

Political development & policy



Announcement: Added two days to due date of next assignment

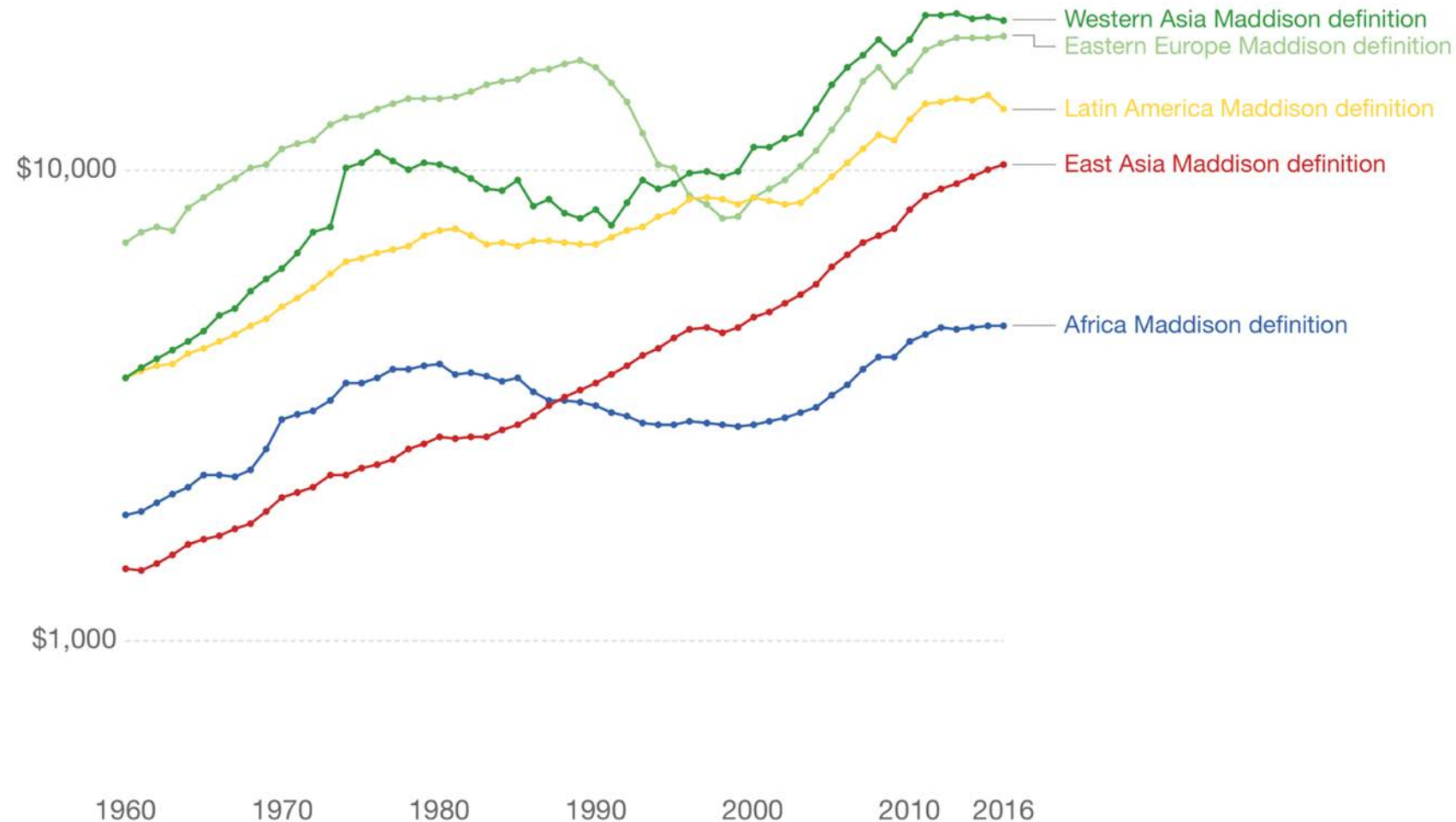
“Choose any mass atrocity or civil war currently ongoing in the world. Describe a package of international interventions that you think would have some chance of ending hostilities and producing a stable peace. Identify the relevant international actors, the strategies each actor could pursue, and the risks and consequences — good and bad — of those strategies. If you feel that this is an especially difficult or risky strategy, be sure to explain why. Please reference relevant course material in your answer. Remember that any good solution to conflict identifies the problem first.

If you prefer to use a recent example now concluded, and discuss what could have been different, that is fine as well.”

Our recent objective: Understand late 20th century economic collapse & policy response

Average real GDP per capita across regions

The measures are adjusted for inflation (at 2011 prices) and also for price differences between regions (multiple benchmarks allow for cross-regional income comparisons).



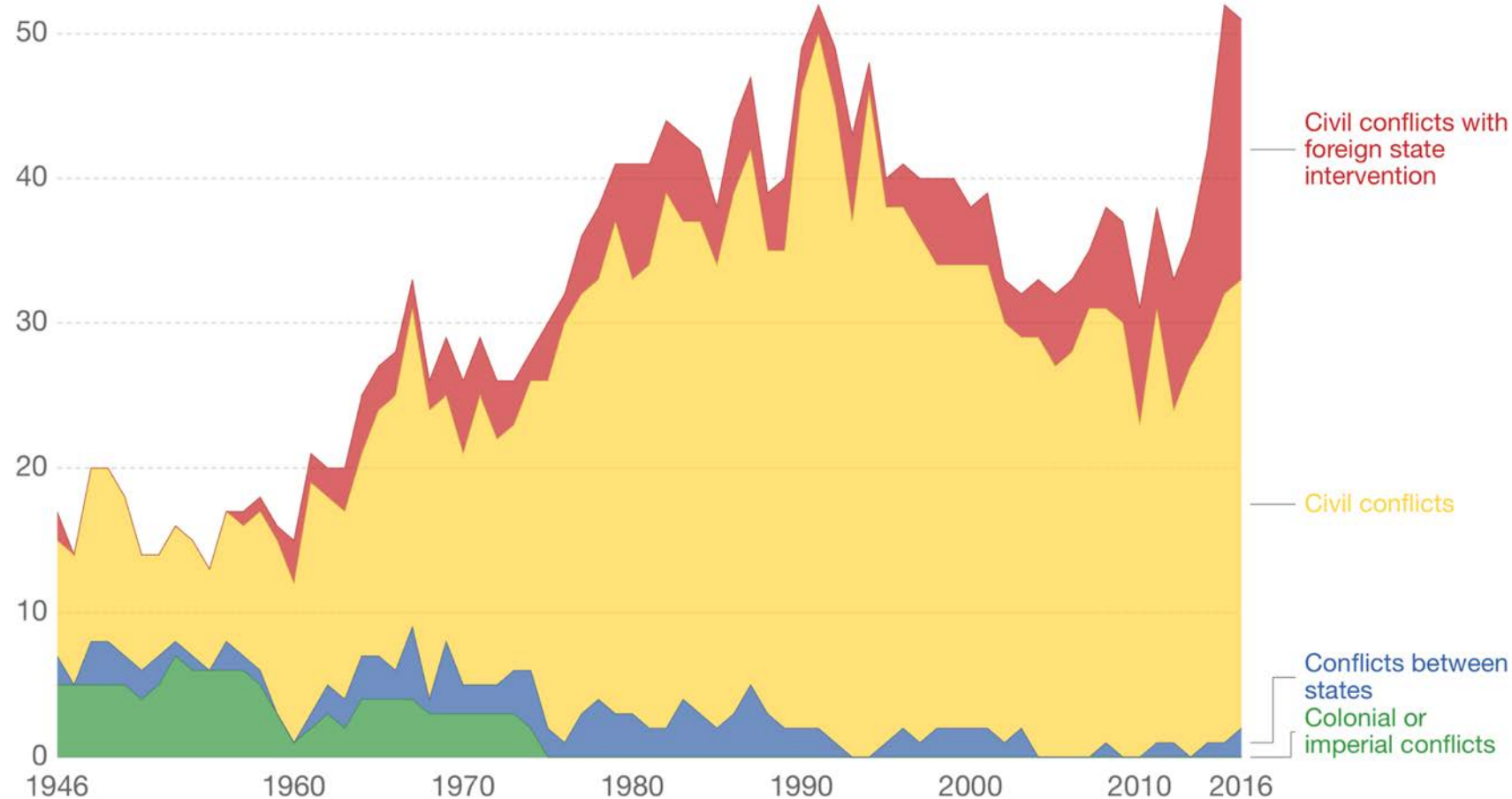
Source: Maddison Project Database (2018)

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Where we are going next: How the late 20th century was also a period of political crisis and conflict

State-based conflicts since 1946

Only conflicts in which at least one party was the government of a state are included. Ongoing conflicts are represented for every year in which they resulted in at least 25 battle-related deaths.



Source: UCDP/PRIO Armed Conflict Dataset

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Note: The war categories paraphrase UCDP/PRIO's technical definitions of 'Extrasystemic', 'Internal', 'Internationalised internal' and 'Interstate' respectively.

