JOAN M. NELSON is Senior Associate at the Overseas Development Council.
# Table of Contents

**Summary**  
5  
**Introduction**  
7  
**I. Poverty, Inequality, and Growth**  
9  
**II. Economic Trends and Civil Violence**  
21  
**III. Some Implications for Research**  
29  
**IV. Some Policy Implications**  
31
SUMMARY

TRENDS IN POVERTY AND INEQUALITY, AND LINKS WITH GROWTH

Trends in poverty and inequality are obscured by muddy definitions, poor data, and methodological issues. However, it is clear that in developing and post-Communist regions (1) the number of poor people is increasing (except in East Asia), but (2) the poor as a percent of total populations are shrinking. Life expectancy and other direct measures of welfare are improving almost everywhere. Inequality as measured by the Gini coefficient is not increasing, with the important exception of the post-Communist world. Recent data make it clear that the Gini is remarkably stable in individual countries over time.

Economic growth is virtually always associated with reduced poverty. Earlier theories that growth initially increased inequality are now very much in doubt. Low initial inequality may enhance the effects of growth in reducing poverty; more tentatively, low inequality may also encourage more rapid growth.

The impacts of structural adjustment on the poor are mixed. Careful studies that trace effects via prices, employment, and social expenditures show widely varied effects, including benefits to some categories of poor people. After a pause, adjustment has spurred growth in about two-thirds of countries, and growth reduces poverty. In many of the poorest countries, however, adjustment alone is not sufficient to launch sustained growth. Moreover, growth alone may reduce poverty only slowly, in the absence of specific pro-poor policies and programs.

ECONOMIC TRENDS AND CIVIL VIOLENCE

Economic grievances, conditions, and trends are often important factors in civil conflicts, including conflicts among ethnic groups. But theories that try to predict individual or group violent behavior from economic circumstances or trends do not stand up to careful empirical inspection. Neither poverty alone nor worsening economic trends predictably produce acute conflict. And conflict not infrequently breaks out, or intensifies, among middle strata in a society, and/or in the context of improving economic circumstances. The effects of economic pressures on conflict are mediated through a wide array of intervening and interacting variables, including perceptions of fairness, expectations of improvement (with and without violence), group solidarity and capacity and resources for collective action, institutional frameworks for channeling and mediating conflict, state capacities for repressing conflict, and the legitimacy of elites and political institutions.

Economic conditions and trends are not useful in explaining failed states, nor the increase in the number of failed states since the end of the Cold War.

This paper does not try to assess the economic impacts of the complex and diverse trends labeled “economic globalization.” Clearly those effects will be mixed, in all

---

1 The Gini coefficient is a measure of the degree to which incomes are distributed equally or unequally within a population or territorial unit. It ranges between hypothetical limits of zero (if everyone receives equal income) and one (if one person receives the entire income of the group or territorial unit, and all others receive nothing).
countries and regions, and will vary widely among countries and regions. However, the findings in this paper strongly caution against attempts to draw general conclusions about trends in civil violence resulting from globalization. Without doubt, aspects of globalization will pose tremendous challenges to rich, as well as poor, societies and their governments. Globalization will also offer new options and resources for addressing those challenges. Economic dislocations will not automatically generate civil unrest and violence. There are compelling reasons to work toward better understanding of the implications of different aspects of globalization on different groups, in varied contexts. Fear of massive civil strife, however, is one of the less persuasive, and perhaps more misleading and distorting, rationales for the analysis and research that is needed.
INTRODUCTION

In the post-Cold War world, civil wars and weakened or failed states claim growing attention and concern from the international community. The causes and dynamics of such conflicts are varied, complex, and only partly understood. Many attribute civil conflicts to the rapid social and economic transformations under way in much of the world, the pressures of globalization, growing inequalities within states, and the information revolution.

This paper seeks to assess aspects of the current state of knowledge about these causal connections. The paper straddles two modes: it is both a (very partial) literature review and a (sketchy) line of substantive argument. Two sets of questions are addressed:

• What do we know (and what remains controversial or vague) regarding recent trends in poverty and inequality in developing and post-Communist countries? How do these relate to growth? How are they affected by recent changes in the international political economy and, more narrowly, by structural adjustment programs that encourage outward-looking growth strategies?

• What do we know about the links between poverty and inequality, as causal factors, and civil conflict, especially violent civil conflict, as outcomes? To what extent and how are changes in poverty and inequality implicated in increased ethnic conflict? In the problem of “collapsed states”?

The paper closes with a few suggestions regarding implications for research and for policies.

Civil conflict in this paper refers to intra-state conflicts among groups, or between one or more groups, and the state. Individual violence, including crime and domestic violence, is not discussed. Nor are wars between states, although clearly many kinds of intra-state conflicts have international repercussions.
I. POVERTY, INEQUALITY, AND GROWTH

TRENDS IN POVERTY AND INEQUALITY

Two contrary views of global trends in poverty appear in public debate and media discussions. The impression is widespread that poverty and inequality have been increasing in the developing world since the early 1980s, and in the post-Communist world since 1990. But many development specialists emphasize the giant strides over the past few decades in reducing world poverty.

Underlying the opposed perspectives are two sets of broad facts. Using any of several cross-national measures of poverty—for example, the number of people living on less than one (purchasing-power-adjusted) dollar a day—the absolute number of poor people in the world continues to increase. Moreover, this holds for all regions except East Asia and the OECD countries. The proportion of poor people in the total population, however, has shrunk dramatically in the developing world in the past several decades. Moreover, indicators of health, education, and life expectancy have improved, often also dramatically. The major exceptions are Eastern Europe and the former Soviet Union.

Whether one sees poverty as spreading or dwindling in the world depends in large degree on whether the focus is absolute numbers or relative proportions.

Beyond or beneath these extremely broad generalizations, the facts on trends in poverty and inequality are extremely slippery. This is true for several reasons, which are important to keep in mind.

First, the concepts themselves are inherently ill-specified. Take poverty. Is it a matter of absolute living standards, or should we think of poverty as relative to prevailing standards in individual countries? In either case, where should the line be drawn, and why? Are we indifferent to the depth of poverty: do we view a country with many people just below the poverty line (however defined) as having a greater poverty problem than a country with a smaller proportion below the line, but many of those far below it? Does it matter whether there is a great deal of “churning” (people moving into and out of poverty), as compared to a different pattern where part of the population is poor from birth to death?

The concept of inequality has similar ambiguities. Are we primarily concerned with the range (for instance, incomes of the top decile as a multiple of the lowest decile)? Does the shape of the distribution also matter? Is a nation with the bulk of household incomes clustered close to the median, despite small groups of very wealthy and very poor, more or less “equal” than one with a narrower spread between top and bottom, but larger differences among middle quintiles? One aspect of changing distribution that may be particularly important for politics is gains and losses to middle strata. Conventional measures of inequality like the Gini index fail to capture that dimension. It can be better reflected in measures of “polarization” that assess whether income distribution is becoming more or less bi-modal, that is, with more or less people clustered near the center rather than dispersed toward the rich and the poor.
ends of the spectrum. Inequality (as measured by the Gini) and polarization do not necessarily move together.  

