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The Political Economy of Violent Conflict Within States



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Summary and Keywords

The political economy of violent conflict is a body of literature that investigates how economic issues and interests shape the dynamics associated to violent conflict after the Cold War. The literature covers an area of research focusing on civil wars—the predominant type of conflict in the 1990s and early 2000s—and an area of research focusing on other types of violent conflict within states, such as permanent emergencies, criminal violence, and political violence associated to turbulent transitions. The first area involves four themes that have come to characterize discussions on the political economy of civil wars, including research on the role of greed and grievance in conflict onset, on economic interests in civil wars, on the nature of conflict economies, and on conflict financing. The second area responds to the evolution of violent conflict beyond the categories of “interstate” or “civil” war and shows how political economy research adapted to new types of violent conflict within states as it moved beyond the “post-Cold War” era. Overall, the literature on the political economy of violence conflict emphasizes the role of informal systems behind power, profits and violence, and the economic interests and functions of violence underlying to violent conflict. It has also become a conceptual laboratory for scholars who after years of field research tried to make sense of the realities of authoritarian, violent or war-affected countries. By extending the boundaries of the literature beyond the study of civil wars after the Cold War, political economy research can serve as an important analytical lens to better understand the constantly evolving nature of violent conflict and to inform sober judgment on the possible policy responses to them.

Keywords: political economy, civil wars, war economy, conflict financing, natural resources, permanent emergencies, military-industrial complex, criminal violence, political transitions

Introduction

This article reviews contributions on the political economy of violent conflict after the Cold War. At its core interdisciplinary, the political economy of violent conflict represents a literature that focuses on how economic issues and interests shape conflict dynamics—or on how violent conflict starts, endures, escalates, or ends. The article underlines how research on the political economy of violent conflict evolved after the Cold War from its traditional focus on interstate warfare to civil wars, and then beyond, in order to make sense of the constantly evolving nature of violent conflict in different regions of the world.

The article distinguishes between an area of research focusing on the political economy of civil wars—the predominant type of conflict in the 1990s and early 2000s with much attention given to the study of rebel groups. The second area of research focuses on other types of violent conflict within states over the past two decades. This research includes political economy perspectives on intervention and permanent emergencies related in particular to the wars in Afghanistan and Iraq; criminal violence in Central and South America and southern Africa; and political violence and transitions in the Middle East and North Africa.

This article limits its scope to contributions emerging from political science, sociology, and anthropology in order to complement an existing review on the economics and conflict in the *Oxford Research Encyclopedia of International Studies* (Schneider, 2010). Given the richness of the literature, the article cannot systematically cover scholarship on the political economy of interstate war, state-building, or development.

Situating the Political Economy of Violent Conflict

In their introduction to *The Oxford Handbook of Political Economy*, Weingast and Wittman (2006) describe the long intellectual tradition of political economy as a field of study:

For Adam Smith, political economy was the science of managing a nation's resources so as to generate wealth. For Marx, it was how the ownership of the means of production influenced historical processes. For much of the twentieth century, the phrase political economy has had contradictory meanings. Sometimes it was viewed as an area of study (the interrelationship between economics and politics) while at other times it was viewed as a methodological approach. Even the methodological approach was divided into two parts – the economic approach (often called public choice) emphasizing individual rationality and the sociological approach where the level of analysis tended to be institutional. (p. 3)

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Building on the tradition of formal modeling, political economy research became associated with “the methodology of economics applied to the analysis of political behaviour and institutions” (Weingast & Wittman, 2006, p. 3). Different scholarly disciplines follow this economic approach to political economy to study international conflict. For instance, defense economics has relied on formal models to study the nature and dynamics of international conflict or issues such as the arms race, bargaining, alliance formation, or defense expenditure (Anderton & Carter, 2009; Brauer & Gissy, 1997; Brauer & van Tuyll, 2008; Hirshleifer, 1995; Hartley & Sandler, 1995). In political science, scholars have studied “how political institutions constrain and create incentives that shape cooperation and conflict” in contrast to different schools in international relations (e.g., neorealism, liberalism) that focus on how “the distribution of power or distribution of wealth among states (as rational unitary actors) determines interactions leading to international conflict and cooperation” (Bueno de Mesquita, 2006, p. 832). By the late 1990s, economists also investigated the political economy of civil wars, including, for instance, research on economic explanations for the causes of civil wars by Collier and Hoeffler (1998) discussed later.

This article recognizes this intellectual tradition of political economy research but focuses primarily on contributions from political science, sociology, and anthropology because the literature on economics and conflict is already well covered elsewhere (Humphreys, 2003; Schneider, 2010; Kimbrough, Laughren, & Sheremeta, 2017). The contributions from these disciplines build on history scholarship on the economic attributes of interstate wars and their effect on state formation. The rising costs of war had important transformative effect on states of 15th- and 16th-century Europe and led to the development of extraction systems for rulers to acquire the resources for state-making, war-making, and protection (Tracy, 1985; Tilly, 1992). The need to pay for wars had such profound effects on European states that “financial history cannot escape dealing with war” (Kindleberger, 1993, p. 7). Beyond the evolution of states, wars also shaped the origin of major firms, which became the organizational response to satisfy the increasing demand from states for war-making materials from the 17th century onwards (Chandler, 1992; Sen, 1984). Research on the political economy of international conflict has also featured within international political economy, especially in relation to the study of military-industrial and trade rivalries between states and international economic orders (Gill & Law, 1988; Lake, 2006).