Today: Turning from the economic crisis and policy response to the crisis of disorder and policy responses

- I. Economic crisis and structural adjustment
- II. Political crisis and conflict: What to do about it
 - A. An example: South Sudan
 - B. Why have so many civil wars broken out, and why are they so persistent?
 - Revisiting our theory of war

Next 2 classes: Foreign & domestic policy interventions to reduce conflict

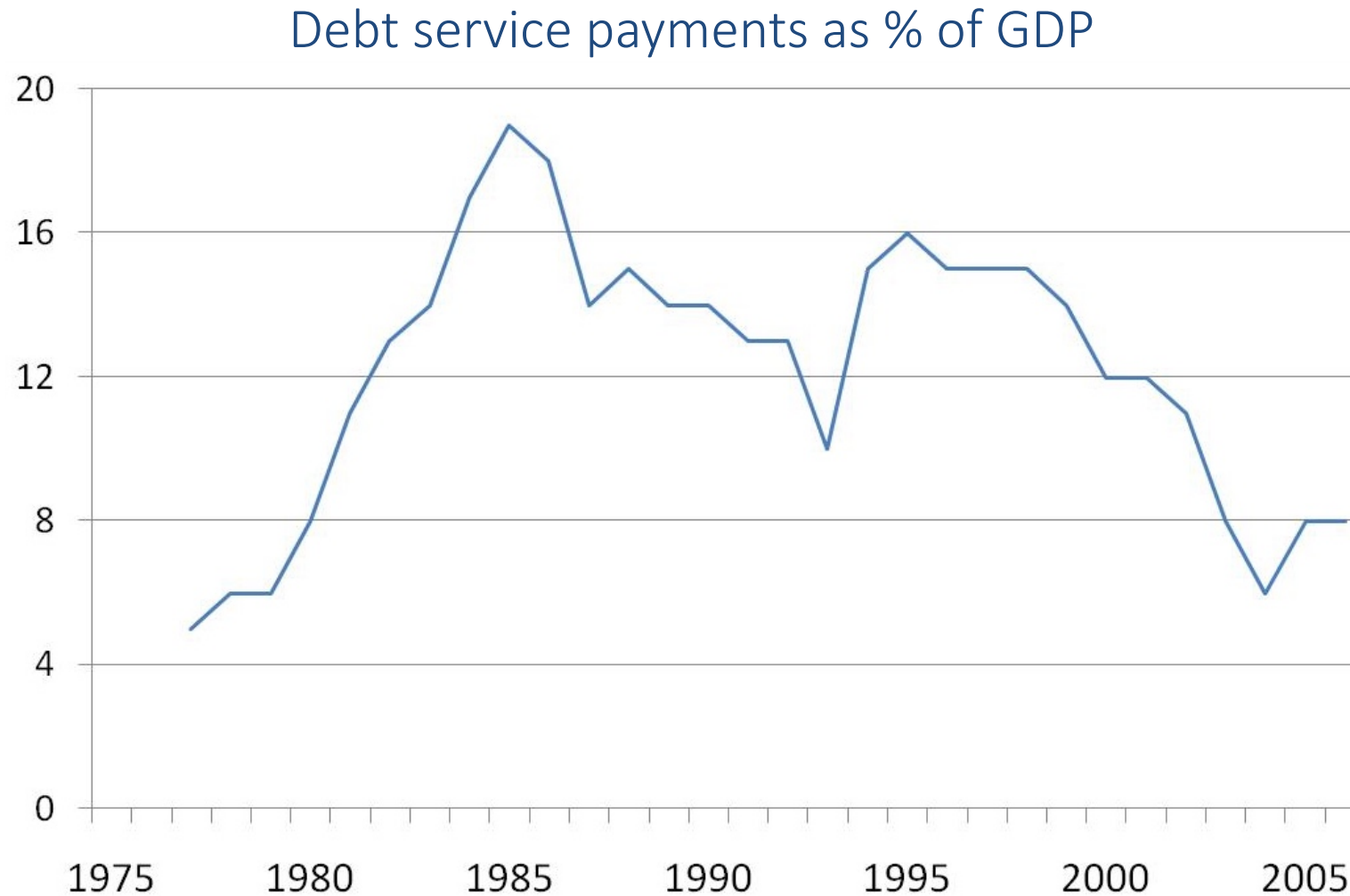
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Last class: limited access orders require economic as well as political control, and political strains can drive economic crisis

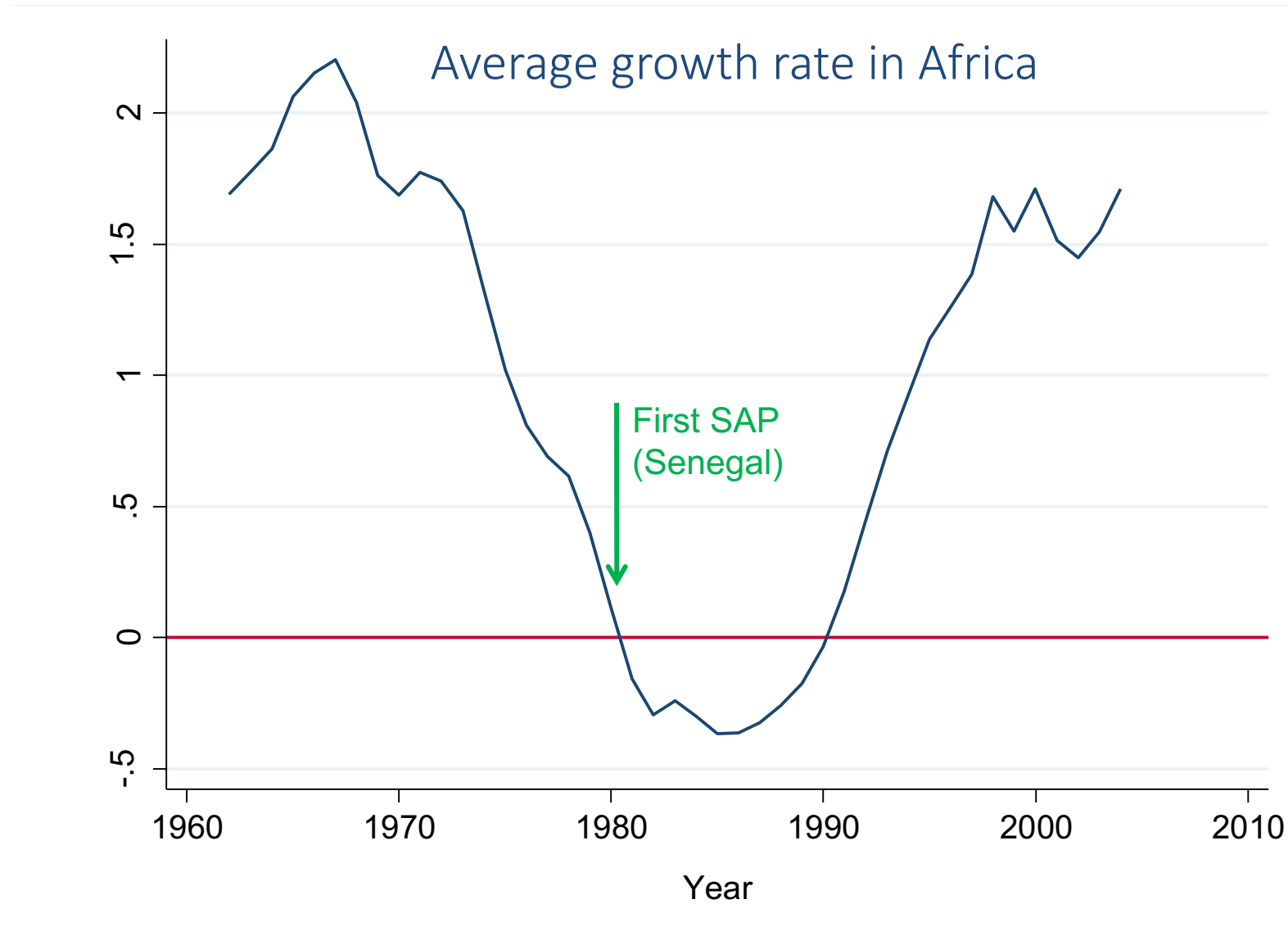
- In many countries, state-led development strategies had their technocratic aims subverted by political ones
- Imperialism had bestowed stronger but more centralized, unaccountable states
- Local elites set out to preserve their political control through one- and no-party systems
- Political control required economic control
 - Reduce threats to power, distribute rents to elite coalition, and pacify urban unrest
- This control, inefficiency, corruption and patronage was a growing fiscal strain, leading to persistent deficits, growing inflation
- Small economies with concentrated export baskets were also highly vulnerable to commodity price shocks, and the shocks of the 1970s and 80s were dramatic

Result: A crisis of debt

Dozens of countries frozen out of international credit markets in early 1980s



As countries face economic collapse, the rest of the world considers how to respond to stabilize these countries and help return them to growth



The international response: Macroeconomic
stabilization and structural adjustment

Each played a different role

“Macro stabilization”

- Get deficits and inflation under control
- Stop printing money to pay for things
- Cutbacks in spending
 - Social expenditures
 - Public sector job
- IMF: Short term loans

“Structural adjustment”

