Neoliberal Economic Policies and Post-Conflict Peace-Building: A Help or Hindrance to Durable Peace?

James Ahearne

This paper assesses the application of neoliberal economic policies to post-conflict societies and their impact upon the prospects for durable peace. To do this I analyse, on one hand the socio-economic dimensions of conflict causation, and on the other the post-conflict economic approach to peace-building. The fundamental question this paper seeks to address is this: bearing in mind the role of socio-economic factors in causing conflict, how well suited is post-conflict economic policy to addressing these issues? It is argued that whilst socio-economic factors are widely recognised as often being integral to conflict causation, the contemporary neoliberal guided peace-building approach is not well suited to tackling socio-economic grievances. Consequently a question mark hangs over the long-term prospects for durable peace in many post-conflict countries where the international community has engaged in peace-building. Two case studies of post-conflict peace-building – El Salvador and Sierra Leone – are utilized in support of this claim.
**Introduction**

Civil wars are now the dominant form of conflict in the contemporary world and how to deal with and resolve such conflicts is a highly important issue for the international community. In an increasingly globalised world civil conflict can breed regional and global instability which cannot be ignored. Whether it is Somali pirates disrupting international shipping lanes, the rebels of the Niger-Delta attacking oil installations or conflict ridden countries providing so called ‘breeding grounds’ for international terrorism, civil instability has global repercussions. The post-Cold War era has seen the ascendency and expansion of peace-building operations as the international community increasingly attempts to engage with and resolve such civil conflicts. Without exception the prescribed remedy these peace-building operations have sought to apply is the establishment of liberal democracy and a free market economy based upon neoliberal criteria as the surest foundations for peace.

At the same time the post-Cold War era has also made the international community increasingly aware of the fact that poverty and conflict are linked – of the 20 poorest nations in the world, 15 experienced military conflict in the 1990’s (Ciorciari 1998, p292). As the World Bank (Junne and Verkoren 2005: 1) states: “countries affected by conflict face a two-way relationship between conflict and poverty – pervasive poverty makes societies more vulnerable to violent conflict, while conflict itself creates more poverty”. Issues of socio-economic grievance are often highly significant in causing conflict (as we will explore in chapter 1), and consequently the nature of post-conflict economic policy and its ability to deal with socio-economic dimensions of conflict causation is a very important issue.

This paper assesses the utility of neoliberal economic policies and their impact upon the prospects for peace. It analyses on one hand the socio-economic dimensions of conflict causation and on the other the post-conflict economic approach to peace-building. The fundamental question this paper seeks to address is this: bearing in mind the role of socio-economic factors in causing conflict, how well suited is post-conflict economic policy to addressing these issues? It is argued that whilst socio-economic factors are widely
recognised as often being integral to conflict causation, the contemporary neoliberal guided peace-building approach is not well suited to tackling socio-economic grievances. Consequently a question mark hangs over the long-term prospects for durable peace in many post-conflict countries where the international community has engaged in peace-building. Why focus on economic policy? Although the political settlement may end the fighting and set out the agreed course of action to build a peaceful society, it is through economic policy that any long-term structural changes to the socio-economic fortunes of former adversaries will be enacted. The UN may be involved with constructing a peace settlement but it is the International Financial Institutions (IFIs) and donor governments who will play the most significant role in determining the nature of post-conflict economic policy through aid conditionality.

A durable peace is defined as one which not only creates a cessation of direct collective violence, but also addresses and removes the structural causes of violence. If we strip peace-building down to its most fundamental objectives we can identify two principal elements; firstly to prevent an immediate relapse into war and secondly to construct a self-sustaining, long-term peace\(^1\). Here we are principally concerned with the latter, that is, what Galtung (1990) terms a ‘positive peace’ – removing the underlying causes of conflict. To construct a durable (or ‘positive’) peace Miall et al (1999: 191) identify three broad areas which must be dealt with – political/constitutional incapacity, economic/social debilitation and psycho/social trauma. Our focus is the second area; how socio-economic factors contribute to conflict and whether contemporary approaches to peace-building adequately address these factors.

This is a particularly important area for study, not only because of the high number of peace-building operations that are currently active or because of the widespread poverty and inequality in the contemporary world, but also because, as Paris (2004: 4) highlights there has been a notable lack of scholarly attention to the theoretical underpinnings of peace-building operations – perhaps a testament to the dominance of the neoliberal ideology in the post-Cold War era (See Pugh 2005). This is surprising when we consider

\(^1\) For an overview of the distinction between these tasks see Miall et al (1999: chapter 7)
that, as Paris argues, peace-building is essentially a massive attempt at social engineering designed to rebuild and reshape entire societies. Furthermore the so called ‘Washington Consensus’ that has underpinned the neoliberal drive of the post-Cold War era is being increasingly questioned, yet nothing definitive has yet emerged to replace it and the terms of the debate on how to move forward have essentially remained neoliberal. The time seems apt for consideration of how neo-liberalism has affected peace-building operations and its successes and failures.

Concerning structure, chapter one introduces contemporary perspectives on conflict causation as a basis from which to consider the applicability of the current approach to the economics of peace-building. Clearly to build a sustainable peace we must understand the factors that lead to conflict in the first place and address them. Consequently, in order to comprehend how post-conflict economic development can facilitate peace we must first understand how socio-economic factors can contribute to conflict. Once we understand if and how economic factors might be involved in causing conflict we can assess the utility of post-conflict economic policy in promoting a lasting peace. Chapter one draws attention to the relevance of socio-economic issues in conflict causation – highlighting the importance of relative disparities between groups (i.e. inequality) and introducing a number of socio-economic theories of conflict causation to explain the causal mechanism by which socio-economic grievances can trigger collective violence.