Second, until quite recently data on poverty and inequality have been scarce and unreliable for most countries. There have been rapid improvements in the past few years, but time trends remain difficult to trace because of missing or inadequate data for earlier periods. The most basic problem is coverage. Data on poverty and distribution are based on surveys of income or expenditures. Until recently, many countries had no such surveys, or surveys covering urban areas only, conducted at long and random intervals. Comparability is a second major problem, within countries over time, and for cross-national comparisons. Some surveys gather information on wages only, some on all sorts of income (including non-cash income), some on expenditures. Some focus on individuals, while others use the household as a unit. Among household surveys, some gather information that permits adjusting household data for the size and composition of the household, while others do not. For cross-national comparisons of poverty defined in absolute terms, there are further problems of converting data expressed in national currencies: official exchange rates often diverge wildly from purchasing power parity.  

Third, there is some question as to whether data on incomes or expenditures adequately measure what we want to measure regarding poverty and inequality. At any moment in time, security and opportunity as well as current level of income are important aspects of individual and household welfare. For most people in much of the world, important aspects of security and opportunity are powerfully affected by the quality and coverage of public services and programs such as health care delivery, education and training programs, and (in not-so-poor countries) pensions and unemployment compensation or active labor market policies. The Human Development Index (HDI) of the United Nations Development Programme attempts to capture some of these additional dimensions by combining life expectancy at birth, educational attainment (itself a composite measure), and income. Many countries with quite low average income levels score considerably higher using the HDI. However, recent assessment of the HDI points to severe technical flaws, causing seriously distorted results. A different but related issue concerns how changes (especially drops) in income translate into reduced consumption and (lack of) welfare, such as malnutrition, illness, and life expectancy. Depending on continued availability of public services, on access to cheaper but nourishing substitutes for preferred foods, on extended family support systems, and other factors, there is often surprisingly little direct linkage.  

These three sets of problems— ambiguous concepts, data problems, and the adequacy of income measures to gauge welfare and its distribution— add up to tremendous uncertainty and disagreement regarding trends in poverty and inequality in specific countries. Below the high-profile clash of broad perceptions about global trends mentioned at the beginning of this section, a second set of controversies rages, conducted mainly among specialists arguing in technical terms about specific facts and interpretations in particular countries.

A glance at some of the evidence regarding trends in Latin America will illustrate the point. The 1980s are widely described as the “lost decade” in Latin America, and experts agree that the absolute numbers and the relative proportion of the population

---

8 For an explanation of how the Human Development Index is calculated, see the United Nations Development Programme’s Human Development Report 1990 (N.Y.: Oxford University Press, 1990), and the modification introduced in later issues of the Report.
in poverty increased dramatically, while inequality in general increased. Yet careful assessments of trends in poverty and inequality in that region suggest wide variation among countries. Nora Lustig's edited volume, Coping with Austerity: Poverty and Inequality in Latin America (1993) finds direct data on poverty in the 1980s, based on two or more comparable national surveys of household income or expenditures, in four countries only: Brazil, Costa Rica, Panama, and Venezuela. In all but Costa Rica, poverty clearly increased; in Costa Rica poverty initially increased but then dwindled as the economy responded to stabilization measures. Comparable surveys for urban areas (but not nation-wide) for Argentina, Chile, and Peru show sharp rises in urban poverty; however, in Colombia and Paraguay urban poverty decreased, and in Uruguay the result is ambiguous. Inequality increased in almost all of these countries, but dropped in Colombia; as with poverty, the data for Costa Rica are ambiguous.  

Elliot Berg and three associates also examined trends in poverty and social indicators in Latin America (as well as Africa) during the 1980s. They found similarly ambiguous results: absolute poverty increased in four of the eight countries for which data were available, but decreased in the other four between the early and the late 1980s. Real consumption per capita increased in ten and fell in eleven countries. Wages generally declined; recorded unemployment worsened and improved in roughly equal numbers of countries. The Berg study also examined other indicators of welfare, and found a surprisingly good overall quantitative picture. Calorie availability held steady or improved in a majority of countries (based on four different sources). All countries reduced child mortality rates, and increased or maintained life expectancy. Nineteen of twenty-two countries improved vaccination coverage against major childhood diseases. Net primary school enrollments declined in only four countries, while the student-teacher ratio improved in fifteen of twenty-one.

During the 1990s, growth resumed in most of the continent, but only nine of twenty-six countries increased per capita GNP by more than 2 percent a year on average from 1990 to 1995. Brazil, with almost 35 percent of the region's population, increased per capita GNP by only 1.1 percent. In ten countries per capita GNP either continued to shrink or stagnated. The popular impression is that where growth has occurred, it has been skewed strongly in favor of the wealthy. More careful efforts to measure trends in poverty and inequality, however, again show a mixed picture. Martin Ravallion and Shaohua Chen, using national household survey data extending into the early 1990s and testing for three different definitions of poverty lines, found that poverty fell in half and rose in half of the Latin American countries for which data were available. Somewhat similarly, inequality fell in ten and rose in four cases.

Juan Luis Londoño and Miguel Szekely sketch a broad picture of gains for the richest quintile and losses for all others in the 1980s, followed by recovery for the middle quintiles but not for the poorest in the 1990s. However, they also find substantial variation among countries in trends in poverty and inequality during the 1980s and 1990s. In five countries poverty fell in both periods, significantly so in Chile, Colombia, and Jamaica. In Mexico and the Bahamas, poverty increased in both periods. In most countries, poverty worsened (often dramatically) in the 1980s, and has lessened somewhat in the 1990s. Patterns of change in inequality were similarly varied.
While this brief overview suggests some of the ambiguities and issues in characterizing trends in one region over a relatively brief period of roughly fifteen years, it barely scratches the surface of the further debates regarding what is really happening in specific countries.

However, the data are getting better. Spurred partly by concern about social costs of adjustment, on-going household survey series were introduced in a number of poor countries in the late 1980s with World Bank and other external assistance. The World Bank’s 1990 World Development Report, which focused on poverty, also prompted a concerted effort to assemble data. In the 1990s, both the coverage and the quality of data have improved considerably. In 1996, Klaus Deininger and Lyn Squire systematically reviewed a very large number of earlier studies and developed a new data set on inequality covering many more countries and providing more observations over time within individual countries than any previous set. Better data permit more confident assertions about links between growth, poverty, and inequality, as discussed below.

