achieved relatively robust rates of growth in the period 1940-1970 (Sender 1999). The importance of the colonial legacy had more to do with the viability and sustainability of the state over the longer-run. The functionalist theories base their analysis on the how political authority and capital accumulation are reproduced in the context of neo-patrimonial politics. There are several variants in this literature. One is the idea of the 'shadow state' developed by William Reno (1995). The idea of elite accommodation is central to the argument. For Reno, the end of the Cold War and the rise of economic and political liberalisation policies put traditional patterns

of patronage under pressure in sub-Saharan Africa. Such liberalisation processes, he argues, further undermined weak state rulers' incentives to pursue conventional strategies for maximising power through generating economic growth and, hence state revenues. In this context, economic motives and objectives are not the unique purview of rebel forces, but can also include those of personalistic rulers of corrupt 'shadow states' who maximise the use of violence to 'manage their own economic environments' siphoning off state resources for personal enrichment and the establishment of patronage networks, instead of providing public goods such as security and economic governance. Rulers address the internal threat of warlord politics by transforming their own political authority into an effective means of controlling markets without reliance on formal state institutions. Weak state rulers use new and strengthened alliances with outsiders to shed old clients and discipline those who remain. Reno, in his analysis of central African states - Angola, Sierra Leone, Zaire/DRC - describes how leaders have based their personal power and derived individual wealth from the overt and clandestine manipulation of markets, at times with the connivance of foreign investors in natural resource enclaves such as oil (p/8).

Bayart (1993) develops the idea of the 'politics of the belly', which is defined as the predatory pursuit, or rush for spoils, of wealth and power that, as a mode of governance, takes historically specific forms appropriate to the post-colonial state in Africa. The predatory nature of the state, according to Bayart, generates incentives for leaders to 'eat' from the resources of the state. In this model, the invasion of informal political networks into ever-wider spheres of economic activity leads to the 'criminalization of the state'. The criminalisation of the state and its associated corruption at all levels in Africa is less a sign of state 'failure' than a mechanism of social organisation that has to be related to the specific historical experiences, cultural repertoires and political trajectories of the sub-continent through which political power is disseminated and wealth re-distributed.

A third (and similar) model is the idea that the late colonial legacy created incentives for leaders to use 'disorder as a political instrument' (Chabal and Daloz 1999). This refers to the process by which political actors in Africa seek to maximise their returns on the state of confusion, uncertainty, and sometimes even chaos, which characterises most African polities. The model assumes that leaders have short-term time horizons, seeking to maximise returns immediately rather than promote long-run investment (ibid: 113).²⁵ The use and creation of personalised informal patron-client networks and the absence of a modern Weberian state is central to their argument. For Chabal and Daloz, these might include kinship, witchcraft, ethnic or religious forms of identity that are the outcome of different rationalities and the instrumentalisation of different forms of disorder that are more attuned to maintaining social bonds that 'work' in Africa.²⁶ Implicit in their argument is that the legitimacy of rule depends less on delivering rapid economic growth and employment creation than on accommodating powerful elite factions. A key policy prescription of the model is that the introduction of economic liberalisation and multi-party electoral politics are likely to allow even greater

²⁵ In other words, leaders are modelled as 'roving bandits' as opposed to 'stationary bandits' (Olson 1993).

²⁶ Menkhaus' (2004) analysis of the protracted collapse of the central government, protracted armed conflict, and lawlessness in Somalia makes a similar contention. In this analysis, collapse has been actively promoted by political and economic interests within Somalia. However, he argues that the outcome of protracted collapse does not necessarily serve the interests of some of its political and economic elite. He expects the elite to reach a bargain in order to establish 'a paper state'; one which would attract foreign aid, embassies and other lucrative trappings of sovereignty, but would not become functional enough to threaten the illicit activities from which the elite profits.

scope for the 'privatisation' of the illicit, a process which will reinforce the power of 'shadowy entrepreneurial elites (ibid: 91).

Fourth, the work of David Keen on Sudan and Sierra Leone has developed the idea that war and violence serve important functions in the contest for power and capital accumulation. For Keen, 'war is not simply a breakdown in a particular system, but a way of creating an alternative system of profit, power, and even protection. There is more to civil war than simply winning'. Keen incorporates Foucault's idea that it is not enough to examine the *causes* of a phenomenon without also examining its *functions*. The so-called benefits of violence and war (that is 'doing well out of war') have been formalised by Paul Collier and associates. Once again, the key assumption in this approach is that predatory aims are more profitable for leaders than developmental ones.

If functional theories of state breakdown and war challenge the idea of measuring state failure, so do the related theories that argue that war is not what it used to be: the co-called 'new war thesis'. Mary Kaldor (1999) argues new wars could be understood only in the context of political, economic, military and cultural globalisation; they have blurred the distinction between war and organised crime, and are at once local and dependent on transnational connections, and have fostered a war economy that is built on plunder, black market transactions, and external assistance and is sustained through continued violence. In 'old wars', resources were seen as a means to conduct struggle. Now they are conceived of as the object of struggle. That is, war is now viewed as apolitical. Another proponent of the 'new war' idea is Mark Duffield (2001) who argues that new wars are tied to a new phase of globalisation characterised by a shift in the nature of international capitalism: where once capitalism was expansionary and inclusive now it is consolidating in core capitalist countries and exclusive of the rest of the world (see Cramer 2006: 76-80 and 144-149 for a critical review of the 'new war' idea).

One aspect that the 'new war' thesis may be picking up is the regional nature of warfare, as discussed above, though this is hardly a new phenomenon. According to Wallensteen and Sollenberg (1998), 69 percent of the 29 wars (defined as at least 1,000 battle-related deaths in a given year) in the period 1989-1998 occurred in what they identify as 'regional conflict complexes'. A regional conflict complex refers to 'situations where neighbouring countries experience internal or interstate conflict and with significant links between the conflicts. The authors identify two types of regional links: a) 'transborder incompatibility' where an ethnic group straddles an international border; and b) direct military and political alliances or significant direct and indirect military and economic support. The crossborder movement of refugees can also have important impacts on regional conflicts (Väyrynen 1996:40-44).

In sum, functional and new war theses move beyond simple measuring state failure but seek to understand the rationale for state breakdown and its often associated political violence. Both theories seek to explore how the changing nature of international economic and political relations affects the viability of states in poor countries. The extent to which these theories are defensible explanations is the subject of the next section.