Chapter two then introduces the current (neoliberal) approach to economic policy for peace-building. Over viewing the logic behind the approach, how it is applied, and the characteristic outcomes of neoliberal economic policies for society and economy in countries that have applied neoliberal reforms. It is argued that neoliberal reforms have consistently failed to address issues of poverty and inequality and can have destabilizing effects on society to which post-conflict societies are particularly vulnerable.

---

Chapter three brings this all together by analysing a number of case studies of conflicts where socio-economic grievances were key to conflict causation and where the neoliberal approach to post-conflict economic policy has been applied. Have neoliberal reforms been at all successful in addressing underlying socio-economic grievances? Have they been conducive to a durable peace? The concluding chapter then sums up the finding of the case studies and considers the prospects for the future.

1. Socio-Economic Disparities and Conflict Causation: Exploring the Links

Poverty and conflict are linked. This link was recognised during the Cold War – as the Aga Khan report demonstrated – but rarely acted upon due to the dominance of geo-strategic imperatives of the time. Now however the link is widely acknowledged and heeded as illustrated by the progressive merger of the International Development and Security disciplines (Duffield 2001, Kaldor 1999). Poverty increases a country’s propensity toward conflict and conflict undermines development and recovery from poverty. The two are mutually reinforcing and both must be dealt with if either is to succeed. Given this link, the role of economic policy in post-conflict peace-building is a particularly important one for establishing lasting peace. Clearly to build a sustainable peace we must understand the factors that lead to conflict in the first place and address them. Consequently, in order to comprehend how economic development can facilitate peace we must first understand how poverty can contribute to conflict. Are socio-economic factors important to conflict causation? If so then how do they contribute to the outbreak of armed conflict? Once we understand if and how economic factors might be involved in causing conflict we can assess how post-conflict economic policy might best promote a lasting peace.

This chapter argues for the importance of socio-economic disparities in conflict causation. Grievance based theories of conflict – relative deprivation (Gurr 1970) and horizontal inequality (Stewart 2000) – are utilised in support of this claim. It is argued that the relative position of people vis-a-vis one another and their expectations is most often the key economic variable in explaining the outbreak of conflict. Consequently, in such situations if a long lasting, durable peace is to be established, post-conflict economic policy should not
simply be concerned with overall economic growth but should also have a strong focus on the type of growth. Is it equitable? Is it benefitting traditionally marginalised areas? In short, is it addressing the relative disparities between groups that sparked conflict?

The chapter is structured as follows: A brief review of the contemporary debate on the causes of conflict serves to illustrate the importance of socio-economic factors to contemporary conflict causation. This is followed by an overview of theories of grievance and conflict causation to explain how socio-economic factors generate conflict – i.e. the importance of relative poverty. Finally we take a look at some empirical evidence in support of grievance theories to situate their relevance to contemporary conflict and illustrate how the relative position of groups can drive armed conflict. Having located the significant role of socio-economic factors in conflict causation it will then be possible to move on and assess the utility of post-conflict economic policy for dealing with such issues.

**Conflict Causation and the Significance of Socio-Economic Disparities: A (Brief) Review of the Contemporary Debate**

Much of the contemporary debate on the causes of armed conflict presents a ‘greed vs. grievance’ dichotomy. On the one hand ‘Greed’ thesis (Collier and Hoeffler 2001, also see Berdal 2005) argues that it is principally greed motivated rebel economic opportunity that explains conflict, i.e. rebel insurgents pursue conflict for economic gain and countries with significant ‘lootable’ natural resources (diamonds, timber etc) are at a high risk of conflict. On the other hand greed thesis is countered by a long-standing body of literature in political science which holds that collective violence can be the result of relative deprivation (Gurr 1970) and the ‘grievance’ this produces amongst members of a collectivity (Hutchful and Aning 2004, Boas and Dunn 2007). For grievance accounts of conflict socio-economic factors are of central importance. Other factors such as lack of political rights, government corruption and incompetence may also be involved but as Stewart (2000: 9) sums up “in general if there is a group conflict, we should expect sharp economic differences between
conflicting groups associated (or believed to be associated) with differences in political control”.

Both greed and grievance accounts of conflict have merit but taken individually they often fail to illuminate some key aspects of what drives conflict, in particular for example it is worth noting that, as Murshed and Tajoeddin (2008: 96) argue, greed may indeed play a significant role in driving conflict but the presence of grievance is also always necessary for group formation and collective violence to take place – conflict cannot proceed without clearly perceived group grievance. Increasingly scholars accept that a nuanced understanding of any conflict should understand that both greed and grievance can play central roles in driving collective violence and that drivers of conflict should be understood more in terms of a greed – grievance continuum rather than an either/or dichotomy (Korf 2006). Thus whilst the relative importance of greed or grievance may vary from case to case the fact is that socio-economic grievances are a major contributor to the onset of violent civil conflict in the contemporary era, and we can rarely discount them when speaking of the causes of conflict.

There are numerous examples across the globe where inequality and other socio-economic grievances have been a highly important contributing factor driving contemporary civil conflicts. South America is a prime example of this; El Salvador, Nicaragua and Guatemala all endured lengthy armed conflicts which lasted into the 1990’s and had a strong class dimension. As Paris (2004) argues when speaking of the region “inequality between the impoverished majority and the affluent minority has been the most important cause of the region’s recurring bouts of revolutionary violence” (Paris 2004: 113). Elsewhere, in Africa the rebel groups of the Niger Delta demand a more equal distribution of the oil wealth. Some cite this as an example of greed driving conflict but as numerous authors have argued (Watts 2007, Ukiwo 2007) the conflict cannot truly be understood without reference to issues of socio-economic grievance. Ukiwo concludes; “the explanations of the insurgency in the region… can be found not in the greed of militant groups or their leaders but in the longstanding history of marginalization and inequality, as well as the failure of the state and
the oil industry to address these grievances except at gunpoint” (Ukiwo 2007: 610). In Sierra Leone (which will be discussed in depth in chapter three) most scholars now agree that the marginalisation of the country’s youth was one of the, if not the, most important factors contributing to the onset of armed conflict (Peeters et al 2009). In sum even a brief acquaintance with the literature on contemporary civil conflict makes it very difficult to ignore socio-economic grievances as a key variable in the onset of armed violence.