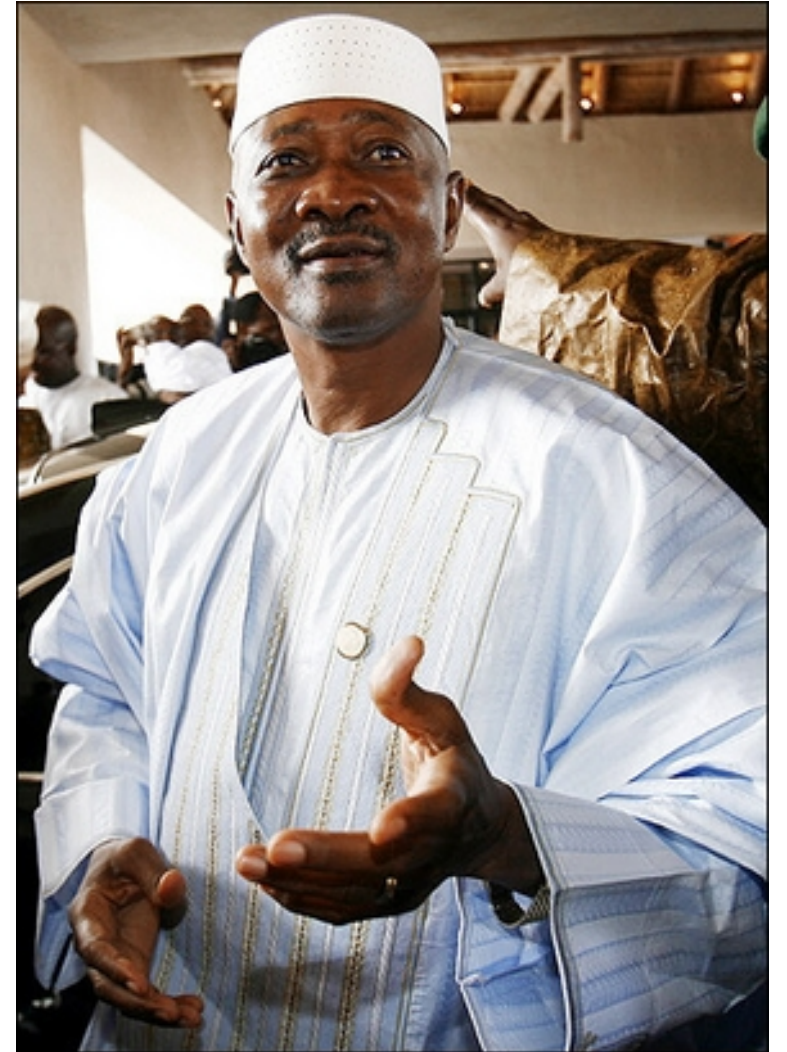
- Deeper economic reform programs
- Remove price controls
- Privatize state-owned banks, companies
- Build market institutions
- World Bank: Long term loans

The classic critique of structural adjustment: Inexpert, ideological, thinly disguised neo-colonialism

People who have never seen cotton come to give us lessons on cotton...

No one can respect the conditionalities of certain donors. They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student.

— Malian President Amadou Touré (2005)



Another way to view stabilization and structural adjustment as a response to patrimonial policies that crippled economies

Economic controls:

Marketing boards and price controls

Seigniorage spending

Price supports and pork

High public employment

Overvalued currency

Trade protection

Import bias

Nationalization of industry

Proposed reforms:

→ Price and agricultural market deregulation

→ Strict inflation targets

→ Reduce expenditures

→ Public sector retrenchment

→ Devaluation

→ Trade liberalization

→ Export bias

→ Privatization of banks, transport, mining, etc.

Core tenets of the “Washington Consensus” according to John Williamson

The non-“market fundamentalist” version

1. Run a roughly balanced budget
2. Avoid broad food & fuel subsidies in favor of targeted programs to poor
3. Broaden tax base and have moderate marginal tax rates
4. Let the market determine the interest rate
5. Minimize exchange rate distortions
6. Have low to moderate tariffs and avoid quotas
7. Be open to foreign investment
8. Avoid state enterprises, especially banks and manufacturers
9. Open industries up to competition
10. Uphold property rights

How much did it matter?

van de Walle: In the 1990s, macro stabilization and structural adjustment were actually quite slow, unevenly implemented, and often reversed

Table 2.3. *Policy Reform in Africa: Patterns of Implementation, 1979–1999*

| Reform | Degree of Implementation | Probability of Reversals | Comments |
|---|--------------------------|--------------------------|---|
| I. Stabilization | | | |
| a. Fiscal adjustment | mediocre-good | high | Belated progress in mid-1990s Sustainability questionable |
| b. Exchange rate policy | good-excellent | medium | Early focus of IMF; CFA countries devalue in 1994, maintain fixed rate |
| c. Monetary policy and external balance | mediocre-good | high | Uneven progress across time; reliance on large aid flow |
| II. Adjustment | | | |
| a. Domestic liberalization | poor-excellent | medium | High variation across cases |
| – Banking/credit | good-excellent | low | Early focus of adjustment programs |
| – Investment | mediocre | low | Large gap between de jure and de facto situation |
| – Export agriculture | mediocre | medium | Prices still set by state, particularly in ex-French states |
| – Food markets | mediocre-good | medium | Consumer prices liberalized more than producer prices |
| b. Trade policy | poor-mediocre | high | Less continuing regulation in west and Central Africa Little progress and often subverted in practice. |
| c. Public enterprise reform | poor-mediocre | low | Privatization quickens in 1990s, biggest Public enterprises remain |
| d. Civil service reform | poor | low | Consistently deferred, high cost and complexity |

Van de Walle: Why were these reforms poorly implemented in the 1980s?

1. Most of all: Opening up the economy threatened power in limited access orders

But also...

2. This scale of public sector reform was an almost impossible task

3. The IFIs did not necessarily have the right answer

- Underestimated the role for the state
- Took too many lessons from already developed countries

4. Many governments differed ideologically

- A Socialist influence persisted in many countries
- Few governments owned the plans

5. Paternalism of IFIs looked suspiciously like colonialism

6. Foreign aid sustained weak bureaucratic structures & lessened need to reform them

There's a reason that in the 1990s Ferguson called the World Bank the Anti-Politics Machine



- Most international institutions (especially economists) failed to understand the political logic of the economic systems
- They viewed this as an ideological contest with socialism/Communism, rather than a struggle against a system of elite political control
- Saw economic systems as “inefficient”, and viewed fixing them as a technical problem not a political one
- Mislabeled patrimonialism a problem of “corruption” and personal greed
- Failed to consider the nature of local power structures and domestic political threats from reform

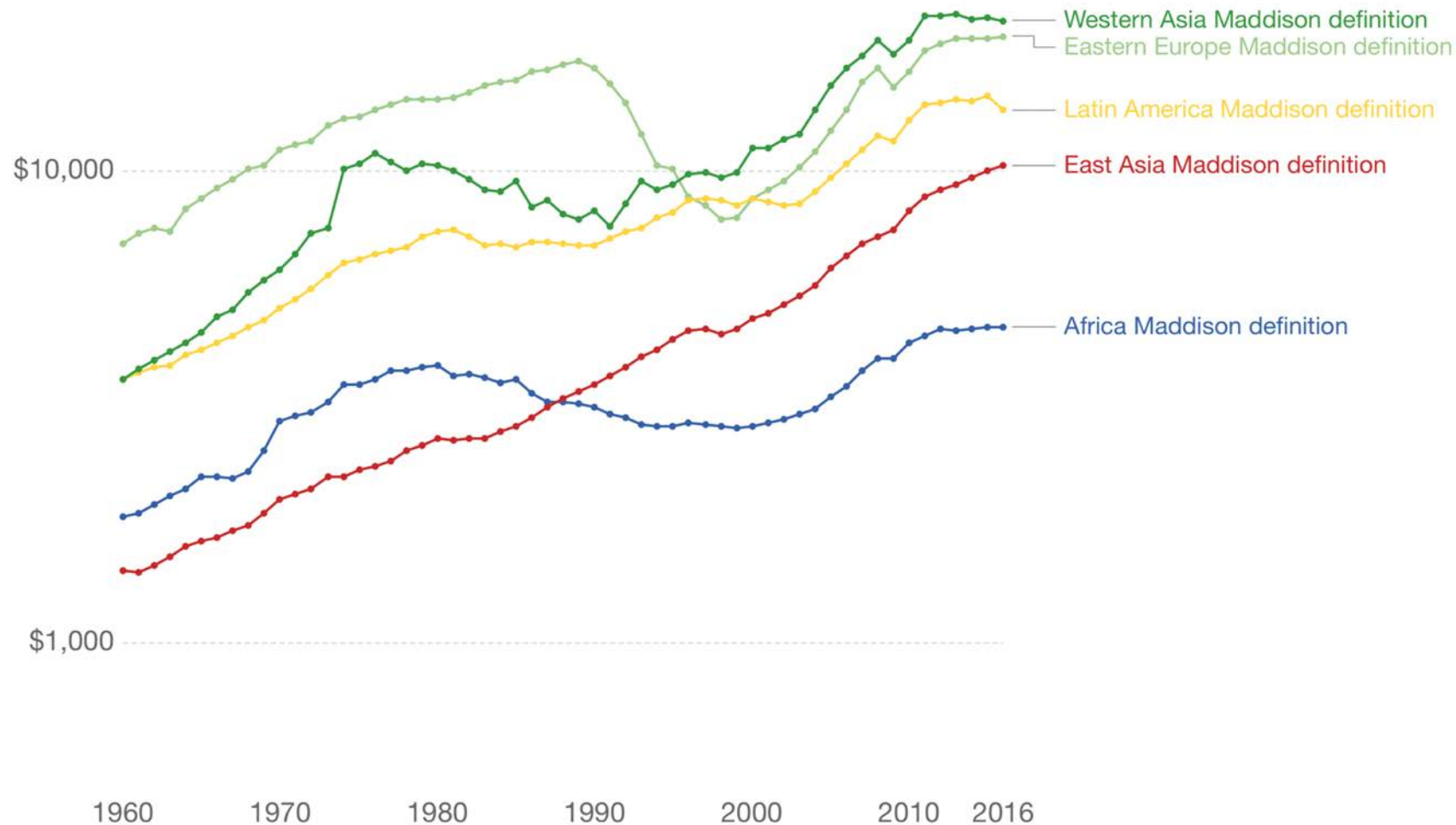
One interpretation: Reform is fundamentally political It threatened control regimes and power structures