With the end of the Cold War, research started to shift its focus from interstate to civil wars. Political economy research also took this turn, initially driven by the application of formal economic methods (Collier & Hoeffler, 1998). Yet the emphasis on economic reductionism and methodological individualism led to claims that the models were inadequate to capture structural and relational change over time (Cramer, 2002). International political economy research emphasized how easier access to global markets transformed civil wars as they enabled the commercialization of local resources in the global economy and facilitated the supply of know-how, manpower, and war-fighting material to war theaters (Berdal, 2003; Berdal & Malone, 2000; Duffield, 2001; Kaldor, 1999). This literature responded to the many open questions of how to respond to civil

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wars in a historical context in which war economies became an integral part of globalization (Friman, 2009; Naylor, 2002). While the literature evolved primarily within an Anglo-Saxon research community, early work on the political economy of civil wars evolved from French scholarship (Jean & Rufin, 1996; Misser & Vallée, 1997). Research on the political economy of violent conflict was also part of a trend to broaden security studies beyond state- and military-centered approaches after the Cold War (Buzan, 1991; Krause & Williams, 1996).

At its core interdisciplinary, the literature on the political economy of violent conflict also became a conceptual laboratory for scholars who—often after years of field research—tried to make sense of the messy, contradictory, illiberal, unjust, and constantly changing realities of authoritarian, violent, or war-affected countries from their respective disciplinary perspectives (Cramer, 2006; Giustozzi, 2007; Menkhaus, 2007; Nordstrom, 2004; Rodgers, 2009; Reno, 1996; de Waal, 2015). Despite the different methods and approaches used in this research, what their work may have in common is a “political economy analyses” that enables a look “beneath the formal structures to reveal the underlying interests, incentives and institutions that enable or frustrate change” and that account for both formal and informal social, political, and cultural norms shaping political and economic competition (Department for International Development, 2009, pp. 1-2).

Themes on the Political Economy of Civil Wars

Between the mid-1990s and the mid-2000s, a distinct literature focused on the political economy of civil wars—a category of violent conflict that captured the predominant type of warfare within this period in countries such as Angola, Bosnia-Herzegovina, Cambodia, Colombia, the Democratic Republic of the Congo (DRC), Kosovo, Liberia, Peru, or Sierra Leone. This section unpacks this literature by zooming onto four key themes that have come to characterize discussions on the political economy of civil wars: research on the role of greed and grievance in conflict onset, on economic interests in civil wars, on the nature of conflict economies, and on conflict financing. An underlying current connecting these themes is their aim to better understand economic dimensions of violent conflict and how economic interests shape conflict dynamics. Shortly after the Cold War when these discussions occurred, this aim was both new and bold when considering that much policy and research on violent conflict was related to the military or political realm.

Greed and Grievance

Research on the causes of civil wars was spearheaded by Paul Collier and Anke Hoeffler at the World Bank and culminated into the Collier-Hoeffler Model on Civil War Onset (Collier & Hoeffler, 1998, 2004; Collier & Sambanis, 2005). This research came to the conclusion that economic motivations are more important than grievance to explain the occurrence of civil war, which contrasted the then prevailing narratives about ethnic conflict that were supposedly caused by “irrational and essentially inexplicably primordial qualities” of ethnic and cultural identities (Pugh, Cooper, & Goodhand, 2004, p. 97), and

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framed by a perception of anarchy in the “underdeveloped world” characterized by “the withering away of central governments, the rise of tribal and regional domains, the unchecked spread of disease, and the growing pervasiveness of war (Kaplan, 2000, p. 9). Collier and Hoeffler conceptualized civil wars as a developmental problem. Since armed conflict was mainly located in developing countries, civil war was characterized as “development in reverse” (Collier et al., 2003, p. 32). From this perspective, civil wars were an economic problem that legitimized the use of economic methods to explain the occurrence, duration, and consequences of civil war (Collier & Sambanis, 2005, p. xiii).

The Collier-Hoeffler model may have been “the most widely reported results of any cross-national study of civil conflict, *ever*” (Fearon, 2005, p. 484, emphasis in original). The statistical methodology provided a basis to present the findings as objective and apolitical. World Bank ownership gave the results authority and visibility. The findings vindicated World Bank policy on economic diversification, the reduction of military spending, growth- and trade-led economic development, and external intervention (Collier et al., 2003). The findings also gave political momentum to efforts at the United Nations to expose and undermine the financing of rebel groups in African conflict zones (Klem, 2004).

As a result of—or perhaps because of—this significance, the Collier-Hoeffler model generated much debate and critique. Overall, the model was thought to provide an additional theory for the onset of civil war, especially as an alternative to theories focusing on ethnic or religious identity (Berdal, 2005, p. 688). In addition, the model clearly specified opportunity structures for rebellion (Fearon, 2005, p. 485) and provided an economic understanding of armed conflict beyond its political and military dimensions (Klem, 2004, p. 18). Moreover, due to its polarizing nature, the model provoked the academic community and thereby stimulated new research (Fearon, 2005, p. 484).

