**Predatory Government & the Feasibility of Rebellion: A Micro Logic of the Capitalist Peace**

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**Abstract:**

Many plausible explanations are offered as to why capitalistic, free-market economies produce domestic order. Opportunity costs associated with disorder, social capital, economic prosperity, and market norms explain how free-market economies produce peace. The dominant position is that trade provides the impetus for order and facilitate conditions for state-making and the extension of markets. These arguments are broad and the empirical examples cut large swathes of time. The specialist literature on civil war focuses specifically on the post-war era, suggesting that civil war occurs when conflict is feasible, driven by looting rebels who are able to finance costly violence. This means that no matter the quality of markets, rebels will organize stealing. In rich countries rebellion remains crime because of state dominance, in poor countries, crime looks like rebellion because of the relative cost of rebel labour. The reality of Third World regimes, however, are not of public-good providers that satisfy a public demand for peace through a contract. For many of these regimes, whether democratic or dictatorships, bad economic policy was good politics. An unintended consequence of bad economic policies is to drive atypically higher investment in hard “infrastructures of escape” to capture high rents in the shadows from smuggling and contraband. These economies of escape ultimately determine the nature of survival of rebel forces against the superior fighting capacities of states. Free-market economies are far less likely to generate investment in this form of rebellion-specific capital that ultimately facilitate open challenge of predatory states. Such a view of conflict is able to reconcile why internal conflicts last long, how narratives of greed and grievance co-exist, and why dominant state forces often fail. Any theory focused on grabbing to explain the onset of conflict should endogenize the causes of survivability, which ultimately determines how many battle deaths get generated to be counted as wars.

**Commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals***.*

Adam Smith. 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations.*[[1]](#footnote-1)

**Introduction**

The question of growing economic liberalization commensurate with “globalization” has reawakened the question of capitalist conditions and social stability (Schneider, 2014). Several scholars have propounded large macro-level arguments pointing at the importance of institutional development for generating political and economic success, or stability and order over violence, relying on political-economy models for understanding how the nature of states, politics and violence connect (Acemoglu & Robinson, 2012; Bueno de Mesquita & Smith, 2011; North, Wallis, & Weingast, 2013). In so far as globalization promotes competitive markets, constrains rent-seeking by elites, and strengthens property rights with greater democratization of polities, then growing capitalist conditions trumpet greater societal peace (Weingast, 2015). Several scholars of globalization, however, disagree with Adam Smith´s statement quoted above, arguing that increasing free-market conditions will increase instability and the potential for violence, particularly in poorer countries (Devetak & Hughes, 2008; Held & McGrew, 2007; Rodrik, 2011; Stiglitz, 2002). What do we know about globalization and civil violence? How do capitalistic, free-market conditions drive violence? Despite heavy focus on the “liberal peace” and “capitalist peace” ideas in international relations, capitalism has been the proverbial “elephant in the room” in discussions about civil war and societal violence, all the more surprising since research on civil war has generally been the preserve of those interested in issues of development, democratization, economic reform, and social cohesion.[[2]](#footnote-2)

 The post-war decades produced several large, macro-level explanations for why poor countries suffered civil wars, coups, and revolutions. Chief among them was modernization theory that viewed civil violence and instability as a pathology of economic and political backwardness (Rostow, 1960). Independent countries emerging newly from colonial rule were still informed by traditional ascriptive ties of ethnicity and religion, and these countries merely had improperly institutionalized political institutions, which were fragile and vulnerable (Huntington, 1968). Communist ideology and peasant rebellions signalled backwardness. Many modernization scholars advocated military rule, since militaries were seen as modernizing institutions, a lesson learnt well by US policymakers. Indeed, even rapid modernization through high economic growth rates were viewed as destabilizing since these countries did not have the institutional infrastructure to cope with rapid change (Olson, 1963). It seems that the dominant view was that capitalism (free market conditions) and democracy were hard for poor countries because of the lack of institutions that ensured stability. The answer seemed to have been to encourage military rule and elite-led governments to stave off communist rebellions aided by outside sources—namely, the Soviet Union (Diamond, 2008; Root, 2008). This antidote to communist rebellion and subversion was likely worse than the disease. Figure 1 shows the risk of armed conflict over the past seven decades.[[3]](#footnote-3)

**Figure1. The risk of civil war with over 25 battle-related deaths globally and among Latin American and Sub-Saharan African countries, 1946-2013**