- Reform creates winners and losers
 - Reduction of political control → Fewer resources for patrimonialism
 - Public sector retrenchment → lost jobs
 - Removal of subsidies → hurts urban poor
 - End currency distortions → inefficient firms go bust
- Politically very difficult to effect these changes
 - Could also destabilize a fragile political equilibrium
- Ruling elite reactions to protect their interests:
 - Cooperate in transferring the costs and risks to the poor
 - Block or slow reforms that threaten the patrimonial system
 - Create the façade of a rational-legal bureaucracy above this system
 - Find political advantage in reform: Privatize to cronies, centralize and reassert Presidential control,
...

At the same time, eventually a majority of these countries became more democratic, less economic controlled, and resumed growth

Average real GDP per capita across regions

The measures are adjusted for inflation (at 2011 prices) and also for price differences between regions (multiple benchmarks allow for cross-regional income comparisons).



In what sense are these nations all structurally adjusted now?

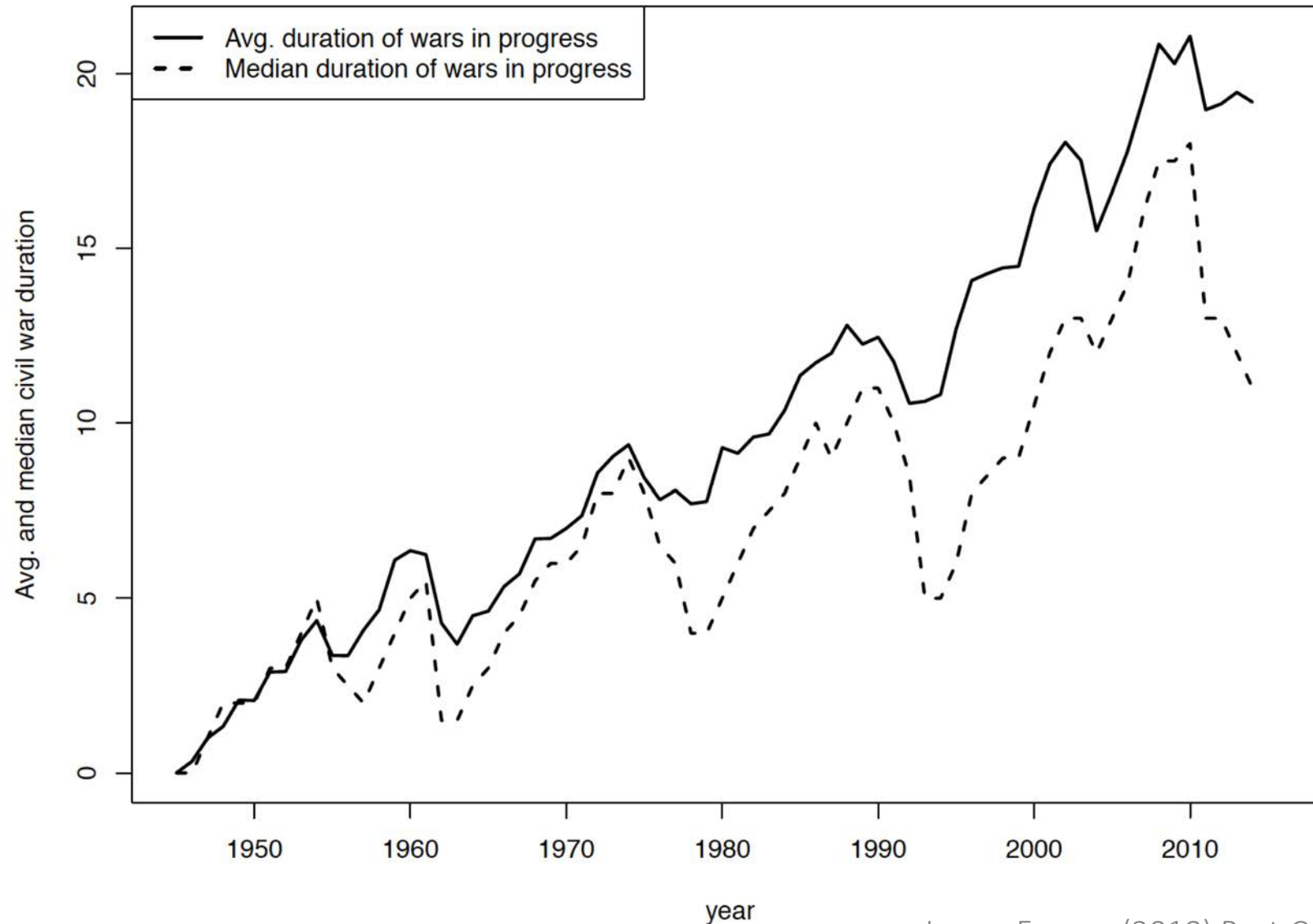
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What changed? Why did so many countries become economically and politically freer in the medium run?

- And how to explain exceptions?
- To be continued with democratization, after we deal with conflict, order & statebuilding policy responses

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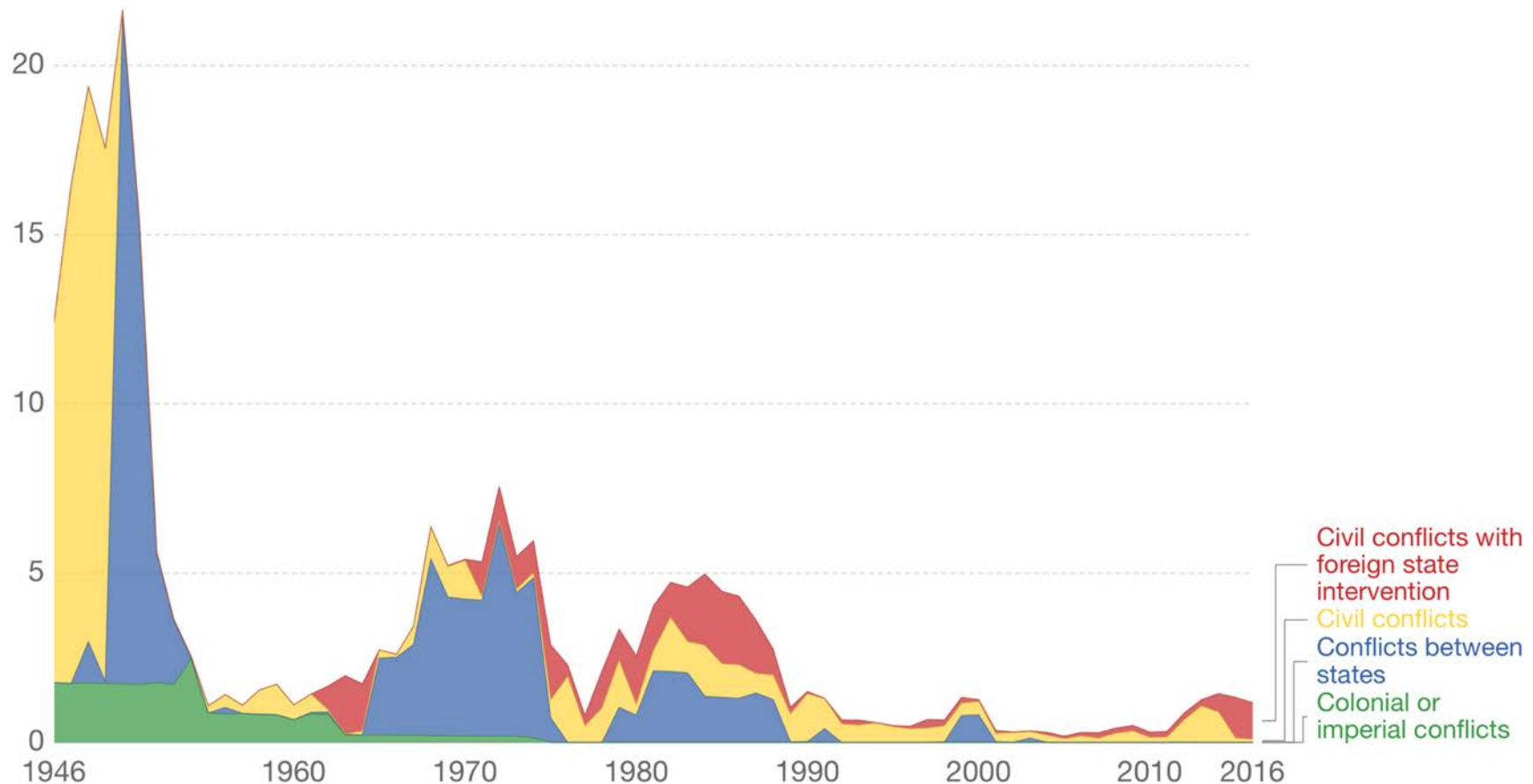
The past half century has seen a growing number of long-lasting civil wars



These are largely low-intensity conflicts

State-based battle-related deaths per 100,000 since 1946

Only conflicts in which at least one party was the government of a state and which generated more than 25 battle-related deaths are included. The data refer to direct violent deaths per 100,000 of world population. Deaths due to disease or famine caused by conflict are excluded. Extra-judicial killings in custody are also excluded.