Given the importance of socio-economic grievances in conflict causation, we can draw two important conclusions for peace-building: firstly, that nature of these grievances and the steps necessary to address them will often need to be a key focus of peace-building operations, and secondly that the role of post-conflict economic policies in establishing a durable peace is therefore a very important one.

But what is the link? How exactly do socio-economic grievances cause armed conflict?

**Socio-Economic Disparities, Relative Poverty and Civil War**

“The potential for collective violence varies strongly with the intensity and scope of relative deprivation among members of a collectivity” Gurr (1970 p24)

Now that we have established the significance of socio-economic factors it is worth going into greater detail on the theory of how socio-economic grievances cause conflict. Once the theories have been introduced we will go on to look at contemporary case studies in order to illustrate the role and importance of socio-economic disparities to contemporary conflict causation and how economic policy for peace-building should ideally be adapted to take such factors into account.

Theories of grievance may be divided principally into relative deprivation and horizontal inequality³ (Mursheed and Tadjoeddin 2008: 96). Whilst these theories are distinct there is a

³ A third – Polarisation theory (Esteban and Ray 1994, Ostby 2008, Mursheed and Tadjoeddin 2008) is a relatively new concept. Its measurement is made difficult by a paucity of data and there are few empirical
high degree of overlap between them – central to both is the notion that it is the relative position rather than the absolute that is more often the key determinant of conflict. That is perceptions of inequality, deprivation and injustice fuel the likelihood of internal armed conflict.

Gurr (1970) defines relative deprivation (RD) as “Actors perception of discrepancy between their value expectations and their value capabilities” (p. 24) – effectively the disparity between people’s expectations and the reality of their situation. ‘Value expectations’ being the goods and conditions of life to which people believe they are rightfully entitled, and ‘value capabilities’ being the goods and conditions which they can presently maintain, or believe themselves capable of attaining and keeping in the future. A people’s point of reference for their value expectations may be a reference group, the standards articulated by a leader, an abstract ideal or their own past condition etc. Gurr argues that if people believe their present value capabilities are at odds with their reasonable value expectations, and this imbalance is unlikely to be remediated in the future, this will increase the potential for collective violence in a given polity – the motivation for collective violence being the psychological frustration-aggression mechanism.

On the other hand if everyone in a society were uniformly at some disadvantage – equally impoverished for example – this would be less likely to lead to civil conflict than a society with greater wealth but sharp socioeconomic cleavages, because as Runciman states “if people have no reason to expect or hope for more than they can achieve they will be less discontented with what they have, or even grateful simply to be able to hold on to it” (Runciman, cited in Gurr 1970: 24). Thus uniform poverty would bring despair but not motivation for action – it is the relative position rather than the absolute situation that is the key determinant of conflict.

---

studies to back up its argument (Murshed and Tadjoeddin 2008: 98). Furthermore polarisation theory is less useful for our purposes as its emphasis is less on how notions of socio-economic inequality can fuel conflict and more on the polarisation of societies – which can be along economic lines but may also take place in societies with a level of socioeconomic equality.
It should be noted that perception is a very important aspect of Gurr’s argument (and indeed of other theories of grievance). A people may or may not actually be in want – the key is that they perceive themselves to be deprived. As Gurr points out an objective observer may not judge a people to be at any disadvantage. Value expectations need not be based on any tangible or reasonable prospects. Sharp socioeconomic imbalances do exist and do contribute to conflict but we must also be prepared to consider that even when imbalances are small or socioeconomic grievances seem insignificant perceptions of injustice and inflated value expectations can contribute to violence.

Horizontal inequality is distinct but shares many similarities with RD. Horizontal inequality (Stewart 2005) is the notion that economic and political inequality between groups drives conflict – horizontal inequality being distinguished from vertical inequality which takes place within groups. Clearly this is very similar to RD, both theories accept that it is the relative position of actors rather than the absolute position that is often the key determinant of conflict – as Stewart (2000: 248) states “the prime cause of conflict arises from inequalities among groups, i.e. their relative position”. But for horizontal inequality the focus is inter-group rivalries and expectations – if other groups are wealthier, benefitting more from public spending and taxes or resource rents then this can be a source of conflict. On the other hand for RD expectations may be based on a reference group but also on many other factors such as past-status, the standards articulated by a leader, or the expectation of economic growth etc. RD does not assume relative disparities between pre-existing collective identities to be the basis of conflict. Thus while both theories are concerned with the gap between expectations and actual achievements, RD perhaps places a stronger emphasis on this aspect and is not confined to ‘value expectations’ based on reference groups – it accounts for vertical as well as horizontal inequality.

This study is not an attempt to enter the debate as to which theory of grievance is more valid – theories of grievance are simply used to highlight the importance and nature of socio-economic factors in conflict causation (and consequently the importance of and type of post-conflict economic policy that might be best suited to building a sustainable peace). Whether we accept RD or horizontal inequality the key point for the purposes of this paper
is that relative disparities (real or perceived, vertical or horizontal) are integral to conflict causation rather than the absolute situation. We will now analyse a number of empirical case studies of both RD and horizontal inequality in order to illustrate the role and importance of relative disparities to contemporary conflict.

**Empirical Evidence for Theories of Grievance and Conflict Causation**

The recent Maoist insurgency in Nepal stands as a useful example of the power of socio-economic disparities to foster collective violence and it has been analysed by proponents of both RD and horizontal inequality. Nepal’s civil war started in 1996 with a relatively small insurgency in certain isolated districts. Over the next ten years the Maoist insurgency movement spread, taking control of much of the country’s territory. The Nepali case is interesting because as the insurgency spread – drawing most support from the traditionally marginalised sections of society – the country was enjoying strong economic growth and apparent poverty reduction (Macours 2006: 2). This seems something of a paradox when we consider that conventional wisdom asserts that poverty is associated with conflict and economic growth is associated with peace (Collier 2003). The answer lies in the machinations of inequality within Nepalese society and the way in which economic growth impacted (or failed to impact) upon different groups.