**Source: UCDP data. The incidence of civil war.**

 As seen in Figure 1, civil wars accumulated gradually over time, and then the risk decreased precipitously at the end of the Cold War, roughly around 1991. The decline is slightly reversed after roughly 2001, presumably after the September 11th attacks on the US and the subsequent war on terror that saw the invasions of Afghanistan and Iraq. Exploring the trend in the risk of conflict is illustrative. The internal structural factors within countries alone provides only a partial picture at best. Systemic factors, such as processes related to decolonization and the Cold War, seem to have mattered, just as much as the war on terror may have mattered after 2001. Indeed, diplomatic historian characterize the Cold War as a “global war” (Westad, 2007). Clearly, proxy wars generated by Cold War rivalry explains much of the rising risk of armed conflict over the post-war decades until the early 1990s. Some of those wars still continue as proxy wars, such as Afghanistan, and new proxy wars rage today in places such as Syria (Mumford, 2013). Of the plethora of internal factors attributed as causes of civil war, this paper focuses on how economic structure and policy shape the prospects for large-scale organized armed violence and provides at least some of the logic for why the Cold War era was especially dangerous.[[4]](#footnote-4)

**Capitalism & Peace: markets vs states?**

The broadest arguments for why capitalism (free markets) produces peace harkens back to the physiocrats, the most famous of whom are David Ricardo and Adam Smith. Early physiocrats showed for example that food scarcities are made worse by government intervention, for example through price controls, and that wealth is created, not by accumulating specie money (precious metals), but by economic efficiency. The focus on individual freedom and on the growth of merchant capitalism was looked upon as a civilizing force, enhancing civic virtue and spontaneous order (Gray, 1995; Haney, 2009; Hirschman, 1977). According to Smith,

Nothing tends so much to corrupt, enervate and debase the mind as dependency, and nothing gives such noble and generous probity of mind as freedom and independency…the establishment of commerce and manufactures, which brings about this independency, is the best police for preventing crimes. (cited in Haney 2009:19).

Spontaneous order obtained because free people went about their business motivated by self- interest and a shared natural interest in order. According to Alexis de Tocqueville, observing relative harmony in the American states after the revolution, noted that:

You have some difficulty in understanding how men so independent do not constantly fall into the abuse of freedom. If on the other hand, you survey the infinite number of trading companies in operation in the United States . . . you will comprehend why people so well employed are by no means tempted to perturb the state, nor to destroy the public tranquillity by which they all profit (de Tocqueville, 1956).

Similar arguments are evident in recent bestsellers explaining the success of states and the cauterization of violence in terms of how open-access orders, or inclusive institutions, explain virtuous cycles of prosperity and order through the taming of violence, as opposed to natural orders (extractive institutions) that generate the opposite (Acemoglu & Robinson, 2012; North et al., 2013). These macro-sociological explanations encapsulate opportunity cost arguments that suggest that capitalism and free trade encourage wealth creation, which raises the costs of destructive conflict (Mueller, 2010). While these large arguments are illustrative and contain many salient interrelated micro-level logics, they remain too broad and imprecise for explaining the kinds of violence states experience in the contemporary world.[[5]](#footnote-5) The key word in Adam Smith´s quote above on commerce and peace is the word “gradually.” Many of these macro explanations telescope historical events, such as the Magna Carta and the Glorious Revolution in Britain, which have almost 500 years between them with massive amounts of violence and civil wars.

 The most generalizable view of capitalism and peace, thus, is that markets are profitable and war is costly, therefore markets produce peace, the opposite can naturally also be true—peace produces markets (Mueller, 2010). People, if left alone to transact in mutually beneficial economic life without the interference of “bad laws” generated by politics, would ensure peace because war is unproductive. This perspective has two heads, however. One that sees the need for a strong state that monopolizes violence in order to facilitate even more gains from trade and another that sees states as predatory and a hindrance to peace. The proposition suggesting that “at first there were markets” will have only limited government. More recent arguments propose market norms as an explanation. Market norms are internalized by societies so that norms of respect for individual rights and the rule of law lead to peace. The diffusion of these norms matter for regulating political conflict and constraining violence (Mousseau, 2002, 2009). The “norms” argument, however, cannot explain why theft, organized criminality, and other predatory activity exist. North Korea´s civil peace cannot surely be explained from a capitalist norms perspective? Nor is it reasonable that high crime in the United States is explained from a market norms perspective. Since norms take a long time to take hold, such an explanation cannot explain the sudden drop in conflict in Latin America at the end of the Cold War. Indeed, many argue that the spontaneous order perspective due to social capital or norms is naïve because of the dark side of *homo economicus* (Hirshleifer, 2001; Olson, 1993; Skarpadas, 2003)*.* Clearly, the broad arguments, though illuminating, lack precision in terms of identifying precise causal mechanism and providing satisfactory descriptive fit in terms of the empirical world (Schneider, 2014).