Problems with functionalist theories

While functionalist and new war theories provide important insights about 'state failure', they also have several important shortcomings. For the functionalist theories, these shortcomings are as follows. First, as with the rentier state theories, leaders are assumed to have predatory as opposed to developmental aims. The neglect of the political processes through which a

leader appropriates power limits our understanding of the motivations of state leaders. As a result, these analyses can not explain why capital accumulation requires state breakdown in some cases and not others, or why leaders change their preferences from purely predatory to more developmental aims as has occurred in some post-war contexts such as in Uganda and Mozambique. Second, the idea that neo-patrimonial politics is necessarily anti-developmental is ahistorical. The problem with the Chabal and Daloz's analysis, for example, is that that what they refer to as a specifically African problem is actually a general characteristic of all developing countries undergoing processes of primitive accumulation and associated political corruption (Khan 2006; Hutchcroft 1997). The institutionalisation of order (stable property rights, entrenched democracy, low corruption, accountability of leaders) requires a significant level of development in order to be effectively implemented (Khan 2006).

The key analytical challenge is to explain why some countries are able to create more developmental outcomes in the context of clientelism and corruption and why other states do not (Kohli 2004; Khan and Jomo 2000). For example, functionalist theories cannot explain why economic growth rates vary across (clientelist) sub-Saharan African polities, or why many countries in sub-Saharan Africa achieved rates of growth close to East Asia and Latin America in the period 1960-1980 (Mkandawire 2001). Third, the idea that economic liberalisation and the end of Cold War patronage weakened states further and/or was a cause of violence in all African states is not supported by the evidence (Cramer and Weeks 2002; van de Walle 2001). The variation and change in the effectiveness of a state in promoting growth and maintaining political stability is too wide for such a generalisation to be useful. Fourth, there is little analysis in these theories as to why violent and non-violent challenges to state authority actually succeed in some countries or why such challenges lead to state collapse in some contexts as opposed to others. The idea that the 'shadow state' always 'works' flies in the face of the many civil wars and coups where leaders were unable to use informal patronage to stay in power or even stay alive.

The new war thesis is also subject to criticism: First, the idea that contemporary conflicts reflect globalisation requires more precision as a hypothesis since many civil wars reflected the influence of international capitalist interdependence (see Cramer 2006: 139-168 for discussion of Angola).

Second, there is little basis for arguing that contemporary wars are apolitical; indeed many civil wars started with identifiable political grievances (Di John 2007). There is certainly little evidence that the existence of lootable resources were a cause of war, although there is some evidence that the existence of such resources may have an impact on the *duration* of a war (Collier et al 2003).

Third, the idea that capitalism has become less expansionary and less exclusive is ahistorical. Capitalism has always been exploitative and brutal, particularly at low levels of development. The reality is that the capitalist transition in backward countries is not something that naturally happens, nor is it something that is necessarily widely supported. The state in late developing countries has historically aided and accelerated the creation of a capitalist class, particularly in industry through purposeful construction. This process of primitive accumulation means that the state is inherently involved in profoundly divisive decisions. If the right decisions are made, a class of producers will emerge in leading sectors that will greatly contribute to the general prosperity of a late developer. But regardless of their productivity, those that are the beneficiaries of state support generally become far wealthier than the average citizen. The idea that capitalism is becoming less expansionary is also not

borne out by the evidence. Capitalism has always been an uneven process where divergence in growth rates across countries has been the norm (Pritchett 1997). Moreover, the idea that capitalism is becoming less expansionary in poor countries cannot explain the rapid rates of growth in many LDCs in recent times, including very large economies such as China, India and Vietnam.

Fourth, the argument that war reflects new patterns of globalisation cannot, once again, explain why some states like Tanzania, Zambia, Botswana, and Ghana have avoided the same degree of political instability, state collapse, and political violence despite being subject to similar forces of 'globalisation'.

Fifth, existence of war and large-scale political violence in a country (whether civil, international, 'old, or 'new') does not necessarily imply state collapse. There are several countries that have experienced large-scale and prolonged political violence where the central government not only did not implode, but functioned relatively well. Examples include Colombia, Sri Lanka and possibly Mozambique. In the former two, the territorially-limited nature of rebellion has allowed these states to function. A key research question is to examine why large-scale political violence and challenges to state legitimacy does not expand beyond certain territorial and political boundaries.

Sixth, the idea that states may unravel by virtue of being in a regional war complex does not always hold. The so-called war complex framework, discussed above, does not answer why some states, like Tanzania, Zambia and Ghana (which have many neighbouring countries undergoing civil war) do not break down while others do. This suggests the need for examining more precisely the link between external crises (arms trade, refugee crises) and internal political order.

Perhaps the weakest aspect of functionalist and new war theories is the sweeping generalisation that there is one type of African politics. Kaplan (1984), for instance portrays West Africa as epitomising 'the coming anarchy' (in which scarcity, crime, over-population, tribalism, and disease are rapidly overwhelming states and societies). He argues that 'Sierra Leone is a microcosm of what is occurring albeit in a more tempered and gradual manner throughout West Africa and much of the underdeveloped world' (p. 48).

Allen (1995) critiques the idea that there is one type of patrimonial politics in Africa. He makes a distinction between two variants of the post-colonial state moving beyond the simple neo-patrimonial description. He argues that the response to the instability of clientelism in some states, including Kenya, Tanzania, Zambia, Senegal and Cote d'Ivoire was to centralise and bureaucratise power. Political parties were displaced as the main distributors of clientelist resources by a bureaucracy under control of the President. In other states, including Nigeria, Sierra Leone, Liberia, Uganda, Ghana, and Somalia, Allen argues the incipient crisis of clientelism was not resolved; leaders did not bureaucratise, nor did they centrally control clientelism. The system became more unstable. Allen describes these regimes as having 'spoils politics' with a more winner-take-all nature of electoral politics, more pervasive and fragmented corruption, greater economic crises, with a greater disintegration of political institutions and mediations. It is these regimes that give full expression to Bayart's notion of 'politics of the belly'. While it is not clear that the long-run economic growth rates between these two types of politics differs on average (or whether all the states remained in the same category over time), it appears to be the case that countries with more centralised clientelist systems (as identified by Allen) have avoided state collapse and large-scale and prolonged

political violence.²⁷ The sample size is too small to make any definitive statements. However, developing more refined typologies of polities within Africa and tracing the extent to which states move from one category to another, and why, will help identify which political factors are crucial to prevent fragile states from failing or even collapsing.