Socio-economic inequality is integral to Nepal’s insurgency and a number of studies have been undertaken analysing the relationship between RD or horizontal inequality and the spread of the Maoist insurgency.

Macours (2006) undertook a study cross examining data from 2 national representative household surveys with data on Maoist recruitment strategies. The study found that returns to land increased dramatically in the period 1995 – 2003, but disproportionately so for the wealthy (i.e. those with relatively large land holdings). This resulted in the relative deprivation of the (near) landless (Macours 2006: 12). Concurrently recruitment by the Maoists was found to be more significant in the areas where inequality between wealthy and poor had increased. Macours concluded; “The empirical results of this paper are
consistent with the hypothesis that relative deprivation of the (near) landless contributed to salient support for – or at least lack of resistance against – the insurgency... More generally, the paper provides empirical evidence of the possible role of relative deprivation as a breeding ground for civil conflict” (Macours 2006: 17). Nepal may perhaps be seen as an example of what Gurr (1970: 50) terms ‘aspirational deprivation’ whereby general economic growth and increases in the welfare of other groups bring about heightened expectations of improvement in their own lives on the part of the country's marginalised groups – when these expectations are not met this triggers the motivation for conflict.

Another study of conflict in Nepal undertaken by Murshed and Gates (2005) analysed the role of horizontal inequality in the spread of the Maoist insurgency. The study analysed HDI (Human Development Index) data and information on landlessness compared with information on the intensity of the conflict (in terms of deaths). It found that the intensity of conflict across Nepal was significantly explained by the degree of inequalities. Murshed and Gates concluded that horizontal inequalities in Nepal (based on group differences such as caste and ethnicity) had worsened in recent years and were central to explaining the start of the conflict. Thus in the case of Nepal economic growth actually contributed to the spread of conflict as its unequal nature exacerbated the relative deprivation / horizontal inequalities of traditionally marginalised groups.

Similarly Brown’s 2005 study of conflict in Indonesia found correlations between horizontal inequalities and separatist tendencies in the country’s resource rich areas. For example Brown found that in the province of Aceh the socio-economic status of the native Acehnese people declined at the same time as regional incomes rose. Poverty in Aceh rose by 239% during the period 1980-2002 whilst it fell by 42% in the rest of the country (Brown cited in Murshed and Tadjoeddin: 101)

**Synopsis**

The three separate empirical studies outlined above share a highly significant common finding: that within in a situation of general economic growth and poverty reduction,
relative socio-economic differences between people and groups spurred violent collective action. As pre-existing inequalities were worsened by unequal economic growth. These findings are in line with the Hirschman and Rothschild (1973) (cited in Macours 2006) model of changing tolerance for inequality, whereby increases in inequality related to economic growth are initially tolerated because of the anticipation that gains will eventually reach those left behind, but when this fails to happen people are compelled to take up arms by the continuing and deepening injustice.

Conclusion and Implications for Peace-Building:

As highlighted above theories of grievance are central to conflict causation. Whether we accept RD or horizontal inequality (or some other explanation of socio-economic grievance and conflict causation) the underlying thread of perceptions of socio-economic injustice fuelling collective violence remains a key variable. The relative position rather than the absolute position of people is a key determinant of the impetus to civil war as it provides the motivation for group formation that is necessary for collective violence. For this reason economic policy for peace-building should not simply be concerned with general economic growth and poverty reduction, but with a specific type of growth which addresses imbalances. An economic policy that is concerned with overall growth as opposed to a more targeted or equitable growth may endanger the prospects for a long-term sustainable peace, particularly in a country with strong pre-existing socio-economic inequalities, as it can leave in place imbalances or even worsen the relative (as well as the absolute) position of a collectivity – as the case study of Nepal illustrated. Economic growth can actually exacerbate inter-group tensions if traditionally marginalised groups do not perceive themselves to be benefitting.

The findings of this chapter are in line with a number of studies which find little or no relation between economic growth and peace. For example in a study of seven post-conflict societies Suhkre and Buckmaster (2006) found that high and steady economic growth was neither a sufficient or necessary pre-condition for post-war peace. The emphasis should be on the type of growth that is taking place – focusing on distributional issues. Much of the
qualitative literature on the subject maintains a similar stance (Boyce 2002, 1995, Paris 1997).

These findings are particularly relevant in the post-Cold War era where many states of the developing world face debt, Structural Adjustment (which impacts disproportionately on the poor through cut-backs in public spending, privatisation and subsequent unemployment) (Zack-Williams 2000: 59), and a loss of superpower patronage – a situation which has contributed to a decline in living standards and an increase in inequality within many developing countries. Evidence for this is hard to miss, increases in poverty were marked. Let us take the continent of Africa as an example. Between 1987 and 1998 the number of poor people in Africa increased from 217 million to 290 million. Between 1974 and 1994 per capita incomes fell by 20% (UNECA, Prospects for Pro-Poor Growth in Africa, 2003). Inequality is particularly rife and has deepened in many areas throughout the 1990’s – on entering the 21st century sub-Saharan Africa’s Gini coefficient (a measure of inequality) was 51%, the worst income distribution in the world (UNECA African Economies at the Start of the 21st Century, ERA 2000).

In societies with where issues of socio-economic inequality were important to conflict causation an approach that focuses on the distributional nature of economic policy rather than overall economic growth is likely to be more appropriate for building a durable peace. Ironically though, as we shall see in the following chapter, the very structural adjustment programmes that have in many cases contributed to deepening poverty and inequality are being applied as part of the neoliberal cure to conflict.