A major source of criticism was the methodological orientation of the study mirroring a broader discussion between quantitative and qualitative approaches to the social sciences and between various epistemological positions on international relations (Hollis, 1994, pp. 15–20). In this context, the emphasis on economic reductionism, the creation of truths, and methodological individualism led to claims that the model was inadequate to capture structural and relational change over time (Cramer, 2002, p. 1850; Herbst, 2000, p. 274).

The thrust of the critique, however, was aimed at the execution of the research. Nathan (2005) argues that the model “is filled with empirical, methodological and theoretical problems that lead to unreliable results and unjustified conclusions” (p. 2). Klem (2004) purports that “indicators are subjective and inadequate. . . . the jump from correlation to causation is large” (p. 5). A report evaluating World Bank research noted a “lack of an appropriate conceptual and empirical framework. As a result, the regression analysis of these studies [on civil war] cannot be used to support the conclusions they ostensibly reach. . . . An important and promising topic was marred by poor execution” (Banerjee, Deaton, Lustig, & Rogoff, 2006, p. 64). A key issue was data on conflict areas that led to

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the omission of 34 cases out of 113 in the earlier models and the omission of 27 out of 79 civil wars in the 2004 revision. These omissions compromised the validity of the findings of the research produced up until the mid-2000s (Fearon, 2005, p. 485; Fearon & Laitin, 2003, p. 76).

With hindsight, the “greed and grievance” research following Collier and Hoeffler’s 1998 article, and the response to it, may be compared to the movements of a pendulum, as described by Zartman (2005):

Putative explanations emerge and draw momentum of scholarship to them, lining up true believers and drawing fire of true doubters, until a counterproposition appears in turn and the pendulum swings in a new direction. The movement encourages exclusivist and exaggerated claims in order to draw attention to a new explanatory angle, and so fuels the work of debunkers. Much value is lost in the process, and the pendulum only comes to rest on one side or in the middle much later, often unnoticed as the debate moves elsewhere. (p. 257)

That middle ground became understanding the role of economic factors in conflict dynamics in specific conflicts (Arnson & Zartman, 2005; Ballentine & Sherman, 2003) and in terms of how they interact “with socioeconomic and political grievances, interethnic disputes, and security dilemmas in triggering the outbreak of warfare” (Ballentine, 2003, pp. 259–260). Much of the initial determinism of the greed and grievance discussion was also softened as the discussion evolved with the intention to “lay to rest the ‘greed versus grievance’ caricature. . . . Greed and grievance should not be seen as competing explanations of conflict—they are often shades of the same problem” (Bannon, 2003, p. xi). Work using anthropological methods also developed a much more contextual understanding of conflict drawing on human stories (Nordstrom, 2004; Rodgers, 2009; Uvin, 2009). With hindsight, therefore, the legacy of the greed and grievance debate may be that it debunks single-factor explanations of how violent conflicts start, evolve, and end and that it situates the analysis of economic dimensions of violent conflict more within international political economy rather than economics.

Economic Agendas in Civil Wars

Research on civil war occurred at a moment when natural resources took a prominent role in many African conflicts, and the United Nations and the World Bank adapted their policy accordingly (Bannon & Collier, 2003; Ballentine & Nitzschke, 2005B; Collier et al., 2003). In the early 2000s, a series of reports of the United Nations Security Council (UNSC) Sanctions Monitoring Mechanisms on Angola, the DRC, Liberia, or Sierra Leone exposed the link between natural resource exploitation and human suffering and fatalities and initiated a policy of “naming and shaming” governments and businesses involved in war economies (e.g., UNSC, 2000). The reports also provided political momentum for new sanctions regimes including commodity or financial sanctions and travel bans (Biersteker & Eckert, 2001; Cortright & Lopez, 2002; Biersteker, Eckert, & Tourinho, 2016), as well as multistakeholder natural resource management schemes such as the Kimberley

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Process against conflict diamonds (Smillie, 2005). Different advocacy groups did their part to expose the deal-making of war-fighting governments and rebel groups as well as their corporate or governmental supporters (e.g., Global Witness, 1998, 2001; Smillie, Gberie, & Hazleton, 2000). The involvement of companies in war economies also triggered policy efforts on business and human rights that led to the adoption of the Guiding Principles on Business and Human Rights in 2011 (see Ruggie, 2013).

An area of research accompanying these developments focused on the “complex web of motives and interactions” emerging from the interplay of vested interests in prolonging civil war (Berdal & Malone, 2000, p. 2; see also Duffield, 2001). This research was rooted in a functional understanding of violence, which means that violence is the result of purposefully organized actions and is motivated by psychological, political, social, or economic functions (Kalyvas, 2006; Keen, 1998). Underlying this “rational kind of madness” are questions such as “What use is violence? What functions does it assure? In what strategies is it integrated?” (Keen, 1997, p. 68).