 Gerald Schneider (2015) provides a thorough review of the theoretical and empirical literature on the capitalist peace and concludes that we need to move beyond the macro-level arguments, clearly identifying the societal actors and a micro logic for why peace obtains under capitalistic conditions. According to him, a political economy logic allows the identification of winners and losers from economic openness. In poor countries, where most civil wars are located, greater openness may lead to the displacement of state-sector workers, for example, which may lead to grievance-based rebellion.[[6]](#footnote-6) However, liberalization could very well have many off-setting effects, such as less inflation and greater access to goods, including higher returns for farming. Indeed, a simple Hecksher-Olin, Ricardo-Samuelson-Viner type model of trade will predict that poor countries gain from trade because labour is the abundant factor. Why the losers, which in the poor-country situation would be capital, would organize costly conflict is a mystery. Property owners with capital would surely have very high opportunity costs for organizing armed violence.

The main problem with such grievance-based explanations is that they fail also to identify micro-level processes, such as, how people overcome collective action problems and why violence is chosen over other potential courses of action, such as peaceful protest. Elites who lose from economic liberalization may, for example, support coups and riots, but the types of civil war scholars wish to explain often see civil war as an armed challenge by an opposition (rebel) group of an incumbent government(s) in control of a state.[[7]](#footnote-7) What conditions make conflict feasible, despite factors that drive mass grievances need to be explained, particularly in explanations of civil wars as organized, lengthy, drawn-out struggles between rebel forces and a state, rather than momentary revolts, coups, and violent protest. The general lack of support for grievance-based factors for explaining civil war remains a puzzle in conflict studies despite popular beliefs centred on the many discourses of grievances, which may be more the consequence of violence rather than reflecting underlying causal realities (Blattman & Miguel, 2010).

**Civil War?**

The forms of violence experienced by a society are heterogeneous. Most focus on civil war as organized violence between a state and an organized armed group (Gleditsch et al., 2002). Civil war is in many cases a misnomer and is best termed ‘internal war’ (David, 1997; Kalyvas, 2009). The term ‘civil’ connotes a sense of respectability, where participants are assumed to have political purpose, or it signals a violent political contest between two sets of people with competing ideological visions of a state. Civil wars, such as the American and Russian civil wars, after all, were fought by two armies bearing flags. In this light, revolutions might be thought of as relatively uncontested rebellions, and many, if not most, of the civil wars of the modern variety are potential revolutions, if the state suddenly collapses and the opposition remains intact as a replacement. In many cases of revolt, such as Somalia, and most recently in Libya, even when the state collapsed, the rebellion broke down into chaos.[[8]](#footnote-8) Likewise, Tunisia saw a revolution simply because the regime gave up, but in Syria the revolt broke down into civil war because the state remained put. Most civil wars in recent times, however, are best characterized as internal war because rebellions against state forces are relatively small bands of armed groups (mostly young men), rarely committed to a coherent political project, even if they adopt some sort of political agenda that gains them respectability, and they often do not seem to have widespread support among ordinary people. Loyalty sadly is purchased by these groups through violent coercion and terror of civilian populations, particularly within areas they do control (Kalyvas, 2006; Snow, 1996).

 The economics literature models these typical conflicts as contests between a group and a state, where the odds of winning increase with the relative effectiveness of the war-fighting technology of a given side, and such technology is broadly defined as access to weaponry and recruits, commitment of fighters, rough terrain, and access to foreign bases etc.[[9]](#footnote-9) Fearon and Laitin (2003) argue that mobile-guerrilla warfare based in rural areas forms a technology that allows ‘inferior’ rebel forces to survive against the ‘superior’ forces of regular state militaries. For Fearon and Laitin (2003) any cause, be it political, economic, or cultural could be pursued militarily because of the viability of this form of war fighting. For them, weak states *invite* rebellion. The question of *why* anyone would bear such high costs, except for the joy of killing alone, to organize sustained armed violence against a state remains unsolved, even if asymmetric information about relative strengths of the contesting parties might have prompted the initial violence (Fearon, 1995). For sustained rebellion, or relative success against superior states, however, rebels must survive initial encounters, which makes the decision to rebel endogenous to rebel faith in calculations of survivability. In other words, rebels need to have a cause *and* be be reasonably assured of surviving militarily. The asymmetric information problem should be solved after initial encounters.