**LINKS AMONG GROWTH, POVERTY, AND INEQUALITY**

In 1955, Simon Kuznets suggested in his Presidential Address to the American Economic Association that inequality would first increase and later decrease as per capita incomes rose. For Kuznets, this U-shaped relationship between average incomes and equality was a passive product of development processes. As labor shifts out of low-productivity agriculture into more productive and better-paid work, he argued, an income gap develops between those who have shifted and those who remain in traditional occupations. That gap shrinks only as those remaining in low-productivity sectors become a small fraction of the total. Considerably later, Nicholas Kaldor formalized an alternative explanation for the same outcome. Kaldor’s theory focused on the fact that growth requires savings and argued that the wealthy have higher propensities to save than the poor. In this version, inequality is not merely a passive reflection, but rather an active engine of growth, at least in its early stages. The theory implies a trade-off between growth and equality; attempts to combat inequality through redistribution would be likely to slow growth.

Moreover, if inequality increases in the course of growth, growth may fail to reduce poverty: the rising tide lifts some boats a great deal, and leaves others stranded. Indeed, as critics of structural adjustment began to assert in the late 1980s, growth may even be accompanied by deepening poverty.

Empirical evidence for the hypothesized links between inequality and growth had been questioned as far back as 1974. In 1996, Deininger and Squire’s new, extensive data set permitted by far the most thorough test of the Kuznets curve to date. In 90 percent of the countries investigated, they found no evidence of a U-shaped relationship between growth and inequality over time. Deininger and Squire also examined the relationship between growth over periods of a decade or more and changes in real income for the bottom 20 percent. Their data covered eighty-eight periods (that is, intervals between comparable national surveys) during which growth occurred. The incomes of the poorest grew in seventy-seven. Correspondingly, in all of the seven episodes of recession for which Deininger and Squire have data, the poorest quintile’s income also shrank. In sum, they could find no systematic link

Deininger and Squire, “A New Data Set.”


Deininger and Squire, “A New Data Set.”


For a succinct summary, see Bruno, Ravallion, and Squire, “Equity and Growth,” pp. 15–16.


between growth and aggregate changes in inequality, but growth and poverty reduction did show a strong relationship. A related article by Michael Bruno, Ravallion, and Squire also found no systematic relationship between growth and patterns of income distribution. They add that detailed data from India, collected over many decades, suggests where Kuznets’s theory may have gone wrong: in India, reductions in poverty resulted far more from improvements within rural sectors and within urban sectors, than from movement from rural into urban sectors. This new evidence, however, does not settle the issue. Several other recent articles find data supporting the Kuznets hypothesis.

A further point emerges from new data on time trends and cross-national comparisons in inequality. While countries and geographic regions differ sharply in degree of inequality, within individual countries (and to some extent, within regions), inequality remains remarkably stable over time. Among forty-five countries for which four or more surveys provide reasonably comparable data from the 1960s or 1970s forward, 92 percent of variance in Gini indices by country and date reflected cross-country variation; only 7 percent was a result of variation over time. These data strongly suggest that factors specific to each country are much more important in determining income distribution than are more general effects of growth.

A different but related question is whether the pace of growth affects its distributive effects. Ravallion, using recent survey data sets, finds that more rapid growth is associated with increases in inequality and polarization in developing countries, but the magnitude of the effect is not large, nor does it hold in post-communist cases; nor is it robust to outliers (e.g., the correlation is no longer significant if the instance of slowest—actually, most negative, growth is deleted).

Recently a number of studies have gone a long step further, arguing not merely that growth need not imply increased inequality, but that high initial inequality impedes growth. A variety of theories has emerged to suggest why this might be the case. M ost of the proposed links fall into two categories: credit constraint theories and political economy models.

Credit constraint theories assert that poor people’s lack of access to credit markets prevents them from making productive investments. In essence, this line of argument directly challenges Kaldor’s assumptions (sketched above). Where more equitable income distribution provides somewhat higher absolute incomes for the poor and where incentives are appropriate, the poor are able and willing to save and invest in ways that promote growth. Moreover, because investments are subject to decreasing returns, the marginal product of investment by a poor person should be higher than the equivalent investment by a richer one. Increased savings may be generated by increased work effort, with added earnings directed to education for children or to improvements in agricultural tools or land or seeds. These effects are hard to capture in conventional national income data, which record only savings and investments channeled through financial intermediaries. Such linkages can set in motion virtuous circles, where greater initial equality promotes behavior that both enhances growth and sustains or increases equality as growth proceeds. Public policies can augment these effects by emphasizing basic education and augmenting demand for labor. A related line of theorizing focuses on how biases and gaps in access to credit influence occupational choice.
A second set of theories regarding how initial inequality might inhibit growth focuses on political economy mechanisms and argues that severe inequality shapes political behavior and politicians' decisions in ways that are likely to impede investment and growth. Recent theories of this genre do not emphasize the idea that inequality directly generates political instability or turmoil, which in turn discourages investment. Rather, they suggest various mechanisms through which inequality generates political pressures for policies (mainly tax and regulatory measures) which infringe on property rights, or more broadly, constrain the ability of individuals and firms to keep and use the fruits of their investments and efforts.

One such mechanism focuses on a hypothesized median voter, and argues that as inequality increases, so does the median voter's distance from the average capital endowment in the economy. He or she will then be prompted to support higher capital tax rates. An alternative mechanism focuses on lobbying: high inequality permits the rich to spend more on lobbying. Another set of articles links unequal asset ownership to behavior that encourages inflation: for instance, capital flight permits the rich to acquiesce in inflationary measures, shifting the burden to the poor.

Various models further specify institutional or structural contexts which mediate these linkages. Thus Torsten Persson and Guido Tabellini argue that in societies where distributional conflict is important (presumably where there is considerable inequality), there are high risks of policies which inhibit investment. However, they add that this link is mediated through political institutions: in democracies in particular, inequality is likely to generate populist policies which in turn inhibit growth. They marshall historical evidence for the proposed linkages in two separate data sets: one covering the United States and eight European countries from 1830 forward, and a second set covering fifty-six countries in the post-World War II period. In a more recent article, Roland Benabou reviews his own and a number of other theories along these lines, in the course of integrating political economy and imperfect capital markets theories.

Despite the proliferation of elaborate models exploring possible relationships, the evidence remains ambiguous. Ravallion, for instance, finds little evidence that low initial inequality is associated with more rapid growth. Persson and Tabellini state: "To date [in 1994], how income distribution and economic growth are jointly determined in political equilibrium is not very well understood." More broadly, Bruno and his co-authors caution that "the verdict is not yet in on how strong or robust is the impact of initial inequality on future growth.... Further empirical work is clearly needed, and the better distributional data now available should stimulate future research into the role of initial inequality." Empirical evidence is stronger for a different point: the initial degree of inequality affects how efficiently growth reduces poverty. At any given rate of growth, poverty will fall more rapidly in a low inequality country than in one with high inequality.

It may be helpful, after this somewhat discursive review, to summarize current knowledge regarding trends in poverty and inequality, and their links to growth:

1. The absolute numbers of poor are growing, except in East Asia.
2. The poor as a percent of total populations are shrinking.