Source: UCDP/PRIO

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Note: The war categories paraphrase UCDP/PRIO's technical definitions of 'Extrasystemic', 'Internal', 'Internationalised internal' and 'Interstate' respectively. In a small number of cases where wars were ascribed more than one type, deaths have been apportioned evenly to each type.

Let's begin with an example: South Sudan



Probably you have not seen a lot of news coverage



A short history of Sudan

Conflict before Independence in 2011

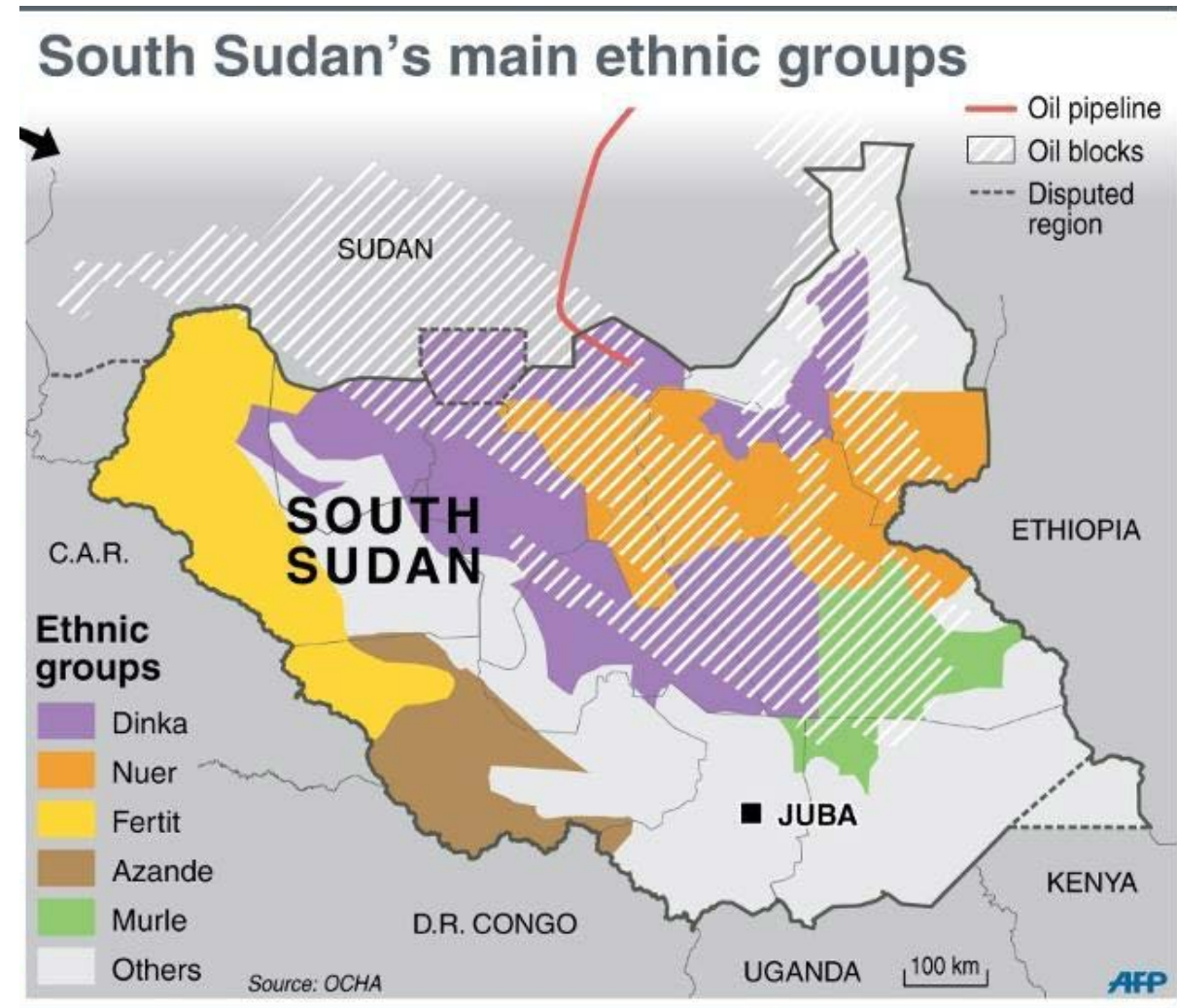
- Colonial powers united an Arab-dominated north with a black and non-Muslim dominated South
- Southern armed groups fought for independence 1955-72 and 1983-2005
- Also motivated by oil rents, with 75% of reserves in the South
- Gained independence in 2011
- As a result of war and neglect, one of the least politically and economically developed countries on the planet
- Oil revenues 98% of budget

Geography



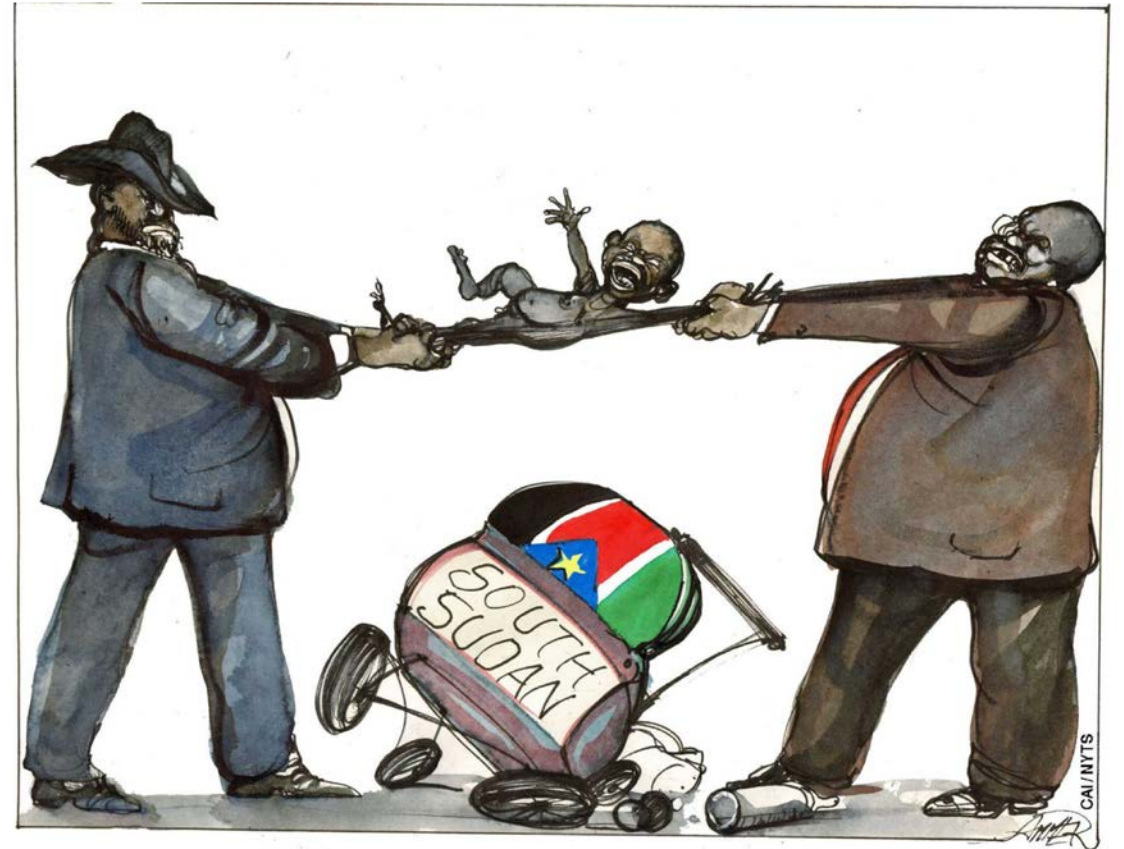
The current conflict: 2013-??