Paul Collier and Anke Hoeffler´s (2004) widely-cited analyses solve some critical puzzles. Rebellion occurs because certain economic conditions, such as the availability of lootable income, make rebellion feasible. Finance is a binding constraint for maintaining a rebel army, but if what you organize to loot also allows you to survive, then rebellion against states (relatively superior forces) become feasible—rebels match states. In Collier´s words, one “can do well out of war” (Collier, 2000a). Rebellion is, in other words, quasi-criminal activity (Collier, 2000b). Rebels are robbers and states have few options but to try to monopolize the use of force and prevent theft. Conceptually, what is civil war in poor countries is simply crime in rich countries because of the relative military strength of high income governments. Where poverty is rife, grabbing valuable resources provides motive because stealing is marginally more valuable than regular economic activity. Poverty facilitates rebel recruitment by affecting the opportunity costs of individuals for joining a rebel army. Thus, predation provides both motive and opportunity for the formation of larger-scale violence against the state.

The looting-rebel argument solves the problem of collective action. Unlike many other explanations of civil war, such as the organization of armed conflict for political and cultural rights, often explained in terms of ethnic conflict, grievances of various sorts don’t matter as much as opportunity factors that make rebellion feasible. In other words, the organization of costly armed violence is not “justice-seeking” behaviour but purely “loot seeking.” There is by now a fair amount of empirical evidence supporting the view that economic factors explain both the outbreak and severity of violence (see Blattmann and Miguel, 2010).[[10]](#footnote-10) It seems that *homo economicus* is not just a trucker, barterer and trader, but he is also a thief, thug and warlord, a point Adam Smith seems to have recognized judging from the quotation cited at the outset. How the governance of the economy matters in terms of the economics of war explanations is an old story—states need to provide security and ensure “market-augmenting” government (Olson, 2000; Skarpadas, 2003). Is it reasonable to view the typical Third World state as one in which there is a contractual relationship between the state and governed in terms of security and good laws?

**Feasibility and violence—a micro-organizational logic**

In the Collier-Hoeffler type model, looters contest states for a prize, and states are rarely predatory. Looting rebels, or roving bandits, are the problem because they are criminal. While the model may explain several former and current African conflicts, by no means does it explain the vast majority of civil wars around the world, many of them occurring in places with no tangible loot worth the cost of fighting, such as Nepal, Sri Lanka, many parts of India, the Balkans etc.[[11]](#footnote-11) Relaxing the context of loot-seeking and thinking of loot as rents more broadly increases descriptive fit in terms of explaining the existence of successful rebels. More importantly, it also relaxes the assumption that governments are the prey and the rebels are predatory. Introducing predatory government can broaden the applicability of the basic model. In the naïve model, good government comes about *gradually* because of the profitability of markets—the good stationary bandit in Olson´s (1993) model has an encompassing interest in society, which leads to broad-based prosperity. Most governments in the South, particularly those that emerged out of colonial rule can hardly be characterized in this way. According to many accounts of governance in the global South, bad economic policies sum up to good politics (Bates, 1988; Bueno de Mesquita & Smith, 2011; Krueger, 1974). According to Anne Krueger (1974: 291), many Third World economies only pretended to be open. As she writes,

In many market-oriented economies, government restrictions upon economic activity are pervasive facts of life. These restrictions give rise to rents of a variety of forms, and people often compete for the rents. Sometimes, such competition is perfectly legal. In other instances, rent seeking takes other forms, such as *bribery, corruption, smuggling, and black markets* (italics added).

Predatory government takes many forms. Rent-seeking exists to varying degrees, whether among the wealthy countries or among poor countries, or among autocracies versus democracies. Some suggest that institutionalized democracies (older ones) are better than new democracies (Vahabi, 2016). Or do they really mean poor democracies versus the rich ones? India is an old democracy, but it hardly functions better than Turkey. In many countries in the South, poor economic policies exist because they provide stability within ruling coalitions, which tend to be narrowly-based. A ruler, whether a democrat or an autocrat, survives in office because she is able to feather the nests of a fairly narrow coalition of essential supporters (Bueno de Mesquita & Smith, 2011). This logic leads to the control of markets, natural resources, foreign aid etc., because controlling revenue and skewing the institutional rules in ones favour ensures steady revenue streams through the monopoly of economic activity, and thereby longevity in office (Acemoglu & Robinson, 2012). These “monopoly” markets, or crony-capitalism, or palace capitalism, lead to widespread dissatisfaction and grievances in society, but they rarely lead to conflict because of the well-known collective action problem. Rulers control the military and other apparatuses of repression, and patronage politics, where community leaders and ethnic elites are bought off, ensure stability. Consider the way in which the Arab Spring began in Tunisia. The protests, which led to mass demonstrations, began when a young vegetable seller set himself on fire after having been beaten by a police office for “illegally” selling his wares on the street. The Tunisian economy was in the hands of monopolists. In Egypt, anger was directed at the many economic monopolies controlled by the Mubarak regime. In Syria, the first protests began when the price of mobile phone subscription was raised by the monopoly controlled by President Assad´s brother in law, widely believed to be the front for the Assad family´s businesses. The main point of the examples is that grievances may trigger protests, but long-term armed insurrection is also based on this factor, but it operates on a different logic.

