

Conflict and Development (Ray and Esteban, 2017)

Developing countries have an extensive history of conflict. Social conflicts can trigger a feedback loop for lower economic growth that widens the gap between developing and developed countries. Some studies argue that economic prosperity can be a deterrent for conflict as more GDP per capita is negatively correlated with social conflict. However, 2019 and 2020 showed that smaller violent conflicts can flourish in developed countries¹. Which begs the question: How strong does economic prosperity deter conflict?

One Sentence Summary

This review analyses and confirms that: i) the evidence of GDP per capita and social conflict is weak, ii) conflict is more prevalent within the same economic class, and iii) that conflict is primarily driven by ethnic motives.

Main Findings

Income per capita and social conflict have a negative correlation, but the direction of the effect can go both ways. On the one hand, countries with civil wars have lower levels of production, because of capital destruction, leading to lower income. On the other hand, low income per capita lowers the opportunity cost of conflict. Thus, there is no clear evidence if income per capita influences conflict or conflict leads to low income per capita. Recent literature has focused on economic growth rather than income per capita levels. The relationship between conflict and growth has a little more support. Particularly, the idea that growth can disproportionately benefit a group. For instance, Piketty (2015) argues that the low growth rate in recent decades has mainly benefitted the top 1% of the income distribution in several developed countries. Through this channel, income inequality can increase social conflict as a low-growth class has more incentives to engage in conflict with high-growth ones.

The evidence shows that the probability of social conflict is higher within economic class than between social classes. A classic example of social conflict of economic similarity is the debate between immigrants and natives. For example, most of U.S. immigrants have low-skill for labor and – not surprisingly – anti-immigration supporters are low skilled U.S. citizens. In this case, they have similar economic backgrounds and fight for one *public good*: low skilled jobs. The authors argue that a conflict between economic classes lacks the financial support for conflict.

Another example of within class social conflict is ethnic or religious conflict. There is strong evidence supporting that the civil wars in the middle east have a strong cultural component. The authors argue that this literature has been purely empirical and have only searched for significant results rather than find the true causal mechanism. Thus, they propose a

¹ I have in mind the “Social Outbursts” in Chile on 2019 and the “Black Lives Matter” resurgence in the U.S. on 2020.

theoretical framework to understand this relationship. This new approach showed how the concepts of polarization and fractionalization predict violence in the Hindu-Muslim conflict.

Concluding Remarks

The relationship between development and social conflict is confusing at best. It is clear, economists are missing a key piece in the puzzle. The authors suggest that thinking outside of the economics could yield interesting insights. One of such approach is to use frustration, when aspirations are not met, as a driver for conflict². Perhaps frustration in income, health outcomes or police treatment could be the missing piece of the puzzle.

References

- Ray, D., Esteban, J., 2017. Conflict and Development. *Annu. Rev. Econom.* 9, 263–293. <https://doi.org/10.1146/annurev-economics-061109-080205>
- Piketty, T., 2015. About capital in the twenty first century, in: *American Economic Review*. <https://doi.org/10.1257/aer.p20151060>.

² One-page econ #15 covered a review on the topic.