War and state-building: a historical perspective

Standard histories of European state formation underline the crucial contribution of external threat and war. Charles Tilly argues that 'war made the state and the state made war' (Tilly 1990: 54). War caused states to be more efficient in revenue collection by forcing them to dramatically improve administrative capabilities (allowing states to fund administrations and economic systems). Most importantly, the effort to finance war and the military led to varying patterns of bargains between the state and interest groups, particularly merchants, landlords and in some cases, directly with the peasantry. In general, the distributional struggles between the state and societal actors (and between competing groups within civil society) led to uneven but mutually recognised rights: rights of citizens with respect to states as well as the rights of state officials (and corporate entities) with respect to citizens. The role of threat and warfare in the construction of developmental states reminds us that large-scale war and political violence do not necessarily represent 'development in reverse' but can have progressive outcomes. On a darker note, a historical perspective also reminds us that nation-building and the road to democratic consolidation was built on its own ethnic cleansing or national consolidation exercise, including Anglo-Saxon violence against Celts and settler North American expulsion of and violence against Amerindians (Cramer 2006, Mann 1999).²⁸

Of course, while Heraclitus argued that 'war is the father of all things', understanding the role of war in the history of institutional formation has its limits as a guide to policy. But it does allow us to ask whether there are conditions today that can replicate some of the incentives that historically emerged in times of warfare. Threat, which can provide 'windows of opportunity' for tax reform, for example, may today be derived from domestic social movements, fiscal crises or the 'global economy' rather than imminent prospects of war.

This historical perspective also allows us to demonstrate that 'capability' is not simply an inheritance of history - entirely 'path dependent' - but has always been created by actors who are making history all the time. The formation of the state and its capacity to grow and survive was intimately related to its ability to tax. In turn, rights and institutions were formed as the by-products of bargains, or settlements of conflict, in the course of struggle. This is consistent with some theoretical work on institutions that view institutional formation as a by-product of distributional struggles and power balances.²⁹

There are some recent analyses that have taken the Tillyan approach to argue that 'the war makes states' argument no longer holds (Leander 2004). The importance of the three key processes in Tilly's argument (the competition to centralise control, the construction of administrative structures, and the bargaining with civilians) varies in time. Nowhere, Leander point out, does Tilly claim that his argument is universally applicable. Instead his book

²⁷ South Africa, Botswana and Mauritius would be three more countries that maintained a relatively centralised state with South Africa having a strong centralised national party, the ANC.

²⁸ As Cramer (2006: 37) reminds us: 'The United States was founded in revolution, developed through slavery, expanded through war with Mexico and created in civil war. Its wealth was founded on violence against indigenous people, and on the rapacity of robber barons'.

²⁹ See Knight (1992), Moore (1966), and Brenner (1976).

concludes with a chapter on 'soldiers and states in 1992', where the thrust is that 'contrary to the apparent teaching of European history, the growth of big government, arbitrary rule, and militarisation now seem to be going hand in hand'(p. 204). Tilly's explanation for the absence of (the third) 'civilianising process' is that 'the drift from *internal* to *external* state formation which prevailed in Europe has continued into our own time' (p. 195). The implications of this drift have been that states and military organisations receive their resources and legitimacy largely from without and that they do not therefore need to forge the kind of mutual ties that constrained the relationships between European rulers and ruled. Instead, this gives the managers of military organisations 'extraordinary power' and strong incentives to seize power (Tilly 1985: 186).

Leander argues that contemporary poor economies are generally subject to greater forces of decentralisation and the privatisation of coercion and capital. As a result of increased importance of financial relations (debt and portfolio investment) and of the debt crisis, most governments have become far more sensitive to the preferred policies of international financial actors. Privatisation, de-regulation, and reduced budget deficits are central to these policy preferences. These policies translate as a reduced capacity of the central state to buy support by offering positions in the state bureaucracy, by offering under-priced goods from state industries and by channelling resources to local administrators. The reverse side of the coin is growth in the capacity of local power holders to control privatised assets, impoverished bureaucracies and subject populations. The decentralised and privatised control over the means of violence and finance, according to Leander, creates havoc with the basic logic by which wars call for an expanded administration. The result is that war in the contemporary developing world tends to trigger further dismantling and even criminalisation of administrative structures rather than creating the centralised and hierarchical structures familiar from European history.³⁰

This re-visiting of Tilly's work develops, from a different perspective, similar conclusions to the neo-patrimonial literature and the new wars theories. The same problems with the above mentioned theories are relevant here. All poor countries potentially, however, face the same international challenges Leander identifies. And states (across time and space) do seem to differ in the extent to which they can cope with these challenges. More attention to the internal political dynamics would be necessary to derive comparative results. Nevertheless, Leander's analysis does not commit the error of assuming that conflict and political violence are necessarily development in reverse.

Jeffrey Herbst (2000) has also engaged with the Tillean argument. For Herbst, the fundamental problem facing state-builders in Africa - be they colonial kings, colonial governors, or presidents in the independence era - has been to project authority over inhospitable territories that contain low densities of people (2000: 11). In Africa, the current states were created well before many of the capital cities had reached maturity and control of the hinterlands has been weak (p. 15). The European model of placing significant assets in the hinterland to protect against outsiders and to make boundaries real was neither viable nor relevant (p. 74).

³⁰ Without institutional cohesion, wars can make for chaos and defeat. Wars provide an opportunity for those political organisations that are able to capitalise on it; they cannot create them (Centeno 1997: 1570). See also Centeno (1997) and López-Alves (2001) for an analysis of why the potential stimulus of war did not transform Latin American states in the 19th century in ways similar to Western Europe.

Europeans established, Herbst argues, territorial states, *not* nation-states (p. 94). If the boundaries could have been challenged, rule over the hinterland would have had to have been stronger. The fundamental role of colonialism, according to Herbst, was to forge a system of boundaries that were to create a state system with the utmost respect for boundaries. As a result, weak states have been able to claim sovereignty over sometimes distant hinterlands because no other state could challenge their rule. There has thus been little incentive to build domestic taxation systems to finance the defence of boundaries. As a result:

The contradiction of states with incomplete control over the hinterlands but full claims to sovereignty was crucial to explanations of state failure in Africa....many of the pathologies that are now so apparent in Africa began to emerge: leaders who steal so much from the state that they kill off productive sectors of the economy; a tremendous bias in deference and delivery of services toward the relatively small urban populations; and the absence of government in large parts of some countries (p. 254)

Herbst's analysis is to be welcomed given its comparative historical perspective and given the emphasis on weak taxation systems in Africa, which is neglected in most analyses of state failure. There is, however, an important shortcoming in the analysis; namely the inability to account for the variation and change in state capacity within African countries over time and across countries on the continent. Weak and narrow tax collection is a feature of most African economies. That does not explain, however why states in Tanzania, Ghana and Kenya, for example, are more successful in maintaining public authority and legitimacy than many others in the region. Moreover, there is considerable variation in the tax collection capacity of sub-Saharan African states. The differential impact of colonial economic development (and in particular the structure of labour markets and the historical process of the integration of indigenous populations into the colonial order) appears to have had an impact on the tax collection capacities in sub-Saharan Africa too.³¹ One striking feature of African economies is the regional differences in the share of tax revenue in GDP, with countries of Southern African (South Africa, Zimbabwe, Botswana, Namibia) generally having higher tax takes and tax effort indicators than would be predicted on the basis of their per capita incomes.³² The reason for this difference owes to the greater formalisation of labour in the colonial period in the Southern African economies and Kenya compared with the rest of sub-Saharan Africa. Patterns of colonisation have turned out to have produced institutional arrangements and practices that have proved remarkably resilient.