The micro-logic offered here as to why free markets discourage organized violence is founded on the well-established logic that suggests that: *violent armed conflict has to be feasible to occur* (Collier, Hoeffler, & Rohner, 2009). The question is what renders armed conflict more feasible in non-free, monopoly economies? While for many, feasibility is based on finance from natural resources, and finance makes conflict viable, I argue that insurgency requires organizational bases that consist of much more than finance, and that the viability of conflict is not simply determined by what is grabble. Finance is more than natural resources and viability is more than finance. Successful insurgency requires an “infrastructure of survival,” a specific form of rebellion-specific capital. Indeed, survivability is endogenous to the decision to rebel against superior state forces. Further, lootable income (finance) originates from many sources and not just from natural resources; for example, from smuggling drugs, guns, people, and even consumer goods. These goods are simply contraband yielding high profits from organization.

Moreover, having access to finance alone does not tell us why it was not deployed in a manner other than costly violence, since investment in regular economic activity without the high costs of violence could also be lucrative. Armed conflicts, after all, occur in countless places that lack lootable resources, such as oil and diamonds. I outline below how closed-economy politics, or monopoly-rich markets, as opposed to opportunity-rich markets, or state predation of economic life, increase the risk of organized armed violence and investment in infrastructures of violence. Grievances, shortage, scarcity, repression, and state predation do not simply lead to rebellion that last as civil wars and violent contests between a state and rebel group without a fairly elaborate infrastructure of “escape.”

The model that best captures this logic relates to Albert Hirschman´s explanation of the interactions between consumers and firms within markets (Hirschman, 1990). Consumers can “exit” or give “voice” when there are market failures, which is a form of people power vis-à-vis producers. Likewise, people facing bad governments give voice at the cost of being hunted. Bad economic government, or tyranny, encourages profits in black-market economies, so that it encourages “hide,” or what Mehrdad Vahabi (2016: 108) calls “economies of escape,” which result from flight strategies. Rather than the option of fight or flight, “hide” provides an option for fight, or what Vahabi (2014) terms “scream.” In closed, regulated economies, where there are high price distortions on everyday goods, people invest in organizations that capture rents from smuggling and supplying goods unavailable to consumers at non-monopoly prices—contraband is lootable income. The investment in capturing these rents in the shadows forms the organizational bases of violence, leading to *flight* and *fight* and “a dynamic of manhunting based on predators´ tracking of prey and the prey´s anti-predatory strategy of escape (Vahabi, 2014: 10). The problem of capitalism and peace is not one of states versus markets but the degree to which some economies encourage the investment in rebellion-specific capital that allows weak rebels to survive dominant power. Indeed, even in the strongest states, informal markets are ubiquitous.

In rich countries, violence remains crime because relative state strength can easily dismantle organization, whereas in poor countries with weak states, shadow-economy activity resembles rebellion due to violence organised around surviving state forces—the origins of insurgency are not different from crime, it is simply a matter of how much death is generated. It is easy to understand that where poverty is rife and the causes of it can be traced to predatory rulers, ordinary insurgents (criminals) have historically acquired “social rebel,” or “noble robber” status, so that violence against states and rulers are often even celebrated by the poor (Hobsbawm, 2001; Kwass, 2014). The question is that antagonisms against the state and other grievances do not make rebellions, it is the infrastructure of violent resistance that make up the logistics of civil war and add to its feasibility. Understanding rebellion as a function of the economics of manhunting and escape leads to a better explanation of why groups would make substantial investment in rebellion-specific capital.

History is dotted with stories of social rebels, the most famous being Robin Hood and Jesse James. Bad governance encourages thievery as long as the victims are generally identified with a predatory regime or the establishment. The more common form of brigandage was of course organized against prohibition laws in the United States, which led to crime reaching massive proportions, even in the United States that had fairly strong institutions, which in the case of the city of Chicago, had been thoroughly compromised due to the profits associated with getting around prohibition laws. The main issue is that people can be served by shadow economies and states can be predatory. The difference between armed violence and crime, thus, can also be gauged by the payoff to organization. Conflict occurs then if groups have strong enough infrastructures of survival, which often includes building reputations for being ruthless.