To what extent are current peace-building approaches capable of fulfilling this vital role? Can the neoliberal approach address issues of socio-economic grievance? Is it likely to provide a cure for issues of RD/HI or does it aggravate and reinforce existing inequalities?

2. The Current Approach to Economic Policy for Peace-Building

The post Cold War era has been marked by three important changes which have relevance for the peace-building discipline. Firstly the proliferation of numerous intra-state conflicts
across the world, secondly an increased ability on the part of the international community to intervene in these conflicts, and thirdly, the increasing dominance of neo-liberalism as the guiding ideology of the international actors who undertake intervention. In a nutshell there has been a proliferation of civil conflicts and, as numerous authors have argued (Paris 1997, 2004, Ho-Won 2005, Pugh 2006), the prescribed remedy for these conflicts, imposed by donor governments and international organisations has almost exclusively been the establishment of market democracy according to neoliberal criteria – i.e. liberal democracy combined with a free market economy. As the number of peace-building operations has multiplied in the post-Cold War era so too has the literature on the subject. Yet, as we noted earlier there has been a lack of attention to the theoretical underpinnings of contemporary peace-building operations. So what are the neoliberal assumptions and principals which guide these operations? Are these assumptions correct? Are they applicable in all cases? (if indeed any cases) These are questions which, based on the past success of peace-building operations, deserve far more analysis.

The International Financial Institutions (IFIs) (and other donor agencies engaged in post-conflict reconstruction) have applied much the same criteria for economic growth in post-conflict societies as they would to a peaceful developing country – current approaches to post-conflict economic development closely follow neoliberal developmentalist models which promote structural adjustment and integration into the world economy as the surest formula for economic growth (Pugh 2006, Paris 1997, 2004). But what is the record of structural adjustment? What are its characteristic outcomes – for economic growth and for society – and is such an approach at all appropriate for a post-conflict society? How effectively can the free market neo-liberal approach address socio-economic factors that contribute to violent conflict? This is a particularly important issue bearing in mind the role of socio-economic grievances in many of today’s internal armed conflicts as outlined in chapter one. Attempts at securing a lasting peace must be able to address issues of socio-economic grievance.

---

4 See for example Duffield (2001) chapters one and two for an overview of the ascendancy and of neo-liberalism and the decline of alternatives.
Regarding structure, firstly it is necessary to outline the core assumptions and guiding principals of neoliberal economics – how exactly is the approach supposed to work? Following on from this we will explore how the neoliberal approach has been applied and what its common characteristics have been in terms of economic growth and its impact on society and economics in countries where it has been applied. Here it is argued that neoliberal economic adjustment creates significant hardships in society which can have destabilizing effects even in a previously peaceful country. The experience of neoliberal reforms generally (and not specifically in post-conflict settings) is analysed and this is deemed appropriate because of the way that post-conflict economic policies so closely mirror the approach adopted in non post-conflict countries. Finally we will look at the special circumstances of post-conflict societies and why they might be more susceptible to the destabilizing affects of neo-liberalism, and following on from this in chapter three a number of case studies are analysed to assess the impact and success of neoliberal reforms in post-conflict situations (particularly where issues of socio-economic grievance were significant).

**The Neoliberal Economic Approach**

The neoliberal economic approach seeks to promote the development of a free-market economy by eliminating barriers to trade (within and between countries), stimulating the growth of private enterprise and reducing the states role in the economy (Paris 2004). Based on neoclassical economics, the logic is that the unimpeded operation of markets is the optimum way to utilise economic resources (physical, financial, labour) and that any state intervention in the economy will simply distort market forces and should be kept to a minimum. Inevitably therefore there is an equity-efficiency trade-off as intervention to influence asset distribution, welfare etc is seen to disrupt free market efficiency (Johnston 2005: 135). However the poor are ultimately expected to benefit from economic growth through the ‘trickle down’ concept – whereby overall economic growth eventually trickles
down to the poor as demand for their labour, goods and services increases (See Johnston 2005: 35).

Neoliberal policies have been encouraged by the IFIs in the developing world particularly since the 1980’s when they introduced policy conditionality’s on their loans – tying them to the implementation of Structural Adjustment Programs (SAPs). SAPs have been the most direct and influential way of encouraging neo-liberal economic reform in developing countries and typically will include the following policy provisions; Currency devaluation designed to make exports more competitive, reduced public spending to curb inflation and service debt repayment, privatisation of state owned enterprises to encourage productive investment and further reduce public spending, deregulation and elimination of protectionism to encourage FDI (foreign direct investment), cutting public subsidies on food and other basic goods to allow the market to set the ‘right price’, wage restraints and higher interest rates to reduce inflation (Walton and Seddon cited in Paris 2004: 29-30).

Structural adjustment aims at creating macroeconomic stability whilst putting in place the foundations of a market economy. Effectively the basic logic is that all states need to do is remove any unhelpful state interference in the economy, eliminate barriers to trade, attract FDI and their economies will grow and they will be lifted out of poverty. Wealth eventually ‘trickling down’ to the poor as removing barriers to trade increases the demand for developing countries abundant low-skilled cheap labour – expanding their employment and earnings. This is the theory but what is the reality? After nearly three decades what is the record of neo-liberalism and SAPs?

**Three Decades of Neo-Liberalism and Structural Adjustment: Social and Economic Impacts**

Following on from the debt crisis and the repudiation of Keynesianism in the late 1970’s, structural adjustment was intended to be a ‘short, sharp shock treatment’ (Ravenhill in

---


6 See Deranyiagala (2005) or Johnston (2005) for an overview of the neoliberal economic approach.
Mohan et al 2000: 63) for developing economies – to rectify macroeconomic imbalances and lay the foundations for a successful market economy. In line with neoclassical economic theory it was known that adjustment would involve significant hardships for those most vulnerable in society – those dependent on state social spending for example – but it was argued that this would be a short term social cost which was worth paying for the long-term economic gain it would bring. However after nearly three decades structural adjustment has too often failed to bring economic prosperity and the social costs of adjustment in terms of poverty and inequality are felt ever more acutely in a great many developing states. Let us now look at how some of the neoliberal policy prescriptions of SAPs have impacted on society and economics in developing countries.