An alternative agenda for researching state capacity

The literature on state failure has two main strands. The first is the view that a failing state contains a set of institutional structures that deviate from a modern Weberian bureaucracy. State failure is measured roughly in this view as the distance of a failing state from 'best practice', that is bureaucratic structures in advanced industrialised countries. This view is

³¹ This paragraph draws on a personal note from Thandika Mkandwire (2005b).

³² Tax effort measures the relationship between actual and potential levels of taxation, the latter being the predicted value derived from the statistical relationship between the tax share in GDP and various combinations of explanatory variables, usually including levels of per capita income; the shares of agriculture, industry, and manufacturing in GDP; import shares; and levels of urbanisation. Tax effort is the residual of each country's equation. If it exceeds zero, then a country's actual level of taxation exceeds the predicted one while if it falls below then the country tax level is below its potential.

dominant among the international financial institutions and donors. Both those in more and less favour of more interventionist action espouse this view, though the liberal view of the state, which emphasises that economic liberalisation and democratisation are the best policies for reigning in the negative features of a predatory state (including widespread corruption), represent a majority position among policy-makers and international donors (see Paris 2004 for a critique of the idea that economic and political liberalisation is appropriate in reconstructing post-war economies).

The problem with this view, what may be called the pre-requisite view of development, is that there is little evidence that economic liberalisation, democratisation, low corruption or even a modern Weberian state have been *inputs* into long-term economic development. What is true is that economic development itself generates the fiscal capacity for states to enforce property rights and provide public goods. In historical perspective, a modern functioning Weberian state is more a product of development than input into it (Chang 2002). The second view, the so-called functionalist theories, argues that it is pointless to measure failure. Instead, analysis should focus on how capital accumulation and political legitimacy are maintained in the real world of neo-patrimonial and clientelist politics that characterise post-colonial and/or weak states. The problem with this view is that neo-patrimonial politics, clientelism, corruption and violence are a part of *all* late developing states, particularly ones at low levels of development. So, while it is useful to point to how these states ‘work’, it is not helpful in helping us distinguish why some of these states become more developmental over time, and why some find it difficult to maintain an even basic semblance of public authority, let alone developmental features. Some neo-patrimonial states ‘work’ better than others. Explaining this variation and change in state capacity in the context of patrimonialism represents an important research challenge that the state failure literature has yet to adequately address.

Even neo-liberal economists such as North et al. (2007) have recently developed models that challenge the mainstream pre-requisite view of development. They now argue that models of state-building make two assumptions which lead to misunderstanding with respect to how and why polities form. The first is that the state is modelled as a single actor. The second is that the state has a monopoly on violence. Well known examples include Olson’s (1993) stationary bandit model, and North (1981) and Levi’s (1988) revenue-maximising monarch, as well as standard theories of rent-seeking (Buchanan, Tollison and Tullock 1980). Following the insights of Thomas Hobbes, they argue that a more realistic place to begin is to assume that violence potential is prevalent throughout society rather than being concentrated. That is, it makes sense to *explain* rather than *assume* that the state has a monopoly on violence. The establishment of political order and peace in the model requires the creation of incentives for groups to compete for resources through non-violent mechanisms.

The principal solution through history to the classic Hobbesian problem of endemic violence is the creation of what they call *limited access orders* (as opposed to the much rarer, open access orders, which characterises advanced market economies). The limited access order creates limits on the access to valuable political and economic functions as a way to generate rents. The dominant coalition creates opportunities and order by limiting the access to valuable resources - land, labour, and capital – or access and control of valuable activities – such as contract enforcement, property rights enforcement, trade, worship, and education – to elite groups. When powerful individuals and groups become privileged insiders and thus possess rents relative to those individuals and groups excluded (and since violence threatens or reduces those rents), the existence of rents makes it in the interest of the ‘privileged insiders’ to cooperate with the coalition in power rather than to fight. In effect, limited access

orders create a credible commitment among elites that they will not fight each other. Of course, the maintenance of rents depends on the stability of the coalition in power. Thus, limited access orders the political system constructs the economy to create rents as a means of solving the Hobbesian problem of endemic violence and political disorder.

There are two important research challenges that the North et al model generate. The first would be to examine the conditions under which coalitions that provide peace become fragile and collapse (see Snyder 2006 on the political economy of joint resource extraction for one such attempt). Second, the North et al model does not explain why limited access orders (which the authors posit is the relevant political form for all developing countries) perform so differently or why the same limited access order performs so differently over time.

A more historically informed view of the problem of state capacity would accept that processes of institutional formation and change in late developers are inherently conflictual. The challenges of lateness have meant that latecomer states have had to 'mobilise bias' in strategically selective ways. The reality is that the capitalist transition in backward countries is not something that naturally happens nor is it something that is necessarily widely supported. The state in latecomers has historically aided and accelerated the creation of a capitalist class, particularly in industry through purposeful construction.³³ This process of primitive accumulation means that the state is inherently involved in profoundly divisive decisions. If the right decisions are made, a class of producers will emerge in leading sectors that will greatly contribute to the general prosperity of a late developer. But regardless of their productivity, those that are the beneficiaries of state support generally become far wealthier than the average citizen. Nevertheless, no latecomer state can be genuinely neutral in responding to the demands of all sections of society since selectivity is a necessary feature to maintain a viable production strategy. In the context of scarce resources, selectivity inherently is conflictual and political since there are many more groups that may legitimately demand an opportunity to receive state subsidisation than a late developing state can afford to patronise without sacrificing efficiency or fiscal instability.

The central role of the state in processes of primitive accumulation also implies that the legitimacy of all state policies is potentially highly contestable. This is because there are large distributional consequences of state patronage and subsidisation patterns in poor economies and because establishing the legitimacy of an inequality of asset ownership takes time. The newness of the asset-creation process is a distinguishing feature of the early stage of capitalism, or primitive accumulation. Moreover, the underdeveloped nature of capital markets in late developers (see Gerschenkron 1962; Amsden 2001) means that there is less pluralism in the mechanisms of financing accumulation. The empirical record also points to concentration of ownership and the predominance of a privileged few conglomerates controlling relatively large firms as the leading business form in successful late developers (Chandler and Hikino 1997; Amsden 2001). This is because scale economies are crucial to the development of competitive firms.