- Even before Independence, several ethnic groups and leaders competed for dominance in the South
- In 2013, this dissolved into a civil war
- Also widespread killing of civilians by ethnic militias
- At least a quarter of the 12 million people have been displaced, and more than 300,000 killed
- A ~12,000 troop peacekeeping mission has so far failed to stem the violence



These terrible events provoke some of the most difficult questions in the world, and answers are limited

- Ought neighbors, military allies, aid donors, and responsible governments respond to civil wars or atrocities?
- This moral question is affected by a very practical questions:
 - Do any strategies work, under what circumstances, and why?
 - What are the unintended consequences?



A call for a foreign trusteeship by the African Union. Could this work?

The New York Times | <https://nyti.ms/2jisTW9>

The Opinion Pages | OP-ED CONTRIBUTOR

Can the African Union Save South Sudan from Genocide?

By MAHMOOD MAMDANI JAN. 8, 2017

Assured unconditional international support, South Sudan's rulers acted with impunity. Uninterested in reform, this political class remains incapable of reform on its own. The simple fact is that the very political and institutional foundation for the existence of a state — as a political process that legitimates a sovereign power, and the creation of an administrative, technical and legal infrastructure as the means for exercising that power — has yet to be forged.

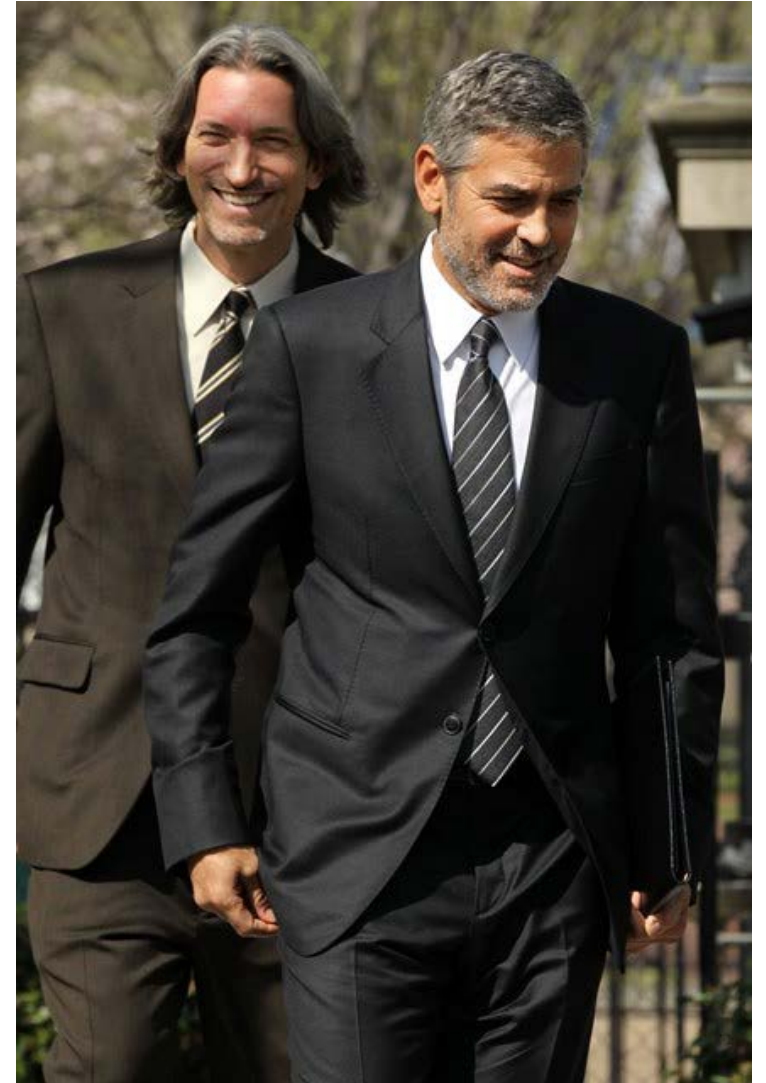
South Sudan is not a failed state but a failed transition. It needs a second transition, this time under an authority other than the United States, Britain and Norway, whose project has failed, or IGAD, whose members have conflicting interests in South Sudan.

A call for targeted sanctions and financial freezes. Would that reduce violence?

For years, the tool of choice for building leverage against actors undermining peace or human rights has been to impose targeted sanctions. But sanctions have been used sparingly in Africa. They have been applied to only a few individuals at a time, with very little enforcement, and are rarely extended to predatory commercial collaborators, both inside and outside Africa, who facilitate and enable official misdeeds.

...This standard but failing approach can change. Serious financial pressure with real bite is not only possible; it has proved effective in the past. As a start, sanctions must be levied against entire networks, not just individuals.

— John Prendergast & George Clooney,
Foreign Affairs, March 14, 2018



And thus far a relatively small, poorly funded UN peacekeeping mission (UNMISS) with limited scope of operation. Should it grow?

“The mission is very, very constrained in terms of resources” and requires “additional resources, both in terms of human capabilities and also in terms of assets like helicopters.”

— Eugene Owusu, deputy head of UNMISS

“UNMISS is neither an intervention, nor an interposition force. It can only operate with the consent of the host government”

— Adama Dieng, UNSG Special Adviser for Prevention of Genocide



And what should be done after wars end?

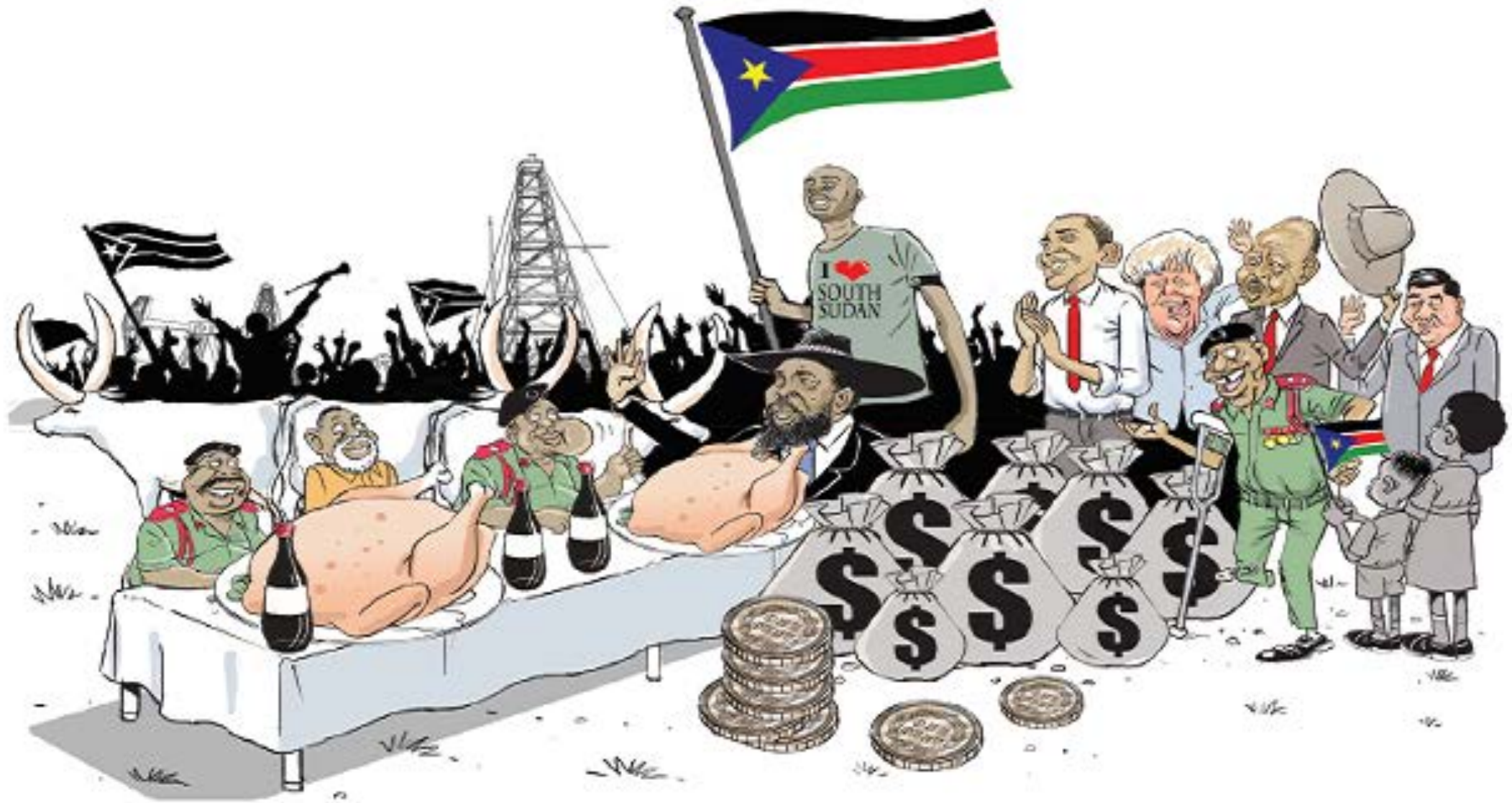
- There is now a fairly standard menu of post-conflict interventions (in weak states)
 - Demobilization, disarmament and reintegration (DDR)
 - Reconciliation / transitional justice process
 - Restore the central state bureaucracy
 - Organizing elections with multiparty competition and universal suffrage
 - Make commitments to combat corruption
- Does this increasingly standardized menu make sense for different conflicts and places?