Consider the Mexican drug cartels, which are engaged in a lucrative trade that lacks a legal infrastructure for handling transactions. The groups organise and fight in Mexico because violence is more viable there, but the impetus for the killing is the high demand for drugs across the border and the infrastructure of violence it affords. Mexican drug warlordism is born from the illegal super-profits available in the drug market across the border. Globally, such shadowy groups are now responsible for a large part of violent conflict, whether as ethnic and ideological champions, or simply as armed gangs (King, 2001; Marten, 2006; Mueller, 2000, 2004). These groups survive and thrive because they have “rebellion-specific capital”: that is, organizational advantages over states, from armaments and tunnels to sophisticated command and communications networks, supply channels, and logistics. Finance alone can explain only some portion of what it takes to survive, which has to be endogenous to the decision to rebel over investing available finance in other potentially profitable enterprises, including regular political organization.

The conflict that plagues northern Mexico, for example, cannot be solved without governance-based efforts to alter the payoffs that accrue to those who invest in conflict-specific capital. In practical terms, there are two ways to address this issue—either militarily (that is, by suppressing the violence), or legislatively (that is, by legalizing drugs in the United States and thereby eliminating the payoff for smuggling). It is surely not the degree of grievance of the Mexican drug lords that keep them armed and supplied so they can survive the Mexican army, but it’s a well-financed infrastructure of violence based on capturing rents that matter. I suggest that the infrastructure of violence, or rebellion specific capital, builds up under conditions of significant market distortions and becomes insurgency in weak state environments, particularly when groups engaged in underground economic activity gain popularity, obtain succor and gain some relative quasi-political legitimacy among a wider segment of the population.If left alone and ignored, there would not be violence, but problems start when a state begins to assert its control, such as in the North Western region of Pakistan, or the Sri Lankan government´s assertion of power for preventing smuggling between South India and the North of Sri Lanka in the 1970s.

Indeed, the question of how shadow economies generate infrastructures of violence are not new. The historian Michael Kwass recounts the exploits of Louise Mandrin, an 18th Century bandit who built his fortune and “heroic” reputation on a life of organized crime that had global reach and subsequently even influenced the revolutionary spirit in the France of his time (Kwass, 2014). Kwass (2014: 1-2) describes the killing of customs officers at the border between France and the Kingdom of Savoy by Mandrin´s henchmen and likens it to present day narco-violence. King Louise XIV of France created two very lucrative monopolies—tobacco from the new world and calico cloth from India. The king instituted his tax collection agency, called “the farm,” to police the monopoly. Gangs such as Mandrin´s engaged in smuggling the banned goods but more importantly, daringly challenged the state´s predatory policies through armed violence. A series of violent rebellions added up to widespread resistance against the state and the questioning of its monopolistic policies. According to Kwass (2014: 360-361),

Mandrin´s career reveals the repression of illicit trade also provoked active resistance….it was manifested in hundreds of small-scale attacks by smugglers and their allies….The full impact of the struggle between Farm and smuggler cannot be measured by the number of rebellions alone, for the conflict had far reaching cultural ramifications. Revenue to the monarchical state came at the symbolic cost of widespread hostility to the farm and the system of court capitalism.

This story illustrates that rebellion against even the most powerful monarch, the Sun King, occurred because an ordinary person, Louise Mandrin, was able to evade state forces daringly because of a networked organization that provided rebellion specific capital beyond just the logic of looting profits from marketing contraband. The story also dispels the easy view that looters will disrupt free trade and that states should assert the monopoly on violence in order to make markets thrive. State policies can drive investment in rebellion-specific capital that is geared to evade state forces and profit from the high rents generated by bad policy. Surviving state forces in the shadows emboldens actors to challenge states in more meaningful ways by becoming quasi-political actors. However, the micro-logic as to why distorted economic policies drive rebellion is not the level of grievances against a predatory state, but the organizational advantages supplied by shadow-economy infrastructure that allows survival despite violent engagement with the superior forces of the state. Bad economics maybe good politics, but this might be short-term thinking if it makes armed conflict more feasible, which many bad governments have invariably found out the hard way by coming up against better organized insurgents than they expected, even if the state was acting in the public interest of peace and fighting “crime.”