The generally greater role of the state in financing accumulation in general and, especially industrialisation, implies that primitive accumulation and late development are decidedly more political. Indeed, Weber referred to the early stages of capitalism as 'political

³³ Nearly all late developing states have used a variety of mechanisms to develop a capitalist agricultural sector. Such mechanisms include import protection, subsidized credit, tax concessions, allocating land, agrarian reform, manipulating relative prices particularly between agriculture and industry, and managing multiple exchange and interest rates (see Amsden 2001 on discussion of the various mechanisms of subsidization in latecomers).

capitalism'. The generally higher levels of corruption and political instability in developing countries implies that the institutional mechanisms of conflict resolution in late developing countries are always under severe strain and therefore potentially fragile or vulnerable. An important research question becomes: Why and how, under conditions of late development, are some fragile states able to respond effectively to contestation and conflict, whilst others collapse under the challenge?

Distributional struggles, to the extent that they reduce the predictability and power of centralised state authority, raise transaction costs and thus can clearly have a negative effect on economic performance. The mechanisms of control, selectivity and discipline within the state are themselves a set of institutions, which are, in turn, a series of processes whereby groups and individuals bargain for material and political advantage. As Arrow (1974) has pointed out, the use of authority is itself an exercise of authority. Moreover, the effective use of authority is sustainable only when centralised authority embodies a minimum level of legitimacy, or what Arrow calls 'convergent expectations' (p. 72). That an important source of the legitimacy of central authority depends on widespread passive acceptance, or convergent expectations imply its *fragile* nature (ibid). The fragility of central state authority is even more problematic in the context of processes of primitive accumulation.

The process of state formation has coincided with the challenges and imperatives of late development and primitive accumulation. From this perspective, all low-income countries have fragile states. The rapid unravelling of even long-standing stable states, such as in Indonesia or Venezuela recently, attests to the underlying fragility of state formation in the context of underdevelopment. The process of state formation coincides with processes of primitive accumulation and patrimonial rent deployment and the predominance of non-formal/illegal mechanisms of influencing the state. All late developers, particularly fragile states, are characterised by patrimonial rule so we need to establish why some patterns of contestation along economic, political, security and administrative dimensions generate crisis and collapse in some cases and not others, and why some processes generate war with state collapse in some contexts and not others. It is also imperative to understand why and how some states manage conflict in non-violent and legitimate ways while other states face military challenges to their rule. In order to do this, this, it is essential to examine how economic and political decisions and processes interact through historical political economy analysis. More specifically, political economy explores the production and distribution of power and wealth and how and why processes of political and economic contestation either support or undermine the formation and change of property rights and institutions underlying a (primitive) accumulation process. There are several lenses in which we develop our analysis of the political economy of conflict in late developers:

'Institutional multiplicity'

One useful concept is *institutional multiplicity*, where individuals and organisations appear to operate often simultaneously in multiple institutional systems, governed by very different sets of incentives. Institutional multiplicity is a situation in which different sets of rules of the game, often contradictory, coexist in the same territory, putting citizens and economic agents in complex, often unsolvable, situations, but at the same time offering them the possibility of switching strategically from one institutional universe to another. Often the interventions of the international community simply add a new layer of rules, without overriding others. In such situations, the conventional political economy of state modernisation - which suggests that if the state establishes an appropriate set of incentives and sends the correct signals

political and economic agents follow suit – is clearly insufficient (see Hesselbein, Golooba-Mutebi and Putzel 2006 for an application of this principle).

In terms of analysing the state, institutional arrangements encompass both formal and informal rules governing the behaviour of those who occupy positions within the state as well as those non-state actors that are co-opted/contracted by the state or rivals to the state in fulfilling the functions ascribed to the state. Constitutions and law are formal institutions affecting all subsystems of the state and each subsystem has specific institutional arrangements important to our analytical framework: security (mix of public and private provision, codes of ethics governing armed forces and police, security doctrine, etcetera); administrative (procedures for appointments/ promotions, mix of public-private provision, centralised-decentralised authority, regulations governing taxation and powers granted); legal (pattern of judicial appointments, hierarchical structures of decision making, the mix of ‘traditional’ and modern liberal judicial authority, etcetera); political (division of executive, legislative and judicial authority, method of attaining office, the regulation of organisations that can contest for political office, etcetera). Non-state actors are always affected by the formal and informal institutional arrangements governing the behaviour of state actors, but may have evolved alternative formal and informal institutional arrangements distinct from the state. The Tamil Tigers in Sri Lanka have their own constitutional/legal arrangements in the territories they dominate; and urban gangs have their codes of ethics and justice, as do the regional power brokers of the DRC.

‘State capacity and capability’

In analysing the performance of the subsystems of the state and among non-state rivals, it is important to examine the *evolution of capacity*: the abilities and skills of personnel and the organisational culture within the subsystems of the state. The capabilities of non-state rivals are important as well, including their ability to win popular support and to extend their presence territorially. In terms of capabilities, there are important agency factors that always need to be taken into account, including the quality of leadership and the development strategies adopted. While capacity is influenced by path-dependent factors, the developmental states of Northeast Asia and followers in Southeast Asia provide ample evidence that capacity is also *created* through political decision and action.

‘Influencing’ or rent-seeking

It is useful to consider that in post-war and poor economies there are multiple mechanisms that link state and society. In adapting Weber’s ideas on economic sociology, there are several competing mechanisms through which influencing, or rent-seeking, activities occur. The first are *legal and institutional* influencing activities, which are the dominant form of rent-seeking in advanced economies and the least developed form in poor economies. Business chambers and labour unions represent a small part of the population and political parties are often more factionalised and unstable the less developed the economy is. In contrast, lobby groups, political parties, labour unions and legal campaign contributions to parties on the part of business groups are well-established forms of institutionalised rent-seeking or influencing in richer countries. The second mechanism of influencing comprises *informal patron-client networks*, which are a central feature of many poor economies. Such clientelism is a substitute for the welfare state, which is often inadequate in meeting welfare demands of large parts of

the population.³⁴ Third, and closely related to the second, are illegal forms of rent-seeking or corruption. In the absence of viable institutionalised mechanisms to influence the state, corruption (and clientelism) becomes important substitute forms of influencing in less developed economies. When one or more of the above three mechanisms fail to provide influencing opportunities to political actors, political violence represents a fourth path to influence, capture or usurp the state altogether.

It is possible to consider these four influencing mechanisms as functional substitutes that operate to a greater extent under different stages of development and under different political settlements.³⁵ An important component of research on fragile states is to consider the relationships between alternate forms of influencing and state capture and the mechanisms through which declines in the first three forms of influencing contribute to the rise of political violence and declines in state legitimacy. In turn, it is central to examine why political violence generates state collapse in some contexts and not others.

Coalitional analysis

The emergence of political violence is a necessary (but not sufficient) condition for state collapse. This is because there may be a significantly powerful coalition of supporters who benefit from the formal and informal mechanisms of influencing the state. In order to explain why political violence escalates into state collapse, we will employ *coalitional analysis*, according attention to the shifting constellations of power that underpin formal and informal institutional arrangements that govern the exercise of different forms of authority within society. We are concerned with the ways in which shifting coalitions of power contribute to state collapse; are forged in order to prevent state collapse; and emerge as a result of state collapse and war.