Through a functional lens it became possible to discern that the civil wars of the 1990s departed from Clausewitzian notions of war as a contest between two armies in which war is the means to achieve political goals. Rather, war became an end in itself, and the aim of fighting was no longer to win against an enemy but to perpetuate the conflict for economic reasons (van Creveld, 1991, pp. 57–62, 217). Through the functional lens, civil wars were no longer characterized as purely political contests but became “the continuation of economics by other means” (Keen, 1998, p. 11). Civil wars were “not simply a breakdown of a particular system, but a way of creating an alternative system of profit, power and even protection” (Keen, 1998, p. 11).

These characteristics of civil wars debunked the so-called “give war a chance” thesis, which argued that “too many wars nowadays become endemic conflicts that never end because the transformative effects of both decisive victory and exhaustion are blocked by outside intervention” (Luttwak, 1999, p. 44). In the absence of intervention, wars would be “allowed to run their natural course” as the belligerents would exhaust their military force (Luttwak, 1999, p. 36). However, if the belligerents are conducting an armed conflict for economic reasons, Cooper (2002, pp. 943–944) argued that waiting for the military exhaustion “may be like waiting for Godot,” making reference to a play by Samuel Becket in which the main characters await the arrival of someone named Godot, but this person never arrives.

In addition, a functional lens helped correct the depiction civil wars as “chaos.” Keen (2000) argued that

disciplines like economics and political science usually focus on a restricted area that is ordered and predictable; and when messy phenomena like contemporary civil war do not fall easily within the orbit of these systems of analysis, the temptation to wheel out the label of chaos is very great. (p. 22)

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The literature therefore situated civil wars as part of broader transformation processes in which people adapted their behavior in order to survive, minimize risk, and maximize opportunities. In these circumstances, armed groups benefitted from the absence of legal authorities and accumulated profits through violence, which in turn fostered an interest to perpetuate the conflict, but not to win it (Keen, 1998).

The functional perspective also developed as a critique to policy efforts that mainly focused on cutting-off financing from rebel groups as a means to end a civil war. Herbst (2000), for instance, recalled the partisan nature of sanction regimes that are “an implicit call for the military defeat of the rebels by the government,” noting also that “the vocabulary of victory and defeat has been transferred to the more neutral and technocratic language of sanctions and restraints on the trade of natural resources” (p. 271). In a similar vein, Keen (1997) remarked that

a focus on the costs of war only takes us so far. Unless we look also at the functions of war, it is difficult to see how wars can be brought to an end. . . . If we try to assess who is benefiting from war and in which ways (as well as who is suffering from war and in which ways), we will be well placed to suggest policy innovations that will alter the balance of costs and benefits for those effecting or contemplating acts of violence. (p. 73)

Conflict Economies

Conflict economies have been another area of research of the political economy of civil wars. This focus on rebel groups established a counterpoint to history scholarship on war economies associated with states. As a starting point, Jean and Rufin (1996) described Mao Tse Tung and Che Guevara’s doctrine of guerrilla warfare. According to these doctrines, guerrilla forces are dependent on local populations for protection and resources because they tend to be weaker than government forces in terms of number of soldiers and hardware. They should therefore form a symbiosis with the local population and its natural environment. However, except for China and Cuba, relying only on symbiosis is rarely sufficient for mobilizing resources to maintain guerrilla activities, which explained why insurgents needed to move around from one community to the next while ensuring external support through military or humanitarian sanctuaries (Rufin, 1996, pp. 21–23).

Naylor (2002, pp. 45–47, 53–54) investigated the dynamic features of conflict economies based on the interaction of the type of conflict economy (predation, parasitic, extraction) and the military strategy of armed groups (contention, expansion, control). He distinguished three stages in this evolution including “predation-contention” (the economy is predatory and the military strategy is based on contention with government forces), “parasitic-expansion” (insurgents grow in size and territorial reach with the economy developing increasingly parasitical characteristics), and “extraction-territorial control” (insurgents establish control over an area from which the state is excluded). The latter stage has received further analysis in the literature on *de facto* states where a *de*

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facto government runs state-like institutions, public services, as well as justice and taxation systems and has control over a population yet is not recognized as a state by the international community (Pegg, 1998).

The evolution of conflict economies described by Naylor (2002) applied to a range of rebel groups including the Shining Path in Peru, the National People's Army in the Philippines, the Bougainville rebels in Papua New Guinea, the Khmer Rouge in Cambodia, the Tamil Tigers in Sri Lanka, *União Nacional Para a Independência Total de Angola* (UNITA) in Angola, the Maoist rebels in Nepal, and the *Fuerzas Armadas Revolucionarias Colombianas* (FARC) in Colombia. These experiences suggested that the evolution of insurgency economies can over time become similar to those of states. While in the initial stages of an insurgency insurgents use different methods of financing, the methods become similar with the increasing degree of control over territory and populations. As insurgencies become larger and increase their operational space, costs of maintaining their activities increase and lead to pressures to build institutions to administer at scale, which in turn means the need to diversify sources of income (Naylor, 2002, pp. 45–47, 53–54). More recently, the political and social transformations within the territories controlled by rebel groups have become part of the study of rebel governance in civil wars (Arjona, Kasfir, & Mampilly, 2015) and of the study of the Islamic State in Iraq and Syria (ISIS) (Mohamedou, 2018).