**Some Empirics and Descriptive Fit**

The trend in civil war described in figure 1 is cause for pause. If conflicts were about championing a public good, or justice seeking, the global reduction in internal war is puzzling. How much inequality--a favourite structural factor often identified as conflict causing--has been reduced in Latin America to generate such steep declines in conflict is a pertinent question. Neither does it seem that the decline in conflict is associated with increasing democracy, since many strict autocracies have been able to keep the peace better than democracies, and this seemingly-obvious relationship can be contested on theoretical and empirical grounds (Hegre, Ellingsen, Gates, & Gleditsch, 2001; Vreeland, 2008). Many dictators have been able to keep the peace for long periods of time through repression, whereas many, even highly institutionalized democracies, such as India and Sri Lanka, suffer armed conflict. Contrasting Singapore and Sri Lanka, both small island states that were colonized by the British and have similar ethnic dimensions to politics, is interesting, as are the similarities and eventual differences between the Dominican Republic and Haiti. These sets of countries simply made radical policy choices that led to radically different outcomes, despite inheriting very similar histories and colonial institutions (Henry & Miller, 2009).

Singapore and the Dominican Republic got their economic basics right and prospered, whereas Sri Lanka and Haiti got their economics (and politics) horribly wrong. In Sri Lanka in particular, the origins of ethnic tension, although flaring up shortly after independence led to a full-blown ethnicized war of separation after roughly 10 years of high economic repression due to import-substitution industrialization policies that increased rebellion-specific capital in the North of Sri Lanka. Why the Liberation Tigers of Tamil Eelam (LTTE) under the leadership of Vellupilai Prabakharan should succeed over several other militant co-ethnic militant groups and survive 30 years of vicious fighting against superior state forces cannot simply be explained by “ethno-cultural” factors alone, or greater effort and commitment on the part of this one group. An insurrection in the South by Sinhalese nationalists, after all, had been put down twice by government forces, rather brutally. The only explanation for the relative fighting capacity of the Tigers are the organizational advantages they enjoyed—organization that co-opted and complimented historic smuggling ties with South India. Indeed, the entire leadership of the LTTE came from Velvetithurai, a small fishing village in the very North of Sri Lanka famous for its skilful seafarers and smuggling ties with South India (Smith, 2009). The LTTE´s success against the Sri Lankan state was simply its access to an economy of escape stretching far beyond the borders of the battle fields.[[12]](#footnote-12) The Sri Lankan army´s victory finally in 2010 can largely be attributed to the logistical difficulties of the LTTE following the US´s war on terror after 9/11 and the breakaway of the LTTE leadership from the Eastern part of Sri Lanka, claiming discrimination at the hands of their co-ethnics from the North—ethnicity in this case seems to have been quite banal and provides insight into opportunistic behaviour.

The post-war conflict trend (Figure I) is best described as wars that started and continued because of predatory state policies and the availability of rebellion specific capital within and from outside because of Cold War dynamics. The end of the Cold War has had an impact on the reduction in conflict with several important exceptions. The perspective offered here see both looting rebels and predatory government as a problem. The infrastructure of survival that makes long-term violence possible subsumes economic, political, geographic, and social factors into one analytic framework. In many ways, while the hardware of rebellion (loot and the economy of escape) are determining factors, it does not lockout grievance factors, particularly widespread grievances against predatory government even if the vast majority of people do not actively participate in violence. Indeed, John Mueller and others have shown how violent actors, particularly in the so-called ethnic wars, have been criminal elements, often for private rather than political ends (Kalyvas, 2006; Mueller, 2004). In many ways, rural rebellions and the concentration of violence in favourable geographic areas, such as borders and where there is rough terrain relate to the economy of escape and the political economy of smuggling facilitated by markets for contraband (Blattman & Miguel, 2010; Buhaug & Gates, 2002; Fearon & Laitin, 2003). Good laws and “tolerable taxes” advocated by Adam Smith for maintaining peace unfortunately are not the features of many Third World policy environments. Ultimately, how rebels hope to survive should be endogenous to the decision to rebel, and the explanation offered here is that underground economic activity lead to the organization of survival that ultimately determines the length of conflicts, which in most cases is what matters for generating high enough battle deaths to be counted as civil wars. Rebellions aren’t organized over night, but they evolve through strategic interaction.

**Conclusions**

Many explanations are offered as to why capitalistic economies produce domestic order. Apparently, the opportunity costs associated with disorder, social capital, economic prosperity, and market norms explain why free-market economies produce peace (Acemoglu & Robinson, 2012; Mousseau, 2009; North et al., 2013; Olson, 2000; Weingast, 2015). Much of the theorizing makes broad arguments, quite divorced from the specialist literature on conflict that highlights the critical aspect of “feasibility” to explain why opportunistic actors will be successful at fighting dominant state forces. Two versions of this broad argument disagree on whether states are the problem relative to the operation of free markets. Rather than spontaneous order, the dominant position seems to be that states are necessary for constraining *homo economicus* who is capable of banditry, but the sovereign is needed to bring order and oblige herself not to steal from others (Olson, 2000). The nature of much of the Third World regimes emerging from colonial rule, however, is predatory in nature. They did not exist because of a social contract forged through struggle. For many of these regimes, whether democratic or dictatorships, bad economic policy was good politics (Bueno de Mesquita & Smith, 2011). An unintended consequence of predation, however, is to drive investment in hard infrastructures of escape due to high profits in the shadows from smuggling and other revenues from economies of escape. These economies of escape ultimately determine the nature of survival of rebel forces against the superior fighting capacities of states. Free-market economies are far less likely to generate investment in this form of rebellion-specific capital that ultimately facilitate open challenge of predatory states.

