Abstract

Civil war and Economy: Revisiting “Development Economics of Civil Wars”

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This article discusses economic factors to cause and accelerate conflicts, as well as the impacts of civil wars on income and growth, with help of econometric empirical works for Asia and Sub-Sahara Africa since 1970s.

Civil wars would accelerate with “economic feasibility” such as availability of financial resources for revel, low opportunity cost for recruiting troops, or more places to hide as identified by existing literatures for factors to cause civil wars. There are, however, some differences between global and regional estimates, which may suggest regional variation of the factors affecting civil wars.

Civil wars may reduce income and growth rates, not only of the countries with conflicts, but of the neighboring countries through negative externalities. Panel estimates reveal negative impacts of civil wars on income and growth of the countries under conflicts. Neighboring countries of post-conflict economies would suffer negative growth. Income levels in dollar of neighbors are also likely to drop hastily by currency depreciation due to regional “contagion”.

International community should help to prevent devastating civil wars to occur, by raising its “opportunity costs” with reducing poverty, as well as by reducing its “benefits” with proper managements of resources and economic transactions, in regionally adaptive ways.