Research between the mid-1990s and mid-2000s also emphasized the importance of case studies and field research in advancing the understanding of conflict economies. Wennmann (2007A, p. 63) identifies at least 63 case studies in this period across 30 different civil wars. Exemplary of this work are articles on Afghanistan by Rubin (2000) and Goodhand (2000) and on Bosnia and Herzegovina by Woodward (1995) and Donais (2003). The work on conflict economies highlighted the important social and economic transformations taking place during armed conflict (Cramer, 2006; Douma, 2003). It showed that an economy not simply collapses in times of war but transforms itself to fulfill the needs and objectives of a war-fighting state or non-state armed groups. It also highlighted the role and limits of outside interveners in shaping social systems of conflict-affected countries (Anderson, 1999; Duffield, 2001). War- or violence-induced transformations also represent such an important change of economic relations and opportunities that postconflict reconstruction needs to connect to these new realities, for instance by adopting a conflict-sensitive, postconflict economy policy (Addison & Brück, 2009; Del Castillo, 2008; Kamphuis, 2005).

Conflict Financing

Research on conflict financing has been informed by case studies of the various rebel groups in the mid-1990 to mid-2000s; especially in Africa (e.g., Angola, Ivory Coast, the DRC, Eritrea/Ethiopia, Liberia, Mozambique, Rwanda, Sierra Leone, Somali, Sudan, and Uganda) but also in South America (Colombia, Peru), Asia/Pacific (Cambodia, Indonesia, Nepal, Sri Lanka, Papua New Guinea), Europe (Bosnia and Herzegovina, northern Ireland), and the Middle East (Lebanon, Turkey). This research has been presented in

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several seminal case study volumes including Jean and Rufin (1996), Ballentine and Sherman (2003), Pugh et al. (2004), Arnson and Zartman (2005), and Collier and Sambanis (2005) and is connected to research on the behavior and functioning of rebel groups (Balencie & de La Grange, 2001; Bøås & Dunn, 2007; Clapham, 1998; Hazen, 2013; Metelits, 2010; Weinstein, 2007).

Research on conflict financing initially continued to emphasize the multitude of financing methods available to rebel groups (Jean & Rufin, 1996; Kaldor, 1999). However, in the early 2000s, natural resources received much scholarly and policy attention with natural resources being a defining characteristic of several African civil wars, especially Angola, Sierra Leone, Liberia, and the DRC (Cilliers & Dietrich, 2000; Smillie et al., 2000). Le Billon (2001) developed a typology of resource conflicts based on four geographic characteristics (resources are concentrated/diffuse or proximate/distant to the capital) and four types of armed conflict (competition for state control, secession, rebellion, and warlordism). Ross (2003, 2004) added the dimension of “lootable” and “obstructable” resources. Lootability refers to the ease with which resources can be extracted and transported by individuals or groups (e.g., diamonds, drugs); obstructability refers to the ease with which the transportation of a resource can be blocked (e.g., oil, gas, deep-shaft minerals). Several volumes in the early 2000s were dedicated to this topic (e.g., Ballentine & Nitzschke, 2005B; Bannon & Collier, 2003; Renner, 2002), and the United Nations Environment Programme and associated partners fostered research that was ultimately published in six volumes between 2012 and 2016 (Bruch, Muffett, & Nichols, 2016; Jensen & Lonergan, 2012; Lujala & Rustad, 2012; Unruh & Williams, 2013; Weinthal, Troell, & Nakayama, 2014; Young & Goldman, 2015).

The importance of natural resources in conflict financing was explained by the trend for rebel groups to replace their declining support from Cold War patrons—a claim that has since been qualified by various scholars. Patronage payments during the Cold War tended to be mainly a feature of Western power politics rather than a general phenomenon. Western powers devoted a higher degree of support to different rebel groups in comparison to the Soviet Union and China (Naylor, 2002, pp. 80–81). Moreover, even during the Cold War, rebel groups were able to rely to some extent on natural resource extraction and taxation as well as generate income through other economic activity (Wennmann, 2007A, p. 94). It was also misleading to assume that direct support stopped after the Cold War, as illustrated by the direct state support to the civil war in Bosnia and Herzegovina (Bojicic & Kaldor, 1997). What did change, however, was that state support was “no longer the only, or necessarily the most important, game in town” (Byman et al., 2001, p. xiii). Herbst (2004, p. 367) emphasized that the access to natural resources provided some rebel groups the means and an incentive to challenge weak states.

The tendency to emphasize the role of natural resources in rebel group financing was surely adequate in many African civil wars, but overall it did not provide a balanced picture on conflict financing generally. Many other rebel groups had a range of financing methods, including, for instance, external assistance from governments or diasporas, asset transfers from civilians, the printing and forging of money, protection rackets,

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landing fees, kidnapping, portfolio investments, and legitimate business ventures. The kinds of financing strategies available to armed groups also depended on the opportunities for money-making in the specific territories they controlled, the geostrategic significance of this territory, and the international political context that shaped the conflict (Wennmann, 2007B).

