

Conflict and Development (Ray and Esteban, 2017)

Developing countries have an extensive history of conflict. Conflicts can trigger a negative feedback loop, in which lower economic growth leads to more conflict and so on, 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: Does economic prosperity deter conflict?

One Sentence Summary

This review analyzes and confirms that: i) there is limited evidence supporting the negative correlation of GDP per capita and social conflict, ii) conflict is more prevalent within the same economic class, and iii) that conflict is driven by ethnic motives.

Main Findings

Income per capita and social conflict have an ambiguous relation. 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, there is some evidence supporting that 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. They argue that economic growth can disproportionately benefit a group, creating a class conflict. For instance, Piketty (2015) argues that the low growth rate in recent decades has 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 have more incentives to engage in conflict with high-growth ones. However, the evidence supports that the probability of social conflict is higher within an economic class than between economic classes. A classic example of a social conflict of economic similarity is the debate between immigrants and natives. Most of U.S. immigrants are low skilled and anti-immigration supporters are low skilled U.S. citizens. Here, they have similar economic backgrounds and fight for one *public good*: low-skilled jobs.

Another example of within class social conflict is ethnic or religious conflict. There is sound evidence supporting that the civil wars in the middle east have a strong cultural

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

component. The authors argue that this literature has been purely empirical and explored a casual mechanism with a theory behind. Thus, they propose a 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. 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 approaches is to use frustration, when aspirations are not met, as a driver for conflict².

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.