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1. Cited in Barry Weingast (2015: 29). [↑](#footnote-ref-1)
2. The Cold War geo-political, ideological struggle between East and West clearly muddied the water. Capitalist development was often blamed for class struggle and peasant resistance (Scott, 1976). Support by the West, particularly the US, for military governments and anti-communist dictators gave rise to an entire paradigm called dependency theory that blamed conflict and underdevelopment in the Third World on capitalist exploitation (Muller & Seligson, 1987). US diplomatic history highlights the Cold War era as a “global war” and describe the US´s policy of containment as interventionist (LaFeber, 1983; Westad, 2007). [↑](#footnote-ref-2)
3. The risk of civil war is computed as the share of the countries with an ongoing conflict between a government and rebel force(s) where at least 25 battle-related deaths have occurred. Only countries with populations above 500,000 inhabitants are included. For a description of the data and method, see (Gleditsch, Wallensteen, Eriksson, Sollenberg, & Strand, 2002) The data are available at: <http://www.pcr.uu.se/research/UCDP/> (last accessed 18 February, 2016). [↑](#footnote-ref-3)
4. There are several excellent discussions on the state of the art of civil war research and the the strengths and weaknesses of empirical research (Blattman & Miguel, 2010; Hegre & Sambanis, 2006; Kalyvas, 2009; Ward, Greenhill, & Bakke, 2010). [↑](#footnote-ref-4)
5. The general story is familiar. Feudalism was violent and predatory, but the growth of commerce led to the rise of towns, whose power ultimately led to the taming of the countryside and allowed kings to specialize in violence in alliance with towns against the feudal lords. In other words, centralized government emerged, which allowed even greater gains from trade and the gradual emasculation of absolutist power due to the rise of a merchant class, which led in turn to more open political institutions (Acemoglu & Robinson, 2012; North et al., 2013). [↑](#footnote-ref-5)
6. Indeed, some studies use grievance based arguments to suggest that economic liberalization via structural adjustment programs of the International Monetary Fund generates civil war (Hartzell, Hoddie, & Bauer, 2010). Others argue that IMF interventions could reduce the risk of conflict by alleviating the effects of economic crisis (Midtgaard, Vadlamannati, & de Soysa, 2014). [↑](#footnote-ref-6)
7. Kalyvas (2007) discusses the implications of the heterogeneity of conflict and how extant conflict datasets are constructed based on battle-death thresholds. The most widely-used dataset requires there to be an organized armed group challenging a state where some battle-death threshold is reached (Collier & Sambanis, 2005; Gleditsch et al., 2002). Indeed, there are many forms of “internal war” and the most common form is insurgency, which is an armed group´s struggle against state forces, often using irregular warfare that is characterized by a weaker group´s ability to survive against stronger state forces. [↑](#footnote-ref-7)
8. Far from providing a public good, often revolutions occur because of well-placed individuals pursuing private aims, which may explain why successful rebellions break down (Kurrild-Klitgaard, 2004; Tullock, 1971). [↑](#footnote-ref-8)
9. See Blattman and Miguel (2010) for a detailed discussion. [↑](#footnote-ref-9)
10. Grievance-based explanations are particularly prominent in discussions of so-called ‘ethnic conflicts.’ How ethnicity matters, or whether it matters at all beyond the idea that it facilitates organization, is heavily disputed (Cederman, Wimmer, & Min, 2010; Fearon, Kasara, & Laitin, 2007; Mueller, 2000; Sambanis & Shayo, 2013). [↑](#footnote-ref-10)
11. Collier and Hoeffler (2004) use primary commodity exports and a composite measure capturing the opportunity costs of rebellion as their main measure. These measures have been criticized for being fairly ambiguous and having little predictive power (Vahabi, 2016; Ward et al., 2010). [↑](#footnote-ref-11)
12. Prabakharan narrowly evaded capture twice and fled to Tamil Nadu by sea. Indeed, the “sea Tigers” were a formidable fighting force, but more importantly, they were the lifeline for the group in terms of logistics and supply. [↑](#footnote-ref-12)