---

Persson and Tabellini, "Is Inequality Harmful for Growth?" pp. 600-621.
Ravallion and Chen, "What Can New Survey Data Tell?" p. 27.
Persson and Tabellini, "Is Inequality Harmful for Growth?" p. 618.
Bruno et al., p. 21.
3. Access to education and basic health services are improving; infant and child mortality are falling and life expectancy lengthening almost everywhere, even in most of the countries where the numbers of poor are growing.

4. In most of the world, inequality as measured by the Gini coefficient is remarkably stable over time. It remains high in Latin America, considerably lower in much of East Asia. Inequality used to be very low in Communist countries, but is clearly increasing in Eastern Europe, the former Soviet Union, and China.

5. Growth is almost always associated with a reduction in poverty, and economic decline is almost always associated with increased poverty.

6. Growth does not seem to be associated with any consistent trend in inequality. In particular, there is rather strong evidence that the Kuznets hypothesis is not valid, although this is still in dispute.

7. There is no clear evidence that more rapid growth is associated with increased inequality.

8. There is some evidence that low initial inequality may encourage more rapid growth, while high initial inequality impedes growth. A wide array of theories offers ideas on why this might happen. But the empirical evidence is far from conclusive.

9. Recent data suggest that low initial inequality may enhance the effects of growth in reducing poverty.

**STRUCTURAL ADJUSTMENT, POVERTY, AND INEQUALITY**

Both recent theory and the experience of many countries strongly suggest that growth need not entail increased inequality. But many of those concerned with the growing absolute numbers of poor people argue that the particular formulas and measures pressed on developing and post-Communist countries by the international financial community, led by the International Monetary Fund and the World Bank, increase poverty and inequality. The proposition is important in its own right. It also ties in with broader assertions regarding the effects of increased interdependence and economic globalization. In principle (and in fact, in some countries), growing integration into the international economy has occurred without formal or explicit structural adjustment programs. However, for many developing and post-Communist countries in the 1980s and 1990s, structural adjustment programs are the path through which economies reorient from inward-looking, statist strategies and structures to more open, market-driven models. Therefore the impact of structural adjustment on poverty and inequality is often viewed as part of the larger issue of the social effects of growing interdependence and globalization—although a more precise framing of the issue would distinguish between time frames (short-to-medium term for adjustment; long-run for globalization), and also between different causal mechanisms at work.

Since the early 1980s, the Bretton Woods institutions and the broader international financial and development community have encouraged and pressured governments in many developing countries to adopt a set of measures collectively labeled “structural adjustment.” Similar measures have been pressed in Eastern Europe and the former Soviet Union since 1989. Structural adjustment includes three broad components: stabilization (to reduce inflation and contain unsustainable balance-of-
payments deficits), liberalization (sharply reducing state controls, subsidies, and direct production), and institutional reforms to facilitate well-functioning domestic markets and ties with the international economy. Each of these three components affects poverty and inequality somewhat differently.

It is useful to consider briefly some of the main mechanisms through which these several aspects of structural adjustment may affect the poor, before turning to a quick scan of some of the evidence. The major channels through which structural adjustment measures affect poverty and inequality include prices, employment, and public expenditures.

High or hyper-inflation hurts almost all groups in society, but is particularly hard on the poor, who are least well positioned to protect themselves. Therefore, successful stabilization benefits almost everyone, and (contrary to widely held ideas) particularly the poor. Devaluation is often part of the stabilization package. The resulting rise in the domestic price of imports affects different groups, depending on their consumption of imported goods and their reliance on imports as inputs into production. Often middle strata in the cities are most severely affected, because they rely heavily on imported goods. Decontrol of prices and reductions in subsidies also affect different groups differently, depending on who actually received subsidies or had access to goods or services at controlled prices. Again, the poor are not necessarily or usually hardest hit, especially where subsidies (often advertised as aid for the poor) in fact are available mainly or solely to people toward or above the middle of the income distribution ladder.

It might be added, parenthetically, that the question of the impact of adjustment on the poor has been muddled by sharp discrepancies in ideas about who are the poor. The international financial and development communities, and many of the technical specialists within countries undergoing adjustment, think of the poor along the lines used in this paper: as those falling below specified absolute or relative income levels. But many politicians, journalists, labor union leaders and members, and much of the general public in the countries concerned tend to equate “the poor” with “working people,” “the popular masses,” or similar ideas. Many middle-strata people, especially in cities, did indeed benefit from price controls, subsidies, and other measures targeted by liberalization. If these groups (whose absolute living standards may be extremely modest, especially in sub-Saharan Africa) are labeled, or identify themselves as “the poor,” the conclusion follows that “adjustment hurts the poor.”

Effects on employment, like those on prices, are more complicated than they appear at first glance. Stabilization usually produces an immediate recession with high unemployment, but its effects tend to be felt much more in cities than in rural areas. Liberalization and institutional changes have much more mixed effects, destroying some jobs while expanding others. Where adjustment succeeds in restoring growth, employment also rebounds—though often with a considerable lag, and often in sectors or activities different from those hardest hit by recession.

The impact of stabilization on social expenditures depends on the depth and duration of initial recession, and on governments’ priorities in allocating cuts across the public budget. Many governments do try to protect health and education outlays, and may cut them proportionately less than some other spending categories. Nonetheless,
where recession is long and deep, the real value of spending on social services and programs is almost sure to dwindle. Governments have further choices regarding how to allocate scarce resources within the education, health, and other social budgets. The logic of stabilization is neutral regarding these more specific decisions, but politics often dictates that programs primarily benefiting the poor (basic education, rural health clinics) are protected less than those benefiting middle-class groups (university education, urban hospitals). In many countries, especially in Latin America and Africa, social-sector outlays had long been skewed in favor of the wealthy, and the choices made as budget pressures increased worsened the bias. At the same time, since the late 1980s, many stabilization programs have been accompanied by measures intended to buffer the most vulnerable groups from the full impact of adjustment. The record of such “safety net” programs is mixed; some have been quite effective.

A substantial number of studies have tried to trace the actual social costs of structural adjustment measures, with special attention to the impact on the poor. The Operations Evaluation Department of the World Bank (a semi-autonomous unit which reports to the board rather than the management of the bank) conducted a major study, The Social Impact of Adjustment Operations, in 1995. One hundred forty-four bank-supported adjustment programs in fifty-three countries from the early 1980s to the early 1990s were reviewed. Two or more national household surveys of income or expenditure were available for thirty-three of those countries. Poverty declined in twenty-three of the thirty-three. Most of the countries that failed to reduce poverty also had failed to reestablish macroeconomic stability, while the countries where poverty dwindled were mainly those that did achieve low inflation. However, the rate of poverty reduction was slow in most cases, indeed too slow to make a big dent in the number of the poor. Poverty dropped by more than 2 percent a year in only four countries. Inequality declined in nine of twenty-three adjusting countries, increased in twelve, and remained unchanged in two.