In addition, research on conflict financing has tended to focus on the income produced from specific financing methods, not on an extended analysis to compare such revenue to the cost of a specific military strategy. Research on mobilization costs emphasized the importance of the relationship between available revenue sources and the financial requirements to organize the type of military strategy needed to reach a particular objective (Killicoat, 2007; Wennmann, 2009). This relationship between available funding and mobilization costs provides new insight into what constitutes an “effective” source of conflict financing at three levels: first, resources that are easy to centralize and generate a high value and immediate revenue stream (which is key to initiate a conflict); second, resources providing constant revenue over time (which are key to maintain a conflict), and third, minor resource flows that can motivate commanders and troops to keep a conflict alive but that on their own are insufficient to pay for a conflict (Wennmann, 2009). Many analyses of conflict financing obsess over how much money a specific group controls but do not ask the question about how much money they need and what for. The emphasis on mobilization costs produces a more nuanced analysis of conflict financing.

Beyond Civil War

Over the course of the past two decades, the categories of “interstate” or “civil” wars became increasingly ill-suited for understanding the constantly evolving nature of violent conflict (Krause, 2014). Scholarship focused on various other types of violent conflicts, including, for instance, research on the military interventions in Afghanistan, Iraq, and elsewhere, as well as on a political economy perspective on anti-terror policies. It also focused on criminal violence in Central and South America, the Caribbean, and Southern Africa and the increasing merger between political and criminal agendas. Other research looked at political violence and transition in the Middle East and North Africa that highlights the interaction between *de facto* political orders and foreign interventions through stabilization, state-building, or peace-building programs. What connects these strands of research—and what makes them part of the study of political economy—is their focus on the interaction of formal and informal power in establishing control over political and economic resources and opportunities and how this interaction affects the dynamics of violent conflict.

Intervention and Permanent Emergencies

The wars in Afghanistan and Iraq introduced a new era of military interventions and “liberal” development assistance related to state-building, economic reform, or peace-building (Chandler, 2010; Paris, 1997; Richmond, 2006). These interventions involved the

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export of Western-style political institutions and participatory politics to these two countries that were also part of a broader ambition to stabilize and develop other postconflict states (Autesserre, 2014; Berdal & Zaum, 2013; Boege, Brown, Clemens, & Nolan, 2009; Mac Ginty, 2011; Paris & Sisk, 2009; Putzel & Di John, 2012). Research on the political economy of violent conflict shifted the focus from non-state armed groups to the overt or clandestine roles of state security forces, private security firms, and other international actors in war zones (Coll, 2004; Singer, 2003). It also looked at the implications of military interventions and war economies (Costantini, 2016; Dodge, 2005; Felbab-Brown, 2013; Giustozzi, 2007; Moore & Parker, 2007), also connecting to research on the political economy of development from area studies, especially on the Middle East (Cammett, Diwan, Richards, & Waterbury, 2015; Haddad, 2012; Heydemann, 2004).

From a political economy perspective, this era of intervention opened new questions about the functions of far-away conflict for war-fighting states and their defense industries. Keen (2012) applies the rationale behind economic agendas in civil wars to war-fighting states, illustrating the power of vested interest in and institutional dynamics behind “permanent emergencies.” He emphasizes that many governments and defense industries have become dependent on a mode of politics and business that requires permanent emergencies, saying that “a declared war against a ‘demon’ enemy turns out to be an ‘excellent’ context in which a wide variety of violent, profitable and politically advantageous strategies can be pursued with a great deal of impunity” (Keen, 2012, p. 236).

Hosseini-Zadeh (2006) positions the dynamics of permanent emergencies within the sale and profit motives associated to the U.S. military-industrial complex—hence connecting to a well-established research in international political economy (Gill & Law, 1988). He argues that historically many major powers have been constituted as bureaucratic military empires, and consequently their military industries “were owned and operated by imperial governments” and were “not subject to capitalist market imperatives” (Hosseini-Zadeh, 2006, p. 6). In contrast, he holds that

private ownership and the market-driven character of the United States arms industry have drastically modified the conventional relationship between the supply of and demand for arms: it is now often the supply (or profit) imperatives that drive demand for arms. In other words, imperial wars and demand for arms are nowadays precipitated more by sales and/or profits than the other way around. (p. 6)

According to Boggs (2017), the consequence of these dynamics in the United States has been the creation of a “warfare state” described as “a broad ensemble of structures, policies and ideologies” including elements such as a permanent war economy; a national security state; a global expansion of military forces; and a merger of state, corporate, and military power (p. 3). With its roots in the perpetuation of the military industrial system created for World War II, the warfare state has been “legitimated through a deeply entrenched culture of militarism” in which “corporate military statism has become a

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defining feature of American politics” (Boggs, 2017, pp. 3, 5). The entrenched power of U.S. military industries is also illustrated through the lens of industrial policy. McCartney (2015) observes that “defence contractors have learned that the surest way to get Congress to approve defence projects is to locate the manufacturing of weapons and other products and services in as many states and congressional districts as possible” (p. 38). In this way, military industries pressure members of Congress with job losses, foster symbiotic relationships, and create an extended “military-industrial-congressional complex” (McCartney, 2015, p. 45). Der Derian (2008) studies the extension of these strategies with respect to the “military-industrial media-entertainment network.”