We will now divide the components of structural adjustment (outlined above) into three broad categories – fiscal retrenchment, trade liberalisation / market deregulation, and currency devaluation – to overview how these policy areas impact on society and economic development.

Macroeconomic stability is one of the key tenets of the SAP approach and as such fiscal retrenchment is an area where structural adjustment has a particularly marked impact. Cuts in government expenditure mean public sector lay-offs, wage restraints, the abolition of subsidies (most notably food subsidies) and increasing charges for the use of government services such as health and education at the same time as governments attempt to increase revenues through tax increases. Such policies fall disproportionately on the poor, not only are they more dependent on state services and subsidies but the easiest taxes to raise are often sales and value added taxes which fall more heavily on low income consumers (Pastor and Conroy cited in Paris 2004: 166-167). Large scale cut backs in public sector employment can also have the effect of creating the ‘new poor’ (Zack-Williams: 2000) as middle income professionals such as teachers, health workers and civil servants are made unemployed.

See Zack-Williams (2000: 59) for a concise overview of the social impacts of structural adjustment.
Trade liberalisation and market deregulation can also impact negatively on the poor. Privatisation is often associated with job lay-offs and pay cuts as part of an attempt to make loss making firms profitable (Rapley 2002: chapter 4). Opening up markets to international competition can be problematic as developing countries often don’t have developed industries capable of taking advantage of export markets whilst undeveloped industry may struggle to compete with cheap imports (Rapley 2002: 81-83). Additionally, the poor are often the least capable of taking advantage of liberalisation. Poor farmers for example often rely on state subsidies for seed and fertilizer etc and may struggle to take advantage of market liberalisation without this support. Privatisation is rarely impartial and in a post-conflict setting can serve to reinforce traditional divisions. (Junne and Verkoren 2005: 199). Only traditionally wealthy groups or those who have profited from war are likely to have the resources to take over privatised industry, and the privatisation process is unlikely to be transparent and unbiased (Kamphuis 2005: 198). There are numerous instances of this, for example in post-war Bosnia when Aluminium Mostar was privatised non-Croat employees were denied privatisation vouchers. The company then pursued a Croat only job policy and its profits reportedly went to finance the Democratic Croat Union parastate (Kamphuis 2005: 199).

Finally currency devaluation, whilst good for some industries, is bad for others. Devaluation may reduce the cost of exporting but it increases the cost of imports – hurting industry that is reliant on imported components. Devaluation combined with the abolition of food subsidies tends to have negative results for urban poor facing higher food prices and rural poor who may produce for the domestic market and are unable to take advantage of export opportunities (Garuda 2000: 1033). It is also worth noting that for a continent such as Africa, which is still heavily reliant on exporting primary goods, export led growth is inherently problematic because of demand inelasticity for their products – an increase in production is likely simply to drive down prices (Rapley 2002: 77).

The cumulative effect of these policies is a sharp rise in unemployment and the cost of living combined with a decrease in provision of public services which impacts strongly on the poorest in society. Currency devaluation, the abolition of state subsidies, and increasing
costs for state services drive prices up whilst the sharp rise in unemployment combined with caps on public sector pay drive real wages down. In theory this should not matter in the long term if the private sector expands to fill the void left by public sector retrenchment and the spoils of economic growth drip down to the poor. Unfortunately for the majority of developing countries this has not been the case. Structural Adjustment has too often failed to bring the promised economic development. Whether this is because of unfavourable global economic circumstances, the failure of national elites to properly implement SAPs or the fact that SAPs are inherently inappropriate to promote economic growth in the developing world is the subject of debate. However, for neoliberal economics in its current form, the figures for the neoliberal era seem to speak for themselves, between 1980-1998 median economic growth in the developing world was 0.0%, compared with 2.5% in the period 1960-79 (Easterly 2001a: 1). SAPs have too often failed to deliver economic growth and in the cases where they have delivered growth its impact on poverty reduction and inequality has been marginal.

In sum the immediate social effects of SAPs may be characterised as follows: sudden rises in unemployment, a deepening of poverty particularly impacting on the poor, a worsening of income inequality, and questionable longer term impact on poverty reduction.

A number of studies of the affects of adjustment programmes confirm these negative correlations with inequality and poverty reduction. Concerning poverty reduction World Bank economist William Easterly undertook a study of the IMF structural adjustment programmes on poverty. Easterly (2001) reached a number of interesting conclusions. He found that adjustment loans tended to reduce the effect of economic growth on poverty reduction. That is in countries with a significant number of adjustment loans the poor tended to be increasingly marginalised from the development process – they benefit less

---

from economic expansion and conversely suffer less from economic contraction (Easterly 2001:7). This finding is supported by numerous case studies. Ghana for example has been heralded as a success story for structural adjustment – with an annual growth rate of over 6% a year in the period 1984-89 – yet the country failed to achieve any significant poverty reduction (Zack-Williams 2000: 61). We see a similar story in a number of South American countries such as El Salvador which will be discussed further in the following chapter.