Congolese youth with their voting cards ahead of the first free elections held in the DRC in over 40 years, Kinshasa, June 2006

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Even so, shouldn't there still be strong incentives for peace in most of these new nations?



Recall our taxonomy of reasons for conflict

1. **Unchecked elites.** Groups are more likely to fight when decision-makers ignore the costs of war or receive personal benefits (and no one holds them to account)
2. **Violent values.** Sometimes the act of violence is its own reward, in terms of status, emotion, or principle. These are non-material incentives for war
3. **Systematic mistakes.** Competition is a complex set of decisions, and humans tend to systematic mistakes when evaluating costs or chances of victory
4. **Uncertainty.** When the opposing group's strength or intentions are ambiguous, taking a chance by fighting can be the best way to resolve the uncertainty, so that war is the result of a risky gamble
5. **Impossible bargains / Commitment problems.** Some circumstances give one side an irresistible incentive to risk war. Even if there is a peaceful deal that makes both sides better off, that deal is non-credible, as at least once side has incentives to renege

What hypotheses do you have?

Think back to our discussion last week of post-colonial politics and political organization

Why might massive economic shocks matter?

How might we think of these conflicts through the lens of elite bargaining?

- Ex-colonies are largely limited access orders with elites who control the military, material and mobilizational power
- Newly independent elites must strike bargains to divide power and rents in society
- High stakes bargains: The rules and organizations developed will shape who holds power and controls rents now and also into the future
- Beset by shocks and other changes in power, forcing renewed bargaining
- Considerable uncertainty about each sides' power, amplified by changing environment and shocks
- Risks of war amplified by private incentives for conflict among domestic elites and superpowers

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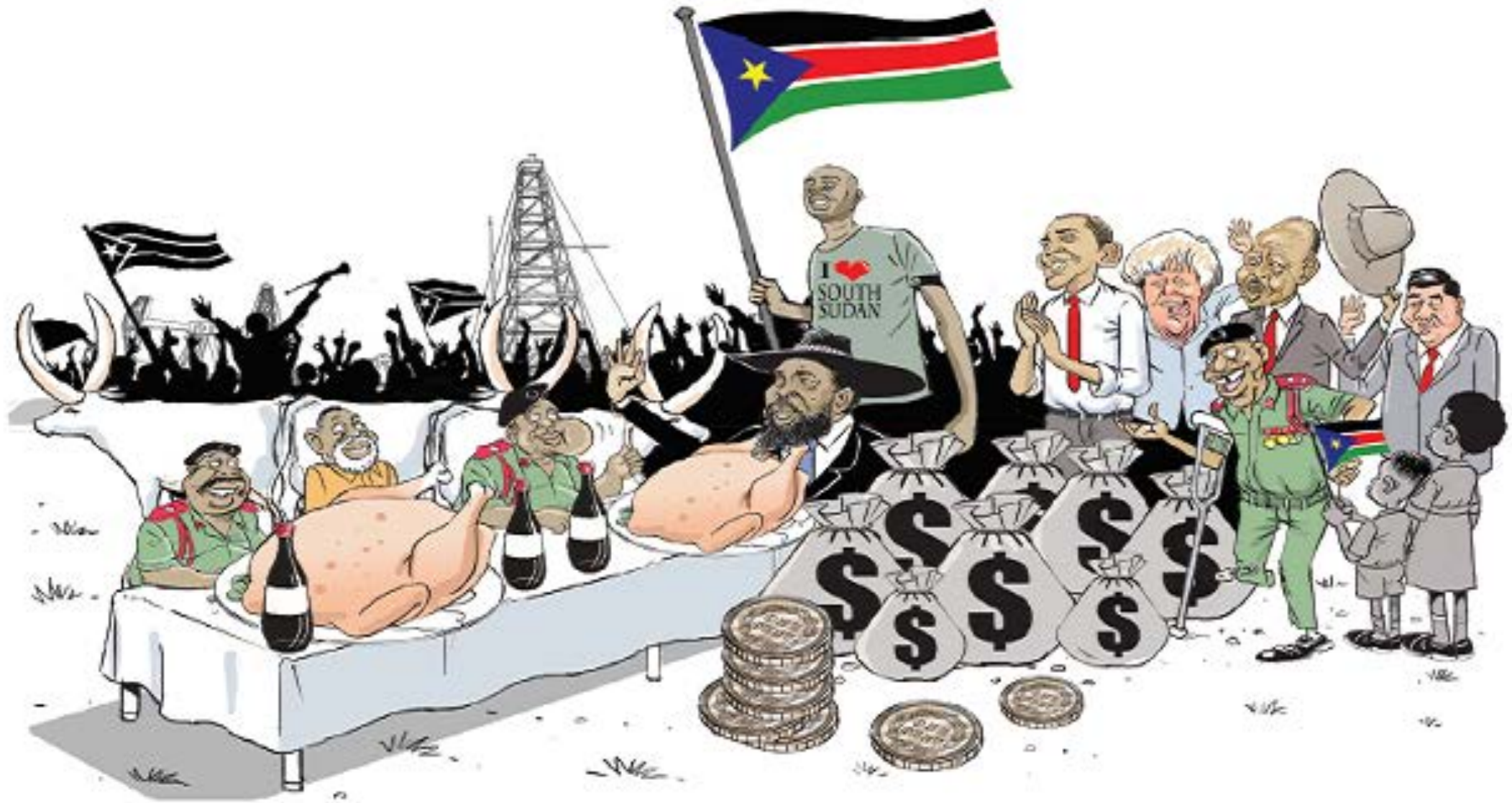
Beset by shocks: Any change in material, military, mobilizational power, or the rents available threatens past bargains

- Consider the following shocks in post-colonial Africa
 - Abrupt departure of a colonial power
 - Large spikes in commodity prices
 - Economic crisis and the imposition of austerity and structural adjustment programs
 - Discovery of natural resources such as oil
 - Sudden end to regime support with the unexpected end of the Cold War
- Each of these
 - Re-initiates bargaining
 - May bring new information asymmetries
 - May give different actor private incentives for war
 - Introduces possible commitment problem as a result of large swings in power necessitating large transfers from the formerly to the newly powerful
 - Leaves room for miscalculation

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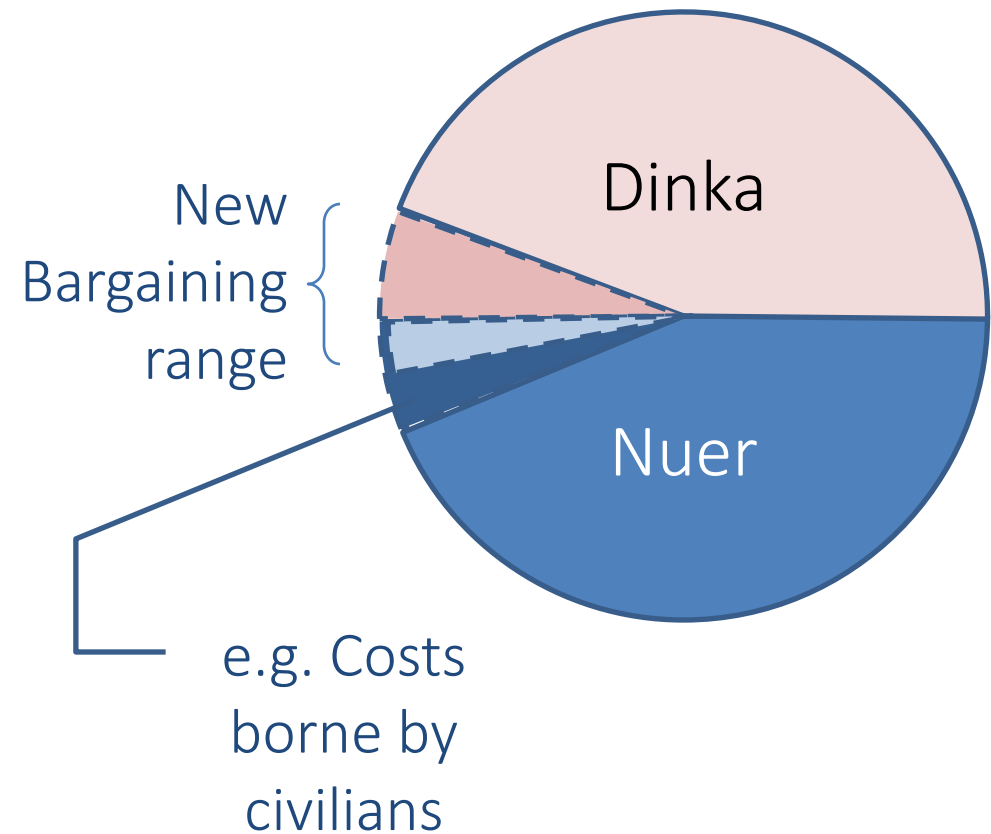
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Recall: Why is centralized power and unchecked leaders a problem?