The previously cited scholarship illustrates how the economic agendas and business logic of defense industries align behind an objective to neither necessarily “win” a particular war nor to make a specific place any safer, showing that a state of permanent emergency, fear, and insecurity is a necessary business environment for the defense industry to thrive. The political economy of permanent economies therefore

challenges the traditional and “common sense” model of war as a contest between two (or more) sides aiming to win . . . When winning is not the aim of fighting it is important to distinguish the *intention* to eliminate an enemy and the *usefulness* to actually succeeding.

(Keen, 2012, pp. 168, 236, emphasis added)

This rationale also applies to the ever-growing humanitarian marketplace in which a great variety of actors—from the international to nongovernmental organizations to private firms—compete for the lucrative business of humanitarian aid or disaster relief (Carbonnier, 2015). While much of this work is driven by the genuine objectives to save lives, alleviate suffering, and defend human dignity in the face of the worst possible atrocities, scholarship has also shown how the incentive to maintain and fund a specific institution, mandate, department, or position has tended to trump the purpose of these institutions or departments (Barnett & Finnmore, 1999). These incentives have been particularly evident with respect to field-level operations of international organizations or nongovernmental organizations. They have made institutions less agile to adapt to changing contexts, fortified professional silos around different concepts, and opened a gap between institutional practices and local needs for support (Autesserre, 2014; Uvin, 2009).

Criminal Violence

Since the late 2000s, a strand of conflict research has shown that the great majority of violent death occurs outside traditional conflict settings associated with the categories of inter- or intrastate wars (Geneva Declaration Secretariat, 2008; Human Security Report Project, 2013; World Health Organization, 2014) and proposed a new research agenda on armed violence reduction (Krause & Muggah, 2009; Organisation for Economic Co-operation and Development [OECD], 2011). This agenda emphasizes that violence manifests itself in different forms in different places and connects to the proliferating

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study on the micro-dynamics of conflict, violence, and development (Justino, Brück, & Verwimp, 2014). From a political economy perspective, the research opened a new window on how the interaction of formal and informal power and control over economic resources and opportunities generate violence and insecurity at the local level (Rodgers, 2009; Skaperdas, 2002).

First, this research clarified the regulatory functions of violence that are directly related to the maintenance of organized crime. Violence can be a result of intergroup competition over criminal markets or a means of arbitration. As the “underworld” is outside a legal mechanism of dispute resolution, violence becomes a means of dispute settlement between groups (Serrano, 2002, pp. 16–20, 23). Violence also occurs if competitors want to break into a market and those challenged react to this competition violently (Naylor, 2002, p. 31). In principle, criminal networks do not like to use violence because it attracts the attention of law enforcement, can interrupt established business channels, and can be perceived as a sign of weakness (Dubinsky, 2007, p. 385; Naylor, 2002, pp. 31–32).

Second, the research clarified the political power and strategies of organized crime that act as a “major force shaping contemporary global affairs” (Cockayne, 2016, p. 6). Especially in Central and South America, researchers have applied network analysis to chart how crime networks reconfigure political institutions (Briscoe, Perdomo, & Uribe Burcher, 2014; Garay Salamanca & Salcedo-Albarán, 2012; InSight Crime, 2016). In conflict-affected and fragile states, organized crime ensures that “the new rules of the game are enforced in ways that maximize criminal actors’ control of criminal markets and criminal rents” (Cockayne, 2013, p. 11) but pursues such political strategies to ensure a business opportunity rather a political vocation (Dubinsky, 2007, p. 381). In a sense, “Much like lobbyists seeking to influence political decisions and systems, organized crime groups work politically to shape the state, the economy, and the society to fulfill their own interests” (Wennmann, 2014, p. 256). From this perspective, weak states represent a comparative advantage because they offer a proximity to the main markets, purchasable state officials, a desperate population, and an ineffective police force (Dubinsky, 2007, p. 403; Wennmann, 2011, p. 117).

Third, the research emphasized the limits of heavy-handed strategies against drugs, crime, or gangs. These responses exerted a tremendous humanitarian and human cost and fanned rather than reduced violence (Inkster & Comolli, 2012; Jütersonke, Muggah, & Rodgers, 2009; Kennedy, 2008; Kenny & Serrano, 2012). The research also showcased the inability of institutional responses to armed violence to go beyond strategies that target either political or criminal actors:

If they are political actors, perhaps they can become partners for peace. If criminal, then surely they must be targets for law enforcement. . . . A conflict-based approach will bring military and diplomatic resources into play; a crime-based approach will lead us towards policing and law enforcement based responses.