Coalitional analysis will enable us to overcome the limitations of purely structural and actor-based explanations of breakdown and collapse. Structural arguments examine the conditions most conducive to state collapse, but do not explain how and why a particular country's state breaks down. Agency-based arguments emphasise the role a leader's policies play in contributing to state-building or collapse but do not explain why such policies endure.

Political coalitions, Yashar (1997) suggests, serve as an analytic lens to assess the ways in which structures condition political options and the future to which actors aspire. Coalitions are defined as alliances among social actors and groups. They provide the organisational framework for delineating who sides with whom, against whom, and over what. Coalitions bring together groups or organisations with heterogeneous goals that are willing to sacrifice for some intermediate, collective goals. Coalitions are the nexus at which structure and agency meet and modify individuals' options and capacities to affect change. Future research could analyse which conditions generate coalitions that give rise to political violence and state collapse, and which conditions generate coalitions that give rise to political violence without leading to state collapse. Moreover, coalitional analysis will inform the reasons that reconstruction policies were not just initiated, but endured in some cases.

³⁴ It is thus important to understand that internal political stability in poor late developers is not maintained primarily through fiscal policy, but through the largely off-budget and selective accommodation of factions and coalitions organised along patron-client lines. The common features of this type of politics have been collectively described as patrimonialism, clientelism, and patron-client politics, and factional politics. The common features include the personalisation of politics by faction leaders and the organisation of politics as a competition between factions,. See Khan (2005).

³⁵ See A. Gerschenkron (1962).

Another important reason to incorporate coalitional analysis is that the state itself is an agent of coalitions. As opposed to the technical views that see the state as simply a set of institutions with functional attributes, the state is a social relation. Regardless of regime type, state leaders require social support and thus the state and the institutional rules it creates and sanctions are the by-product of prior bargaining solutions, or settlements among relevant political forces. It is thus necessary to identify the nature of coalitions and factions underlying the state in order to understand the historically situated rationality of state policies, and in particular, the reasons why a certain distribution of assets and patronage is reproduced.

Divisibility and boundary activation

The nature of political coalitions underlying state support (and in particular, the extent to which these coalitions survive through activating and maintaining boundaries) determines the extent to which political, economic and social conflicts are more indivisible. The creation *and activation of boundaries* contribute to the escalation of political conflict and violence.³⁶

An important component of identifying the nature of coalitions is to examine the extent to which they merge heterogeneous groups with conflicts of interest (and therefore more amenable to peaceful bargains), as opposed to a political structure where collective actors are more narrowly focused and therefore potentially less tolerant of policies that disadvantage them. Politics based on ethnicity, region, or religion is likely to pertain more to the latter category.

Narrow identity-based conflict tends to all-or-nothing struggles for indivisible stakes (control of the state, and state patronage, land and other valuable resources and the rights associated with them). *Divisibility* refers to the extent to which the conflict over a right is a question of 'more or less' (such as in the capital-labour struggle) as opposed to 'all-or nothing'. When political coalitions are organised around regional, ethnic or other identity aspects, the distribution of assets and resources tends to be more indivisible. As Hirschman and Wood argue, the greater the indivisibility of asset distribution and state patronage, the more intense conflicts over rights associated with these income flows will likely become. In turn, the greater the intensity of conflict, the more likely such conflicts will be resolved through violent as opposed to non-violent means.³⁷

Moreover, as Wood argues, the extent to which conflicts involve divisible benefits, and the contending parties are economically interdependent (as with labour-capital struggles), the more likely a range of mutually acceptable arrangements may be possible.³⁸ In such cases where the principal antagonists are economically interdependent (such as South Africa and El Salvador), the cessation of violence and other forms of hostile relations (labour strikes, capital flight) promises substantial potential benefits to both parties sufficient to create a structural basis for compromise that is self-reinforcing. It is more probable that peace will endure if there is a material interest on both sides of a conflict to negotiate. For instance, in addressing the HIV/AIDS crisis, the adoption of successful measures to fight the epidemic can provide benefits in terms of a public good in the interest of all groups. In the case of indivisible stakes, compromise is more difficult because neither party believes the returns will be adequate unless it can control *all* of the stakes.

³⁶ See Tilly (2003).

³⁷ See Hirschman (1995) and Wood (2000).

³⁸ Wood (2000).

There are two important implications of the above discussion for examining post-war reconstruction. First, the political economy of conflict is central to understanding the prospects for peace-building. In particular, an examination of the economic structure underlying conflict is crucial to understanding the extent to which there are interdependencies among the antagonists. Secondly, in situations where conflicts are based more on indivisible stakes, it may be necessary to inject significant resources across contending groups to maintain political legitimacy and stability. Insufficient donor injections of resources may amount to battling a large fire with a few hoses.

Patterns of patronage and state resilience

There is a dispersed literature that has addressed the effects that patterns of patronage and corruption have on economic and political outcomes. The idea in this literature is not to posit that political order is maintained through liberal notions of good governance but to understand how and why processes of corruption and clientelism have differential outcomes. Given the limited availability of resources, the limited tax base and the political contestation over valuable but scarce resources, corruption and clientelism are features of all of less developed countries (Khan 2005; North et. al 2007).

In the economics literature, Shleifer and Vishny (1993) argue that the degree of centralisation of state institutions has important effects on the extent to which corrupt transactions affect economic growth. In this model, bribery has a much less negative affect on development when state institutions are centralised as opposed to fragmented. This is because a more centralised state structure allows the executive to coordinate the bribe take and thus limit the size of bribes so as to choke off economic activity. In more fragmented states, where multiple agencies take bribes independently, a ‘prisoners dilemma’ problem emerges since each agency takes the quantity of state favours/licenses supplied by other agencies as given, while attempting to maximise its own bribe collection. As a result, the bribe level for each individual state agency is set at such a high level that the demand for licenses and state regulation declines, which reduces economic activity. The model can help explain why centralised state agencies as in South Korea had less damaging forms of corruption than say in more fragmented states in South Asia or in some sub-Saharan African countries such as the Zaire/DRC or Nigeria (see Khan 2000b for a critique of the Shleifer and Vishny model, and in particular the inappropriateness of viewing the bribe game as a one-shot or static process). Another beneficial effect of centralised corruption/patronage (not discussed by Sheifer and Vishny) is that the predictability of contracts may be higher than in more fragmented state systems. This is because the enforcement of contracts is likely to be higher in centralised system versus more fragmented ones.