Other less exhaustive studies have found similarly mixed patterns. Londoño and Szekely, using the extensive data available from Deininger and Squire, concluded that the data still did not permit significant tests of links between changes in income distribution and fiscal, financial, and privatization policies associated with structural adjustment. But trade liberalization between 1985 and 1995 was associated in thirteen countries with increases in the poorest 60 percent of the populations, and particularly strongly so for the lowest 20 percent; interestingly, this particular strand of adjustment policy was associated with a loss of share by the top quintile.

A recent, unusually detailed study of the effects of adjustment policies in ten African countries is of particular interest, because adjustment efforts have been least effective, and concerns about poverty are strongest for that region. David Sahn, Paul Dorosh, and Stephen Younger (1996) examined the impact of exchange rate, fiscal, and agricultural policies that are typical of orthodox adjustment programs. They supplemented available survey and other data with specially collected data from households, markets, and enterprises and used modeling techniques to compare the state of the economy and the welfare of the poor in each of the countries with and without these policy changes. They found that trade and exchange rate reforms were associated with a large decline in economic rents and shifts in relative prices that favor the rural and the urban poor. Reduced taxes on export crops helped to raise the

---

References:


It might be noted that many of the countries with the worst data are also the poorest. The available data may therefore be somewhat skewed.


incomes of some of the poor. Liberalizing distribution and prices of domestic food crops did not lead to higher staple prices affecting most low-income households. Nor did cuts in government expenditures particularly disadvantage the poor. The study used data on government expenditures for the full range of sub-Saharan African countries (rather than the ten on which most of the study focuses). In most countries, real net expenditures per capita on social services held fairly steady (though a number of countries increased outlays on education in the early 1980s, followed by a corresponding drop). The exceptions were countries with severe internal conflict (Liberia, Sudan, Uganda) or where the economy collapsed before a serious attempt was made to adjust (Ghana, Tanzania, Zambia). However, most social sector outlays were initially and remained biased toward higher income groups.

Adjustment’s most powerful long-run effects on poverty hinge on its success in invigorating investment and growth. Adjustment is usually undertaken only in response to persistent economic difficulties which have slowed investment and growth, and often induced capital flight. However, adjustment itself is inevitably a period of heightened uncertainty, and investors are likely to hold off while new policies are introduced and take hold (or fail to do so). The OED analysis notes that an investment pause (a drop in the ratio of investment to GDP) occurred in thirty-five of fifty-three countries, mainly in Latin America and sub-Saharan Africa, during the adjustment period. Usually, though not always, the immediate effect was sharply slowed or halted growth. However, adjustment is designed to improve the environment for savings and investment in the medium and long run. The OED study found that in about two-thirds of the loans reviewed (144 loans, in fifty-three countries), governments did in fact implement appropriate policies, and growth thereafter improved. Where growth occurred, poverty almost always dwindled. In no country where growth was negative did poverty decrease.

The basic characteristics of an economy powerfully affect the speed and flexibility with which it responds to structural adjustment measures. In very underdeveloped countries, unwise macroeconomic policies (seriously overvalued exchange rates, chronic large budget deficits) and rigid controls (on prices, imports, internal movements of crops, who is authorized to purchase crops, etc.) have severely hampered growth. But growth is also thwarted by poor infrastructure, lack of skills in the public and private sectors, corruption and clientelism, political instability, and a range of other factors that are not addressed through structural adjustment. Post-Communist countries also must address, in varying degrees, post-Communist institutional and attitudinal legacies which hamper investment and growth, even after macroeconomic stabilization and basic liberalization are accomplished. In turn, the speed with which investment and growth take hold powerfully affects the status of the poor.

It hardly needs to be added that a fair number of governments in developing and post-Communist countries are committed only weakly, or not at all, to adjustment measures. In those cases, pieces of an adjustment program may be adopted (often under strong external pressure), only to be quickly diluted or abandoned. The recent events in Ecuador offer a particularly bizarre illustration. Venezuela also has a history of on-off measures since 1989. Bulgaria, Romania, Russia, and Ukraine have similarly vacillated, as have many countries in sub-Saharan Africa. Some, like Zaire, have barely pretended to adopt adjustment measures. Such patterns fail to stabilize...
economies, much less restart growth. Worse, traders, industrialists, financiers and other economic agents learn to expect “reforms” to be short-lived. They suspend activity or seek ways around new measures, rather than trying to adjust to changed rules and incentives. Meanwhile the public blames deepening misery on “adjustment,” and is likely to protest more strongly the next time around.

To summarize: In much of the developing and post-Communist world, sustained and reasonably consistent structural adjustment measures are necessary to reestablish growth. Growth, in turn, is necessary to reduce poverty significantly. Aspects of structural adjustment itself may harm some among the poor in the short or medium run, but most poor people will be no worse off, or better off, than in the absence of the measures. However, structural adjustment alone may not be sufficient to generate strong growth. Especially in the poorest countries, additional measures are needed. And growth alone may not be sufficient to reduce poverty rapidly, without specific pro-poor policies and programs.

Lurking beyond this discussion of structural adjustment is a larger question: are the open-economy strategies it promotes likely to polarize economies into winners and losers and to leave behind the least-developed countries in an increasingly tightly integrated and competitive global economy? The issue is extremely complex, hotly debated, and beyond this paper’s scope. However, it is striking that with the exception of Chile, the group of countries Jeffrey Sachs and Andrew Warner call the “very high growth economies” (Hong Kong, Singapore, Korea, Taiwan, Malaysia, Mauritius, Thailand, and Chile) all either always maintained very open economies (including not only low tariffs and quotas but also low export taxes and currency convertibility) or liberalized in these respects in the 1960s, much earlier than most other developing countries. Poverty in these countries has been dramatically reduced. At the far end of the scale, virtually all “collapsed states” of the 1980s and 1990s are characterized by their extremely limited integration into the international economy, either through trade or through investment. Whatever the causes of their collapse and the immiseration of their populations, economic “globalizion” was not implicated.
The first part of this paper argued that we should be wary of generalizations regarding increased poverty and inequality and diminished welfare in the world at large. Moreover, structural adjustment programs have almost surely reduced poverty (though not necessarily inequality) on balance, while the multifaceted impacts of longer-run economic globalization trends remain murky.

Nevertheless, it is certainly true that the absolute numbers of the poor continue to increase in much of the world, and that inequality has increased sharply in a number of countries, above all in the post-Communist world. What are the implications for political stability of extensive poverty and growing inequality, where these exist? What do we know about the links between poverty and inequality, as causal factors, and civil conflict, especially violent civil conflict as outcomes?

**THEORY AND EVIDENCE ON ECONOMIC ORIGINS OF CIVIL VIOLENCE**

James Rule opens his excellent volume on Theories of Civil Violence (1988) by noting that “conflict of interest inheres in social life.” All societies therefore develop an array of informal and formal norms and institutions to prevent tensions from developing into open violence among groups or between groups and the government. These constraints work most of the time in most societies. But sometimes they break down. Concern with how and why has been a preoccupation of officials, political leaders, and social and political theorists throughout recorded history.