(Cockayne, 2013, p. 10)

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Such thinking still predominates within many international organizations and governments, especially when these need a well-defined enemy for political or institutional purposes. But armed violence reduction and prevention strategies managed to place responses to violence within “the wider dynamics of armed violence rather than focusing exclusively on insecurity directly connected to what are traditionally defined as armed conflict and post-conflict dynamics,” which in turn required attention “not just to the instruments of violence, but also to the political and economic motives of agents and institutions implicated in violent exchanges at all levels of social interaction” (Krause & Muggah, 2009, p. 137). In this way, a political economy perspective became integrated into a more holistic study of conflict associated with criminal violence.

Political Violence and Transitions

Informed by United Nations data, Kumar (2011) suggested that “87 countries in all of the world’s regions . . . [are] facing the prospects of potential violence, prolonged deadlock, or a relapse into violent conflict over the next two to three-year period” (p. 384). With hindsight, this assessment has proven largely accurate. In contrast to inter- or intrastate armed conflict, political violence and turbulent transitions do not evolve as a political contest in which one of the parties aims to win—as noted earlier—but take on the characteristics of a “slow-onset emergency” that “emerges gradually over time, often based on a confluence of different events” (Office for the Coordination of Humanitarian Affairs, 2011, p. 3) and as a result of long-term trends associated with population growth, urbanization, climate change, geopolitical tensions, and other mega-trends (OECD, 2012).

A focus on political violence and transitions is cognizant of the “hybrid” nature of political governance that is driven by different non-state forms of order and governance (Boege et al., 2009; Kalyvas et al., 2008; North, Wallis, & Weingast, 2009). In many countries, state functions are performed by gangs, private networks, local militias, guerrilla armies, or customary authorities, leaving countries splintered into different zones of autonomy (Clunan & Trinkunas, 2010; Rapley, 2006). Some of these actors may create their own insecurities and inefficiencies, but “partly due to their success in providing security, these sub-state groups often become the most legitimate political authority in areas that they control” (Reno, 2008, p. 143). De Waal (2014) conceptualized the workings of such power systems as a “political marketplace” in which governance is characterized “by pervasive monetized patronage, in the form of exchange of political loyalty or cooperation for payment” (p. 1).

This research emphasizes the unintended consequences when development or military assistance is given without due attention to the workings of a political market or de facto political order (Andrews, 2013; Autesserre, 2014; Berdal & Zaum, 2013; Paris & Sisk, 2009). One study finds that

institutional reforms that do not align with the prevailing interests and incentives of power-holders, or do not redirect these incentives so as to support the new

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formal arrangements, are liable to be subordinated to and incorporated within the logic of informal power and the political marketplace.

(Anten, Briscoe, & Mezzera, 2012, p. 4)

In addition, de Waal (2015, p. 182) illustrates how military or counter-terror assistance—representing the global extension of the military-industrial complexes described earlier—have come to rival, if not surpass, rents from natural resources and illicit finance accruing to incumbent elites. Such rents have allowed incumbent political elites to further distance themselves from any need for popular political support, hence confirming a process toward more exclusive governance hitherto associated with oil rents (Beblawi & Luciani, 1987; Varieties of Democracy Institute, 2018).

It seems just to be a matter of time when the tendency toward more exclusive control over political and economic opportunities—also termed “limited access orders” by North et al. (2009)—and the commutation of systemic risk (OECD, 2012) will translate into more turbulence and political violence. For instance, by 2050 the United Nations forecasts that there will be 1 billion Africans under the age of 18 (UNICEF, 2014). For Africa alone, the urban population will increase by a staggering half a billion people by 2035—the combined populations of present-day Nigeria, Ethiopia, Egypt, and Tanzania (Bello-Schünemann, Cilier, Donnenfeld, & Aucoin, 2017, p. 26). Limited-access governance and economic systems will be unable to provide the opportunities necessary to satisfy the ambitions of so many young people to find a meaningful prospect in life. As the pool of unsatisfied people grows, there will likely be increased rallying for a more pronounced political change; and these demands may result in elites resorting to further repression. Over 90 significant political protests took place in the past decade in over 40 African countries, and these may be only the beginning (Branch & Mampilly, 2015). In the words of de Waal (2017), “the long-term challenge is for the transactional politics of the political marketplace to be supplanted by the institutional politics of the rule of law and the functioning of democratic institutions” (p. 3). Yet this may not happen anytime soon in an era in which the support for such managed transitions is orphaned and cashless (Ikenberry, 2018). As the world may be bracing for more turbulence in limited-access orders, a political economy lens may help inform sober judgment on the possible responses to the evolving nature of violent conflict.

Conclusion

This review has focused on a body of literature that investigates how economic issues and interests shape the dynamics associated with violent conflict after the Cold War. The article distinguished between an area of research focusing on civil wars and an area of research focusing on other types of violent conflict. In order to complement existing reviews that focus on economics and formal models, the article focused on the literature in these areas of research from political science, sociology, and anthropology. This research emphasizes the role of informal systems behind power, profits, and violence and the economic interests and functions underlying violent conflict. By extending the

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boundaries of the literature beyond the study of civil wars, this article has emphasized how political economy research can serve as an analytical lens to better understand different types of violent conflict as they evolve over time. Within a context of rapidly changing strategic landscapes, this lens will remain important for understanding conflict dynamics and for informing relevant policy responses.

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