Concerning inequality the picture is even bleaker. Garuda (2000) undertook a study of the effects of 58 IMF programmes during the period 1975-1991 on Gini coefficients and the income of the poorest quintile of society. The study found significant deterioration in income distribution and the incomes of the poor in countries that participated in IMF programmes as compared with countries that did not. This study is backed up by much empirical evidence. If we consider the regional and global trends of the neo-liberal era it again confirms these findings. In South America minimum wage fell by 33% in the 1980’s, while average earnings in the informal economy fell by 42% (Zack-Williams 2000: 62). In Africa absolute and relative social spending fell consistently throughout the 1980’s and 1990’s (Logan in Zack-Williams: 58) and the number of those in extreme poverty increased from 242 million to 300 million in the 1990’s (Bush 2007: 28). Between 1974 and 1994 per capita incomes fell by 20% (UNECA 2003). Inequality is rife in the world’s poorest regions and in many cases is still growing. In the 1990’s South America had a Gini coefficient of 50.00 making it the most unequal region in the world in terms of income distribution. In sub-Saharan Africa we see a similar story – albeit one that is getting progressively worse. In the 1980’s Sub-Saharan Africa had a Gini coefficient of 39.63, in the 1990’s this worsened to 42.30 (UNECA 2003 :4) and on entering the 21st century the continents Gini coefficient slipped to 51.00 - overtaking South America for the worst income distribution in the world (UNECA 2000).

The severity of the impact of neoliberal reforms has the propensity to exacerbate inter-group tensions, spark strikes, riots and other forms of civil unrest, even in hitherto peaceful countries. As Rapley (2002: 98) states: “Almost every country that has pursued structural
adjustment has seen its own share of strikes and riots in response to deteriorating living standards and rising unemployment”. Numerous such examples have been documented, not just of strikes and riots but of other even more severe forms of civil unrest; Mexico, an apparent structural adjustment success story, saw a peasant uprising in 1994 when the Zapatista National Liberation Army rebelled against appalling conditions of the peasantry (Rapley: 98). In Tanzania, as Kaiser (Cited in Paris 2004: 167) has argued, the pressures of structural adjustment exacerbated inter-group religious and racial tensions. Concerning Rwanda, a number of authors have argued that the pressures of structural adjustment actively contributed to pre-existing processes of marginalisation and inequality which were central to the eruption of civil war and genocide in the early 1990’s (Williams 2004: 112).

Neoliberal reforms put strains on any society but a post-conflict society is likely to be less able to cope with these strains as we will now discuss.

**Applying This Formula to Post-Conflict Societies:**

What is the logic of applying this approach during peace-building and why is it unsuitable to post-conflict societies? Based on liberal peace theory⁹, the logic of applying this approach to post-conflict societies is simple. Economic growth is not only necessary for reconstructing a post-conflict society, but broadly speaking it is associated with peace (Collier 2003). Neoliberal reforms to establish a free market economy are regarded as the best formula for attaining economic growth and should therefore be set in motion as soon as possible to aid national recovery. However the IFIs who encourage neoliberal reforms through aid conditionality have traditionally shied away from political issues of peace-building such as institution building and peace-related programmes and focus narrowly on the economics of adjustment without considering the implications of their reforms for the imperatives of peace-building.

There is a highly unhelpful division of responsibilities between international organisations engaged in peace-building whereby issues concerning the negotiation of a political

---

⁹ See Paris (2004) chapter two for an overview
settlement are principally the remit of the UN but economic policy is principally the sphere of the IFIs. It is very difficult for a government to fulfil socio-economic terms of a peace treaty negotiated under the auspices of the UN if its hands are tied by being forced to comply with an IMF mandated one size fits all economic approach. This has proved disruptive in a number of cases such as El Salvador, Cambodia etc as will be explored later. This one size fits all approach to economic policy can be highly disruptive to the peace-building process because, as will be illustrated, it is ill suited to deal with the nature of the underlying causes of conflict or the instabilities inherent to a post-conflict society.

As we saw in chapter one, it is not simply economic growth that is required for peace but a specific type of growth. Inequitable growth can exacerbate inter-group tensions and fuel violent conflict. Peace-building policy should aim to reduce not widen socio-economic disparities. Nepal is a powerful example of the ability of inequitable economic growth to foster the spread of violent conflict. However as this chapter has shown the characteristic drawbacks of the neoliberal approach are principally a deepening of poverty and inequality in the immediate period following their introduction. When we consider the importance of socio-economic grievances to driving conflict is an approach to peace-building that widens inequality conducive to peace? Indeed a number of authors have explicitly linked the impact of structural adjustment to the outbreak of a number of recent civil conflicts, for example Sierra Leone (Keen 2003: 87, Zack-Williams 1999) and Rwanda (Williams 2004) and yet many of the same policies are replicated in post-conflict period as part of international peace-building efforts. With its focus on raw economic growth neoliberal peace-building ignores a key aspect of conflict causation – socio-economic disparities.

Neoliberal reforms also make providing a ‘peace dividend’ (Boyce 2002: 37) difficult. This has important ramifications for the immediate and long-term prospects for peace as fiscal austerity decreases both the ability and incentive to governments to provide socio-economic improvements to war affected and/or traditionally marginalised areas. As Boyce (2002: Chapter 3) argues providing a peace dividend in the form of tangible improvements in socio-economic conditions can help to reinforce support for peace – particularly where
conflict had a strong socio-economic dimension. Yet contrary to enjoying a peace dividend the citizens of post-conflict states, in particular the poor and marginalised, are confronted with a ‘peace penalty’ (Paris 2004: 200) in the form of fiscal austerity and the initial economic downturn associated with neoliberal policies. Restraints on fiscal spending can impede spending on peace-related programmes which might address pre-existing inequalities in society such as inequitable land distribution or regional socio-economic imbalances. There are numerous examples of this happening such as in the peace-building operations in Mozambique (Miall et al 2000: 205), Cambodia (Miall et al 2000: 206), and El Salvador – which will be explored in the following chapter. In sum, neoliberal reforms work against redressing socio-economic grievances whilst instilling a form of economic growth that is highly inequitable. These issues will be discussed in greater depth in the following chapter which assesses the impact of neoliberal peace-building in a number of countries with a history of civil conflict emanating from socio-economic grievances.