A tremendously diverse array of theories seeks to explain the causes and catalysts of civil violence. Some point to emotional, irrational motives and triggers; others emphasize the fundamentally rational nature of most disturbances. Among the rationalist theories, some focus on the calculus of costs and benefits by the individual, while others emphasize the group-based character of much violence and seek its roots in collective interests. Some portray civil violence as an outgrowth of ongoing, endemic social conflicts, a continuation of politics by other means. Others view civil violence as a product of the breakdown of established norms and constraints. But ideas regarding the character of the breakdown vary: eroded legitimacy of established political authorities; the decay of social institutions intermediate between state and family (Kornhauser) or of a more diffuse moral solidarity in society at large (Durkheim). Several theorists, including Marx, point to broad socioeconomic transformations as the breeding ground for civil violence.

Rule's volume surveys and assesses the empirical support for many of these diverse theories. He concludes, first, that there are no substantiated general theories of civil violence. Indeed, the quest for a quasi-Newtonian theory may well have been counterproductive. Second, most theories of civil violence are vague. Key variables—both the kinds of civil violence to be explained, and the causal variables—tend to be defined in broad descriptive terms. Determining whether specific cases fit the

---

descriptions becomes quite arbitrary. Third, with some important exceptions, efforts to test the theories empirically have been limited, and characterized by “working backward”—that is, starting with cases where civil violence occurred and tracing factors that seem to have contributed to the outcome, with no attempt to seek out other cases where similar factors were present but violence did not occur.

Rule does offer some more positive conclusions. First, there is considerable evidence that the goals of violent action usually grow out of enduring conflicts evident (in non-violent forms) in everyday life. Broad shifts in social structure and especially in power relations are likely to change the frequency and forms of collective violence. Consistent with these points, it is well documented that participants in collective violence are rarely disproportionately drawn from social deviants or isolates; rather, those who take part in violence are often typical of the groups whose interests are represented in the fray. Groups that take part in civil violence are likely to be cohesive, to have strong ties of solidarity often based on race or ethnicity, religion, workplace, or neighborhood. Perceptions of justice and equity clearly enter into many violent actions. However, there is little empirical support for simple Marxist-inspired theories that posit social class or economic issues more generally as particularly likely to generate solidarity that feeds civil violence. Historical studies of specific instances, or sets of similar cases of violence usually identify a combination of factors, including changes in context, group structure, rational calculations, and moral indignation as important elements in understanding what happened. But none of these approaches, singly or in combination, reliably distinguish instances when civil violence occurred from similar settings where it did not occur.

For this inquiry, it is useful to look more closely at the theories focusing on links between economic circumstances and trends, and civil violence. The most elementary idea can be labeled “absolute deprivation” theory: the notion that poverty generates desperation and/or anger which in turn prompt violence. Logically, the deeper the poverty the more probable the protest. The theory does not stand up to even a cursory reality check. Much of humanity has lived in acute poverty for most of history, but has not been not in a state of chronic rebellion. Within nations, the most deprived people and groups are almost never involved in civil violence.

More persuasive, and more relevant to current concerns regarding globalization and the information revolution, are theories emphasizing versions of “relative deprivation” or implicit or explicit “aspiration-achievement gaps.” In these theories, actual living standards fall short of an expected or desired standard. Frustration then generates aggression; violent conflict is likely to be the outcome. Different versions propose different standards. For instance, the point of reference may be the past: not poverty per se, but worsened conditions may prompt violent protest. Thus Marxist theory emphasizes immiseration, so do theories built on studies of eighteenth-century food riots or Luddite attacks. Or the point of reference may be an expected or hoped-for future. For instance, James C. Davies’s “Toward a Theory of Revolution” (1962) argued that revolutions were reactions to thwarted expectations resulting from a sharp reversal of a long period of improving economic conditions and rising expectations. Alternatively, actual but partial improvements may themselves generate impatience and frustration. De Tocqueville’s classic formulation The Old Regime and the French Revolution (first published in 1856) argued that grievances (partly through not entirely economic) were endured when no remedy was apparent, but became intolerable once
some abuses were reduced. From that suggestion it is only a short step to the idea emerging in the 1960s of a “revolution of rising expectations,” resulting from telecommunications which inflate people’s ideas of living standards far more rapidly than their actual opportunities expand.

Ted Robert Gurr’s version of relative deprivation theory (1970) and several related variants have been subject to considerable empirical testing. The results have been less than convincing. Among a variety of weaknesses, it is worth emphasizing the extremely vague connection between dissatisfaction and violent action. Violent aggression is by no means the only or the most likely individual or group response to frustration. Moreover, taken together, the various versions of the theory prove too much. Worsening economic conditions can provoke civil conflict, but so can interrupted progress, or even steady but insufficiently fast progress. We are left wondering what additional factors determine the degrees of dissatisfaction, and whether that dissatisfaction in turn will lead to civil violence.

Gurr’s work did indeed identify mediating factors that intensify or reduce political violence, including normative justifications, utilitarian justifications (e.g., the rational calculation that violence would be an effective means to desired ends), and structural factors such as the dissident group’s own capacities and the repressive capabilities and determination of the government. Taken together, these factors held up well empirically. But the measures of deprivation themselves explained a comparatively small proportion of variance in civil violence among nations. In other words, the effects of economic factors depend on the broader context. Similarly, later work in the 1970s and early 1980s by other analysts such as Edward N. Muller and his associates, included measures of perceived deprivation, but these played indirect and limited roles in determining aggressive behavior. Much more important were disapproval of government (incumbents and institutions, e.g., withdrawal of legitimacy) and the belief that violence could attain desired goals.

A quite different set of theories of civil violence focuses not on individual psychological states, aggregated across all or part of a society, but on enduring conflicts among interest groups within societies. Civil violence, in these theories, is one kind of collective action in pursuit or defense of shared interests. Like all collective action, it requires organization and other resources. Different versions of “group contention” suggest different circumstances that cause on-going group conflict to erupt into violence. Marxists point to disjunctions between underlying modes of economic production and existing social and political institutions. Pareto traces violence to elites excluded from political power. Charles Tilly and related recent analysts emphasize violence as the reactions of mobilized groups to threats to their political positions, or opportunities to improve their positions. In all of these theories, changing economic circumstances and economic interests play a role, but so do a wide array of institutional arrangements, command over organizational resources (including intangibles like solidarity), moral perceptions, and other factors.

How relevant are the theories just reviewed to the specific problem of “failed states” which has attracted growing concern in the post-Cold War world? A few brief observations may be useful, without pretending to offer a full discussion of the causes of failed states. The term has emerged as a label for situations where central government institutions totally collapse, though a powerless shell may remain for a...
time, as in Zaire in the first months of 1997. Power is exercised by warring gangs, clans, or armies. Virtually all current or recent failed states are extremely poor, though some have considerable natural resources. Many (though not all) had only marginally effective state institutions at any time. The proximate cause of the collapse of the state has not been popular pressures protesting poverty, but intense competition for power among political elites or aspiring elites.