Olson’s (1993) ‘bandit theory’ offers a similar insight into the advantages of centralised rule. In this model, a leader that has a long time horizon, what he calls a ‘stationary bandit’, has the incentive to maximise the rate of economic growth as this will maximise the resources accruing to the state in the long-run. In short, stationary bandits have an ‘encompassing’ interest in promoting economic development. This contrasts with a situation of ‘roving banditry’ where there are either competing regional warlords or where the executive hold on power is fragile. In this case, leaders have a short-run time horizon and they pillage the economy as fast as they can which has obvious negative effects on economic activity. Once again, this model can help explain why successful economic development has occurred under some types of authoritarian rule.

The weakness of both models is they do not explain why some centralised states have produced horrific negative outcomes such as genocide (Nazi Germany), and politicide (Pol Pot's Cambodia, Stalin's Soviet Union). Nor do they tell us why centralised rule under one-party states such as in Tanzania and Zambia have generated dysfunctional economic policies for long periods of time. Without incorporating ideology and the political support base of centralised rule, it is impossible to assess the motivations of leaders. One factor that seems central to understanding the behaviour of rulers is the extent to which predatory actions are effectively *deterred* by members *within* the ruling coalition, a point I return to below.

Equally important, these models do not explain why some authoritarian regimes are substantially more pro-poor, or socially inclusive in terms of policy than others. For instance, most cases of major land reform in the twentieth century have taken place in a handful of *non-democratic* regimes (South Korea, Taiwan, Cuba, Eastern Europe, the Soviet Union, and China). The role of land reform and of promoting a more equal distribution of income has been considered by many to be essential to contributing to political legitimacy and stability and hence the rise of developmental states in Scandinavia (Bloomström and Mellor 1991) and East Asian economies (Putzel 1992; Kohli 1999). This raises two important points. The first is that, contrary to the proponents of good governance, there is little evidence that competitive democratic elections produce large-scale pro-poor institutional changes.³⁹ Second, without incorporating the ideological motivations of leaders and examining the way legitimacy is constructed, it is difficult to assess the policy stance of a 'stationary bandit'/authoritarian regime. State resilience (whether under democratic or authoritarian rule) is surely dependent on the extent to which the state can command authority, which is, in turn, is dependent on the extent to which the state is at least passively perceived to be legitimate.⁴⁰

In the political science literature there is a tendency to model 'African polities' monolithically as dysfunctional states where corruption, clientelism, and patrimonial rule predominate. Examples would include single characterisations of African politics as 'personal rule' (Jackson and Rosberg 1982; Sandbrook 1985), as the 'politics of the belly' (Bayart 1989), as the 'politics of chaos' (Kaplan 1994), or as 'disorder as political instrument' (Chabal and Daloz 1999). As Allen (1995) points out, however, a more careful reading of African political history reveals a much greater *variation and change* in the nature of African polities.

Faced with often rapid de-colonisation and intense ethnic, regional, and class contestation, African leaders sought to achieve political order and electoral competitiveness through the construction of patron-client links in two ways: either a) a reliance on individuals who has considerable local following, or b) the use of patronage politics to bind local notables to emerging parties and local voters to the candidates supported by such parties (ibid: 304). These initial post-colonial strategies bred significant factionalism within political movements and led to crises in governments across the continent by the late 1960's. The resolution of

³⁹ In Latin America, for instance, the consolidation of democracy has not produced significant agrarian reforms nor have there been major changes in income distribution in a continent where income and asset distribution are the most unequal of any developing country region (Inter-American Development Bank 1998).

⁴⁰ North (1981: 53) notes that: 'The costs of maintenance of an existing order are inversely related to the perceived legitimacy of the existing system. To the extent that the participants perceive that the system is fair, the costs of enforcing the rules and property rights are enormously reduced by the simple fact that the individuals will not disobey the rules or violate property rights even when a private cost/benefit calculus would make such a decision worthwhile'. Several authors have stressed the importance of restraint in contesting authority as a central characteristic of legitimacy. Simon (1991) refers to this restraint as 'docility', Putzel (1995) as 'passive acceptance', Levi (1988) as 'quasi-voluntary compliance'.

these crises in governability and political order led to two different types of responses in terms of political re-organisation. Both involved the retention of clientelist and patrimonial practices. However, Allen argues that patrimonialism in the African context transformed into two broad categories: 1) centralised-bureaucratic patrimonial systems (such as Tanzania, Zambia); and b) more fragmented, 'spoils systems (Zaire/DRC, Nigeria)'. The former involved the centralisation of power in the executive (where the dominant institution in the one-party state was the presidency with strong supporting party links). The latter involves a more personalist and narrow presidentialist rule *without* extensive political party support and the implementation of 'divide and conquer' strategies to more selectively accommodate ethnic and regional interests. The latter strategies resulted in a more 'winner takes all' (or indivisible) distribution of resources. Thus, a basic difference between these two types of rule is that the former was more institutionalised and inclusive in distributing patronage than the latter which was based on more personal and more selective (or exclusive) distribution patterns. Furthermore, Allen argues that the former are more likely to be more stable and less violent. A fruitful line of research is to understand the politics underlying the ability of some African states to centralise and bureaucratise power in the executive.

One line of research worth exploring is to systematically investigate the extent to which centralised patronage (and corruption) contributes to state resilience; that is, the ability of states/polities to withstand and/or prevent large-scale and even violent political challenges to public authority. State resilience is important to consider as an achievement in a continent ravaged by civil wars and subject to severe economic decline. Moreover, the ability of the state to function and not collapse, when experiencing poor economic performance (Tanzania, Zambia in the 1970's and 1980's) or even when faced with violent political challenge (such as in Mozambique and Colombia) may be central to understanding the prospects of post-war and/or post-depression economic reconstruction. A key challenge of research is to establish criteria for determining the degree of centralisation in a polity.

In the sub-Saharan African context or indeed in many other developing country contexts, the maintenance of political order needs to be distinguished from the developmental capacity of the state. State capacity is clearly not monolithic. The historical evidence suggests that state capacity varies substantially across functions and sectors *within* polities. There are numerous examples of this. South African tax collection capacity is much greater than its ability to undertake industrial policy or tackle HIV/AIDS. Botswana's democratic institutions are among the most robust in the developing world yet it has also been very poor at controlling HIV/AIDS. Brazil has among the highest levels of tax take but is not (politically) capable of collecting personal income and property tax. Brazil's industrial policy is also very uneven: success stories in autos and aerospace stand out, while many other sectors have been less successful. The Colombian state is known for among the best macroeconomic management but has among the lowest take takes in Latin America and is unable to contain decades of guerrilla and paramilitary political violence. Venezuela has longed maintained a stable democratic system but has been unable to promote export diversification. Tanzania and Zambia have had relatively poor records on economic performance but have been able to prevent large-scale political violence, unlike most of their neighbours. This variation in capacity is not picked up by aggregate measures and our understanding of why capacity varies so much within polities is limited. Detailed historical analyses of the political coalitions and settlements underpinning specific state capacities are essential to increase understanding of variable state capacity within a polity. As such, investigating under which conditions the achievement of state resiliency hinders or facilitates economic development is an important area of research.