If leaders ignore the costs of war, costly war is less puzzling

- To the extent that leaders ignore costs, this shrinks the bargaining range
 - Sometimes called an “agency problem”
- But if a bargaining range still exists, war still remains a “puzzle”
 - But narrower ranges can accentuate asymmetric information and commitment problems and other causes of war
- In the extreme, leaders can actually have economic incentives for war
 - Some groups are enriched by war, and have an interest in perpetuating it



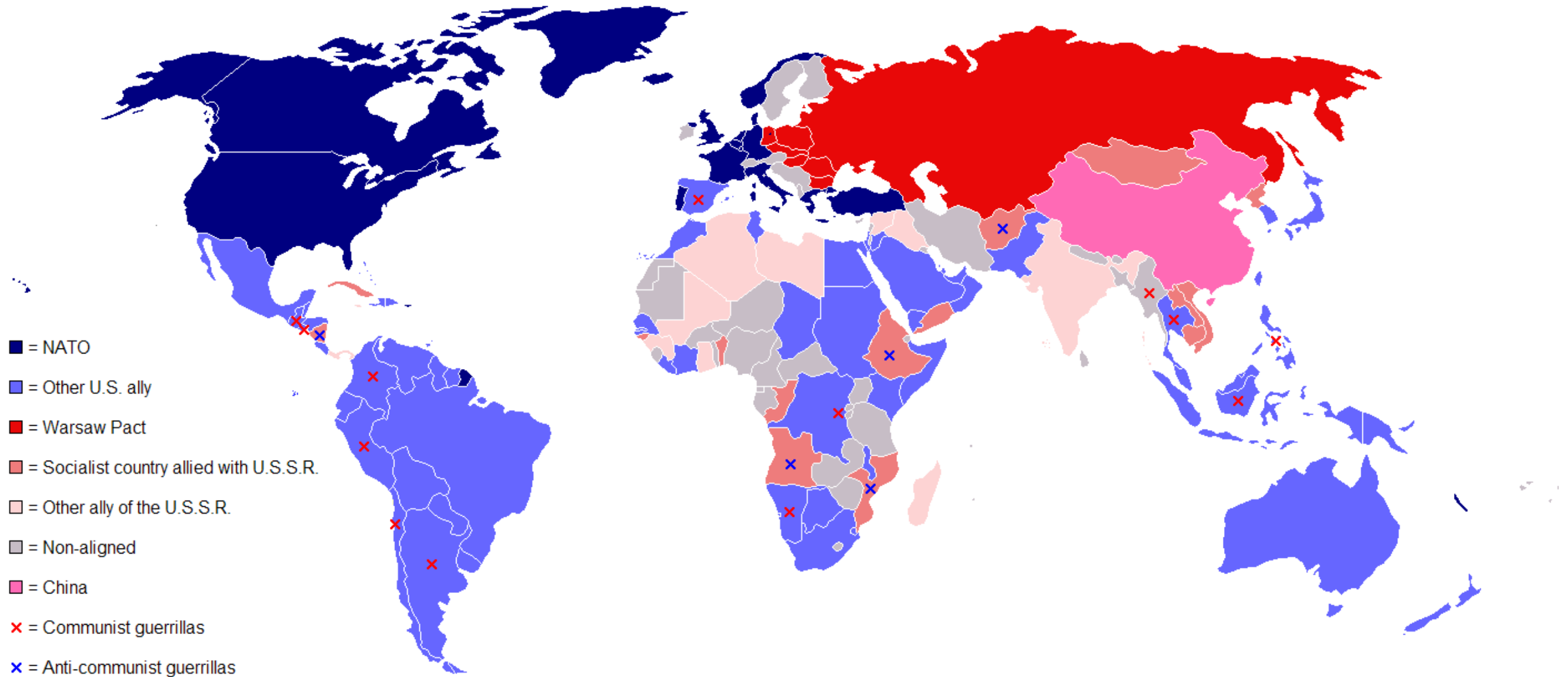
Amos Sawyer was most concerned about the centralization of power in post-colonial states like Liberia. Why?



Peaceful bargains can be difficult in highly centralized political systems

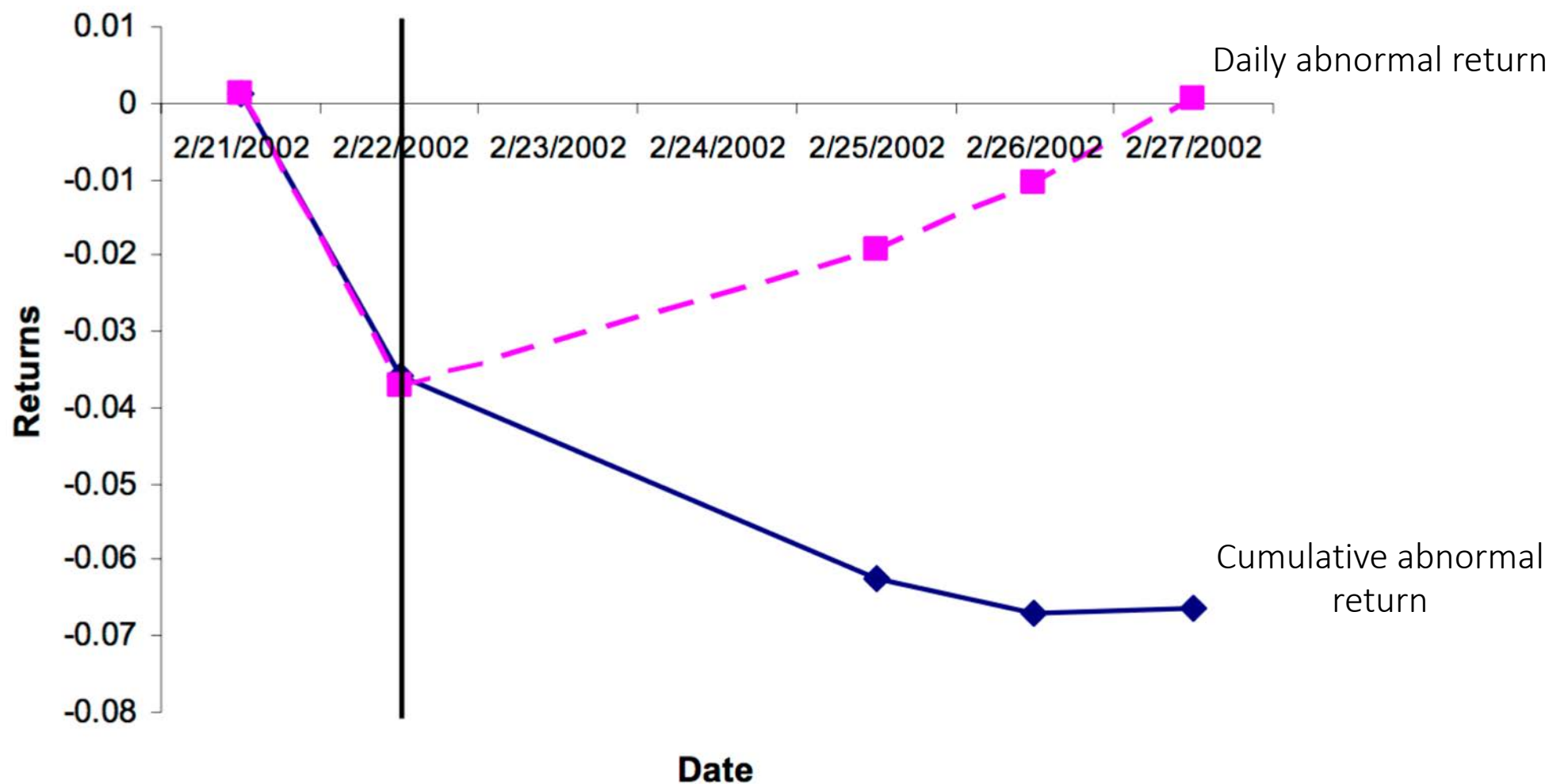
- Colonial systems, as well as post-Independence institutional choices, means that many countries are highly centralized Presidential systems
- A highly centralized Presidency is inherently difficult to divide
 - Creates a commitment problem
- The post-WWII international system gives groups strong incentives to try to capture the central state
 - Principles of territorial sovereignty and fixed borders
 - *“The three hundred years between 1648 and 1945 constituted an era of war between states; the last sixty years appear to be an age of war within states.”* —David Armitage, “Civil Wars” (2017)
- Thus, in weakly institutionalized systems, the Presidency is a high stakes prize to be captured

Pushed many international conflicts to proxy wars, and created incentives to seize capital



Guidolin & La Ferrara 2015: Death of an Angolan rebel leader raises chances for peace, and in response firms with diamond operations in Angola see their stock returns fall

“Abnormal” stock returns before and after Savimbi’s unexpected death



How might we think of these conflicts through the lens of elite bargaining?

Ex-colonies are largely limited access orders with elites who control the military, material and mobilizational power. Newly independent elites must strike bargains to divide power and rents in society.

- **Uncertainty:** Considerable uncertainty about each sides' power
- **Unchecked elites:** Highly centralized political systems with private internal and external incentives for war
- **Violent values:** External ideological incentives help drive war
- **Commitment problems** grow with high-stakes bargains
 - The rules and organizations developed will shape who holds power and controls rents now and also into the future
 - Difficult to construct the institutions—the systems of rules and organizations—that will enable bargaining to take place credible commitments to be made