Conflict among elites is, of course, common to many political systems. Therefore the interesting question is why such conflict is so devastating in these particular cases. One partial answer may be that institutions to channel elite conflicts were particularly fragile or brittle, with little or no basis in popular legitimacy. In several African failed states, easy revenues from readily exploited natural resources paradoxically may have contributed to that fragility, permitting leaders to rely almost entirely on clientelism and encouraging massive corruption. During the Cold War, foreign patrons propped up several of these governments: when Russian support to Ethiopia and U.S. support for Zaire and Liberia was withdrawn, the erosion and collapse of state institutions accelerated. New aspiring leaders may then be able to draw popular acquiescence or even some active support (especially if they begin to look successful) from masses fed up with economic decay and corruption, as in Zaire during the advance of Kabila’s forces to depose Mobutu. But often—as in Liberia or Cambodia—almost all ordinary people are likely to view the violence between contending groups as the Chinese used to view the battles of the warlords: a curse imposing immense misery, without any justification in terms of public benefit. In these cases, the kinds of theories reviewed earlier in this section are largely irrelevant.

**ECONOMIC FACTORS AND ETHNIC CONFLICT**

The post-World War II collapse of colonial empires and the appearance of large numbers of newly independent and ethnically heterogeneous states prompted a new burst of research on an old topic: ethnic conflict. More recently, the eruption of ethnic or nationalist battles in the wake of the collapse of the Soviet empire has again renewed interest in the issue. For this essay, the key question is the role of economic variables, more specifically poverty and inequality among ethnic groups, as explanations for inter-ethnic violence.

Economic factors, including competition among groups and the tensions associated with periods of major economic dislocation and change, unquestionably contribute to many instances of ethnic conflict. As with the more general topic of links between deprivation and civil conflict, however, the precise links between economic grievances and ethnic conflict are elusive, variable, and strongly conditioned by a wide range of non-economic factors. Specialists in ethnic politics sharply reject economic explanations for ethnic conflict. The relevant chapter headings themselves suggest not only the authors’ views, but their exasperation. Walker Connor (1994) writes about “The Seductive Lure of Economic Explanations (Economic or Ethno-nationalism?).” John McGarry and Brendan O’Leary (1995) label their discussion (focused on Northern Ireland) “Mammon and Utility: Liberal Economic Reasoning.”

---

55 For an excellent brief survey of some of these links, see Pranab Bardhan, “Method in the Madness? A Political Economy Analysis of Ethnic Conflicts in Less Developed Countries” (University of California: 1996 or 1997, unpublished).


Milton Esman (1994) is perhaps the most emphatic.

That such views persist in defiance of the weight of evidence to the contrary suggests that economism is less an explanation than an ideology. To argue, for example, that the Israeli-Palestinian struggle is basically about economic values, or that the Quiet Revolution is mainly about employment opportunities for educated Quebeois, or that Malays are concerned primarily with closing the economic gap [with the Chinese in Malaya] utterly trivializes and distorts the meaning and the stakes of these conflicts. 16

Esman affirms that there are economic dimensions to most instances of ethnic conflict. However, he notes that “the conditions under which economic distress exacerbates conflict and economic growth mitigates conflict are less apparent.” In Canada, for instance, strong economic expansion in the 1960s aroused high expectations among the Quebeois, exacerbating conflict; recession in the late 1970s raised doubts that Quebec could prosper as an independent unit and dampened separatist fervor. In Malaysia, two decades of rapid growth have not significantly reduced ethnic tensions. Economic growth, Esman suggests, may “disrupt established relationships within ethnic communities, producing unexpected [and often adverse] consequences for interethnic relations.” 17

Walker Connor similarly recognizes that “economic deprivation (real or imagined)...can act as a catalyst or exacerbator of [ethno]national tensions.” But other grievances or concerns, such as preservation of the national language, can also serve as catalyst. Connor notes that because ethnic groups are often geographically concentrated within countries, and different regions are highly likely to have experienced different rates of economic development,

...defining ethnonational conflicts in terms of economic inequality is a bit like defining them in terms of oxygen: where you find the one, you can be reasonably certain of finding the other. One of the great dangers of economic statistics when applied to ethnonational groups, therefore, is that the figures are apt to convey far more than they warrant.

In a number of cases where the economic gap between ethnically distinct regions has been greatly reduced over a period of several decades, demands for autonomy have nonetheless increased. 60

Ted Robert Gurr and Barbara Harff, in Ethnic Conflict in World Politics (1994), address the role of economic factors less directly. They argue that the surge in ethnonational conflicts since the end of the Cold War is

...a continuation of a trend that began as early as the 1960s. It is a manifestation of the enduring tension between states that want to consolidate and expand their power and ethnic groups that want to defend and promote their collective identity and interests. The breakup of the USSR and power shifts elsewhere within the state system have opened up opportunities for ethnic groups to pursue their interests. 61

Their framework for explaining ethnonational mobilization and conflict argues that discrimination and ethnic group identity are the two main sets of factors that contribute to ethnic mobilization. Discrimination is defined in terms both of economic and social welfare outcomes relative to other groups, and public policies that limit opportunities. Discrimination often or always provokes frustration, but the probability of political action and, more specifically, of open conflict hinges on a
variety of non-economic factors: group solidarity, leaders' strategies and tactics, political institutions, the government's ability and willingness to use repression, and external encouragement or support.

A decade before the studies just surveyed, Donald Horowitz's probing volume on Ethnic Groups in Conflict (1985) had also noted the weakness of conventional economic explanations for inter-ethnic tensions. Horowitz noted several more specific points. Emerging elites of subordinate groups often aspire not to economic power and business opportunities but to political power. Trading minorities are by no means everywhere resented. Many goals of ethnic conflicts are likely to entail big economic costs—and are supported despite widespread recognition of those costs. More broadly, Horowitz pointed out that despite initial predictions that socioeconomic modernization would reduce ethnic tensions by generating converging values in different groups, ethnic conflict did not fade with increased levels of education, urbanization, and industrialization. Indeed, the ethnic elites most exposed to modernizing influences often led and instigated ethnic conflict.

In short, whether we take as the variable to be explained civil violence in general or more specific conflict among ethnic groups, economic grievances, conditions, and trends are often important but ambiguous and mediated factors. Other factors almost always seem more critical in determining whether violence does in fact occur.

This conclusion is not inconsistent with arguments that economic pressures growing out of aspects of globalization or structural adjustment can contribute to ethnic tensions and violence. The most detailed and powerful recent analysis of this kind is Susan Woodward's Balkan Tragedy (1995). Woodward asserts that IMF-guided stabilization and structural adjustment programs during the 1980s played a major role in creating conditions causing the disintegration of Yugoslavia and the devastating wars in Croatia and Bosnia in the early 1990s. Economic hardship resulting from the programs exacerbated ethnic tensions, while Belgrade's efforts to recentralize controls over macroeconomic policies led the republics (particularly the wealthier ones) to assert their own prerogatives more forcefully. Austerity measures choked off centrally-managed welfare measures, forcing citizens to rely more heavily on regional authorities. The escalating struggle between center and regions eroded the complex formal and informal arrangements that had protected minorities while encouraging unity. In this context, politicians, media, and increasingly assertive autonomous local groups used growing political openness to press nationalist claims and goals.