A second line of inquiry would be to establish how centralised rule and patronage is maintained. Here, a cursory examination of relatively peaceful polities (Tanzania, Zambia) and those where the state survived even during civil war (Mozambique, Colombia) suggests that the construction of political organisations, particularly political parties, has been central to providing the institutional mechanisms of distributing patronage to regional elites and to important political constituencies in ways that either prevent challenges to authority and/or maintain cohesion of the ruling coalition. Further evidence of the importance of political party organisation and centralised patronage in the maintaining state resiliency can be seen in the cases of South Africa, Botswana and Mauritius. These countries all have strong centralised national parties. Uganda under Museveni would be another example of the construction of centralised patronage backed by a strong political organisation. Beyond the African context, there is a substantial literature on the role that political party pacts have played in maintaining peaceful transitions to democracy in less developed countries (Burton and Higley 1998). Moreover, this line of inquiry will help establish *why* ‘horizontal inequalities’ become more politically salient in some contexts as opposed to others.

Another important mechanism to investigate is the role that national economic strategies ruling parties have played in building a sense of nationalism and integrating elites and small-scale agricultural producers into the state. In Tanzania, the development of the ujaama system, while widely viewed as a failure in forced collectivisation of agriculture, did achieve the integration of small holder farmers to the state in ways that contributed to national unity. The development of the Colombian Coffee Federation was central to the construction of national economic integration and provided the institutional milieu in which regional elites and small farmers formed durable bonds with the state.

It is important to point out that the presence of strong national parties does not necessarily translate into competitive party politics. Many of these countries can be characterised by one-party rule. This challenges many notions of good governance that posit that state reconstruction needs to be based on competitive electoral politics.⁴¹ What seems to matter for the construction of resilient states is the institutionalisation of centralised rule. Political parties provide a potential focal point for which to organise the inclusion of contesting groups and do so in a way that does not unleash the activation of (ethnic, religious, linguistic) boundaries that competitive multi-party politics can in the context of scarce resources and an underdeveloped interest group structure (Snyder 2000).

A third line of inquiry would be to explain why centralised patronage and rule contributes to state resilience. This requires the development of some basic propositions. Drawing on the insights of Olson, Allen and Shleifer and Vishny, the following propositions may be put forward:

- 1) Centralised patronage and rule enables the executive to have an *encompassing interest* in the maintenance of political stability. As such, most ethnic and regional elite interests will likely be accommodated in the distribution of limited patronage. It is also likely that the development of cross-ethnic coalitions will prevent the development of horizontal inequalities which can contribute to political violence.

⁴¹ See Snyder (2000) and Paris (2004) for a discussion on how competitive elections can generate political instability in the context of underdevelopment.

- 2) Centralised rule and patronage based on the support of well developed national political organisation will limit the extent to which the executive engages in predatory and even violent actions. The emergence of centralised rule based on political organisation building means that the legitimate rule is based on rewarding the most powerful elites and factions (North et. al. 2007). This patronage may take many forms including the sanctioning of land rights, rights to valuable resources, state employment, cheap credit, import licenses, export subsidies and so on. Thus, the development of national political organisations creates the incentives for leaders to create durable coalitions and to credibly commit to protecting the privileged rights/entitlements of powerful elites. Moreover, the development of a national party is unlikely without the construction of a diverse ethnic and regional coalition of elites (regional patrons) and their clients. This is likely to prevent horizontal inequalities between ethnic and regional elites but does not of course address social and class within regions and ethnic groups. The point here is that the construction of capitalism through primitive accumulation is unjust, brutal and conflictive, but we need to explain why such processes generate state resilience in some contexts and not others.

In sum, a key variable in preventing predatory/violent rule is the existence of coalition members who provide a deterrent to the ruler withdrawing the support of the property rights/entitlements. At the same time, the inclusion of powerful elites in the division of state patronage deters such elites from challenging state rule through violent or other means. What needs to be addressed here is why some patronage and entitlement structures, which may generate political orders also generate rapid economic growth and development in some contexts and not others (such as Botswana versus Zambia).

- 3) Centralised patronage and rule with well developed political organisations is more likely to create a loyal and unified military. This follows from the second proposition. If most of the powerful elites receive their share of economic rents within the ruling party structure, they are less likely to mobilise and promise future rewards to factions of the military to rebel.

Fragmented patronage systems or cases where the rulers survive on ‘divide and conquer’ tactics are more likely to activate ethnic and regional boundaries which will more likely generate greater grievances. This creates incentives of excluded elites to rebel which weakens the effective security of the entitlements of the few privileged asset owners in the polity. Fragmented systems are also more likely to have a more fluid turnover of ministerial posts (which is a proxy for access to privileges) and more military challenges to state authority. It is well known, for example, that in Zaire, Mobutu created multiple parallel military and para-military organisations to ward off challenges to his rule. These propositions, of course, need to be tested.

- 4) Centralised patronage and rule with well developed political organisations does *not* prevent faction-fighting within the ruling coalition but creates the institutional context in which bargains can be made and limits the possibility large-scale challenges to state authority will occur. If a given faction or elite becomes dissatisfied with their share of state resources, it is costly for such a faction to rebel. There are several reasons for this. First, it is difficult to mount a violent challenge in the face of a unified military. Second, as long as the coalition remains largely in tact, state support for the regime is unlikely to wane in the face of a few defectors. Third, the economic cost of exiting the coalition is high since the ruling coalition in centralised systems controls access to

most of the valuable assets. In sum, the net benefits of exiting ('the only game in town') are costly in economic and political terms.

As stated in proposition 3, the motivations and potential net benefits of challenging the state are likely to be much higher in fragmented patronage systems where 'divide and conquer' strategies reign, the security of entitlements are weaker and the contestation over rights is likely to be more violent.

- 5) Finally, centralised patronage and rule is more likely to manage adverse economic shocks and crises in ways that do not generate state breakdown. There are several reasons for this. Because the ruling coalition represents a more 'encompassing' interest than in fragmented/spoils systems patronage, there is both the collective action capacity and incentive for leaders of a ruling coalition to reduce the downturn in patronage resources in a relatively egalitarian way. In the fragmented patronage system, no such institutional mechanism exists to distribute the downturn in patronage. The reduction in patronage resources makes 'divide and conquer' strategies more difficult since there are fewer resources to play off competing factions. Moreover, given the fragmented nature of militaries in such systems, downturns in economic fortunes are likely to create incentives for factions of the military to act opportunistically and foment rebellion. The mechanisms posited here may explain why negative commodity shocks in the DRC (a fragmented/spoils system) led to large-scale civil war and state breakdown, while a similar commodity shock in Zambia (a centralised patronage system with a dominant political party) has not led either to state breakdown or large-scale political violence.

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