The analysis (which extends to additional factors including the roles of foreign governments and the evolving international political context) is a persuasive demonstration, not of the inexorable effects of economic trends, but of their complex interactions with a wide array of other factors. Indeed, one of Woodward's central and most poignant themes is that the Balkan tragedy was not inevitable: a variety of different choices by key actors were feasible and could have led to different outcomes. Somewhat similarly, Pranab Bardhan (1996) suggests a wide array of links between economic trends and policies and ethnic tensions in developing countries: each, however, is set in a specific context and mediated by a variety of additional factors that determine whether tensions evolve into open conflicts.

Political institutions and other mechanisms for channeling, mediating, and sometimes repressing social conflict are among the more important of these non-economic.
factors. They are also (at least in principle) among the most amenable to deliberate engineering. The design of electoral and party systems determines whether most major groups are included in the mainstream political arena, and powerfully shapes the incentives for moderation or extremism. Ethnically-based parties in winner-take-all (first-past-the-post) electoral systems, for instance, encourage extremist demands. Broadly-based parties, in contrast, can mediate disputes among groups. Bardhan argues that the Congress Party served this role effectively for thirty years after India's independence. Many observers suggest that the decay of Congress and more general eroding of governmental capabilities and integrity are major contributors to increased ethnic violence in India more recently. Non-democratic parties can also submerge ethnic tensions (with more reliance on repression and less on mediation, compromise, and compensation) as the Communist Party did in the Soviet Union for some seventy years.

Eroded elite and public confidence in the legitimacy and capabilities of governments is one of the factors that interacts with economic hardships to increase the probability of civil violence. Protracted fiscal problems often are a prelude to such loss of confidence. But they are more often a result than a cause of governmental incapacity (or, in the extreme, failed states). To test that proposition, it is useful to play a mental game: if Russia today were provided very substantial aid, sufficient to ease temporarily its acute fiscal problems, would it be able to restore integrity and capacity to normal government operations and regain the confidence of its citizens? The aid would help, but formidable difficulties would remain.

In the next few decades, economic globalization will clearly pose tremendous challenges to rich and poor societies and their governments, while also offering new options and resources for addressing these challenges. Research on civil conflict strongly indicates that economic dislocations will not automatically generate civil unrest and violence. Where political and societal institutions already are well designed to channel and mediate social conflicts, or where they can adjust rapidly, the risks of violent conflict are greatly reduced. (Parenthetically, those risks almost surely flow less from the poor than from dislocated middle strata.) Where social and political institutions for channeling and mediating conflicts are weak, outdated, and rigid, risks are heightened.

Not only local and national, but transnational and multilateral institutions will need revamping. Many of the problems generated or exacerbated by economic globalization, and many of the opportunities created by it, cannot be dealt with effectively without cooperation that crosses national boundaries. The thickening network of official multinational and unofficial transnational organizations and mechanisms is already responding to these pressures and opportunities. We can anticipate rapid expansion along these lines in the next decades.

---

III. SOME IMPLICATIONS FOR RESEARCH

This review suggests a few implications regarding research priorities and design.

First, if the objective is a better understanding of the causes of civil violence and/or failed states, trends in poverty and inequality are almost surely only part—sometimes a small part—of the explanation. The effects of economic trends are filtered through an array of institutional, attitudinal, historic, and other factors, and can be understood only within those widely varied contexts. The impact of economic globalization is not a promising starting point for an inquiry into the causes of civil violence or the breakdown of states, for two reasons. First, as yet we have very little systematic knowledge of the full range of impacts. Second, it is clear that there is a poor fit between the areas and groups most involved in civil violence, and those most affected by globalization trends.

A research strategy for better understanding of causes of civil violence and failed states should probably start by disaggregating different kinds of civil violence, and should then explore the causes for each category. If the objective is a more general understanding, rather than simply a better grasp of specific case histories, then factors that seem to have been important in a number of similar cases should be further tested against “null cases,” e.g., those with similar conditions where little or no civil violence flared, or where the state did not disintegrate.

Second, if the main concern is the implications of globalization trends, civil violence is an unduly narrow and almost surely misleading focus. Various aspects of globalization will have powerful positive and negative effects, and these will vary in different contexts. Among the effects may well be serious strains in existing political coalitions, challenges to old policies and approaches for protecting citizens’ well-being, and erosion of the legitimacy of political systems that cannot find effective ways to respond. But globalization may also provide new opportunities not only for the well educated but also for poor cultivators and workers, may empower groups currently shut out of political arenas, and may encourage new coalitions and resources for building democratic governments. We almost surely need to start by unbundling and sharpening what’s meant by “globalization,” and distinguishing the impacts of different strands in varied economic and political contexts.
IV. SOME POLICY IMPLICATIONS

The evidence suggests that it is well worth pursuing antipoverty and pro-poor growth strategies on many grounds, including the strong possibility that they may accelerate growth itself. We should not, however, assume that such measures will necessarily or automatically reduce conflict and violence. It may also be worthwhile to design some programs targeted specifically to those among the poor regarded as most violence prone, for example, unemployed youth. We should note, however, that these may be neither the most needy groups nor those most likely to contribute to accelerated growth.

Similarly, it is worth pursuing policies that contain the privileges and subsidies of the wealthy, especially in the many countries where they routinely evade tax and other obligations. But the broad emphasis in equity policies should be on leveling up, not down. There is no automatic link between improved equity and reduced tendencies to violence, but making the rich bear “a fair share” (and be seen to do so) is likely to increase government legitimacy.

A wide variety of policies and structural changes can, in varied circumstances, contribute to reducing ethnic tensions. Economic measures may be important, but so may constitutional or electoral reforms, the stance and statements of political leaders, international mediation, and pressure. There are no formulae for determining the most promising mix of measures for specific cases.

Institutional retooling that builds more effective and more encompassing arrangements for channeling and mediating social conflicts are also important to reduce risks of civil violence. Such institutions can be formal or informal; local, national, or international; governmental or unofficial; permanent or temporary; and focused on broad issues and groups or on narrow issues and specific groups.

Finally, there are no grounds for complacency regarding the pressures of globalization, despite this essay’s argument that widespread civil violence is neither a necessary nor even a likely outcome. The tensions between the measures required to build and maintain international competitiveness and those required to provide reasonable security for individuals and households will require policy and institutional innovations on a massive scale, in both wealthy and poor nations, over the next decades. As Dani Rodrik has argued recently, those pressures and the need for well-thought-through policy responses require much more attention than they have received to date, especially in mainstream economics circles.61