Even if we disregard their negative impact on socio-economic cleavages there are also a number of reasons why post-conflict societies generally are more prone to the destabilizing effects of neoliberal reforms. Paris (2004: 168) outlines some of the reasons why: Firstly because states that are emerging from war have particularly intense societal conflicts which make them prone to the risk of war recurrence and less capable of dealing with economic contestation unleashed by free market reforms. Secondly, post-conflict societies have weak conflict dampeners; a tradition of peaceful dispute resolution is unlikely to exist, and the cleavage structure (Paris 2004:170) of society might work against peaceful resolution of disputes. Post-conflict societies have fewer cross cutting cleavages which might serve to soften social conflict – that is ethnic, religious, or linguistic cleavages might overlap thus allowing individuals on opposite sides of one division to ally on another. In societies without cross cutting cleavages groups are more easily polarised. Finally war-torn states lack institutional capacity to successfully manage free market reforms and not only does this undermine prospects for future economic growth but it also makes it difficult to mediate against corruption and ethnic privatisation of industry which can reinforce socio-economic divisions (as we saw in Bosnia).
Clearly the neoliberal approach has significant drawbacks that make it problematic to it to post-conflict societies. It imposes harsh socio-economic costs in the short term in exchange for the promise of possible economic growth in the long-term, moreover it has a poor record concerning poverty reduction and a dangerous tendency to worsen income inequality. This can be a dangerous mix when we consider the inherent instabilities of the post-conflict period and the important role inequality and relative disparities between groups can play in causing conflict. So what is the record? How has Neoliberal guided post-conflict economic policy affected the prospects for durable peace in countries where it has been applied?

3. Case Studies

This chapter explores the impact of the neoliberal economic approach to peace-building (outlined in chapter 2) regarding conflicts in which relative socio-economic disparities were integral to the outbreak of hostilities. To what extent has the approach been successful in eliminating socio-economic grievances? Two case studies are analysed. The first is of the peace-building operation in El Salvador (1992-). The second is the recent operation in Sierra Leone (2001-). In each case a standardized approach is adopted: how were socio-economic disparities related to conflict causation? What approach was taken to post-conflict economic policy? Did this approach reflect the imperatives of the peace treaty? And finally did the approach enjoy any success in removing the underlying socio-economic factors that contributed to conflict?

It is argued that in each case a standard one size fits all neoliberal approach was adopted and that this approach invariably failed to address the underlying socio-economic factors that drove the onset of armed violence. By analysing early (El Salvador) and recent (Sierra Leone) peace-building operations it should also be possible to draw some conclusions as to whether any progress has been made in the field – have the mistakes of the past been heeded? In recent years the IMF and World Bank have responded to criticism about the nature of economic adjustment programmes and their harsh affects on post-conflict societies with a number of initiatives designed to address the social impacts of adjustment.
in post-conflict societies (Paris 2004: 204). These have included the introduction of Poverty Reduction Strategy Papers (PRSPs) formulated in coordination with national governments. Specifically regarding post-conflict societies both the World Bank and the IMF devised new sets of lending principals designed to help deal with the special circumstances of post-conflict economic adjustment. The World Bank broadening its approach to “understand the root causes of conflict, to integrate a sensitivity to conflict in Bank activities and to promote assistance that minimizes the potential causes of conflict” (World Bank cited in Junne and Verkoren 2004: 8). And the IMF, rather less inspiringly, pledging to help post-conflict states with urgent macroeconomic imbalances and rebuild administrative and institutional capacity (Paris 2004:204). Peace-building in Sierra Leone is still very much ongoing but can we see any tangible results of such policies?

**El Salvador: Socio-Economic Grievance and Civil War**

El Salvador’s civil war began in 1980 in the wake of the failed government agrarian and social reforms of the late 1970’s, which attempted to redress the highly unequal distribution of land between the country’s rich landed minority and large peasant minority. In an attempt to quell rising peasant support for revolutionary groups the government had decreed agrarian reform in 1980 and although the reform made some progress (Kay 2001: 763) its impact was largely stunted as it met powerful opposition from landlords who, in coalition with the army, brutally suppressed peasant opposition. Under these circumstances five communist revolutionary groups formed a coalition called the Farabundo Marti National Liberation Front (FMLN) and launched an armed rebellion against the government in 1981 (Boyce 1995: 2073). El Salvador was engulfed in a civil war which would last for 12 years and claimed between 200,000 and 300,000 lives (Kay 2001: 764).

El Salvador has a turbulent history, and inequality between the country’s wealthy land owning minority and the poor peasant majority has been at the heart of much of its instabilities. Communal property was abolished in El Salvador by state decree in 1882 and by the turn of the century the country’s indigenous communities had largely been forcibly evicted – giving El Salvador one of the most inequitable patterns of land distribution in the
world (Boyce 1995: 2072). Since this period there have been recurring cycles of revolutionary violence seeking to overthrow the ruling elite and establish a more equitable distribution of land, wealth and power throughout the country. In 1932 for example, extreme inequality and poverty amongst the rural population led to a peasant uprising which was crushed by armed forces at the cost of 30,000 to 40,000 lives (Kay 2001: 763). The suppression of the uprising ensured the continued domination of the country’s landed minority for a number of decades until El Salvador’s latest bout of revolutionary violence kicked off in the late 1970’s. It is this latest outbreak of collective violence that the UN mandated peace-building operation, which began in 1992, has sought to redress.

One would assume, given El Salvador’s history that addressing the land problem and efforts to address the country’s sharp rich poor divide would surely form the cornerstone of any attempt to secure a long-lasting durable peace in the country?

From Peace Accords to Peace-Building: Economic Adjustment and its Impacts

So what approach has the international community taken in its peace-building efforts in El Salvador? A ceasefire was signed on 31st December 1991, with a comprehensive settlement following two weeks later. A variety of peace related programmes were set out under a National Reconstruction Programme (NRP) including setting up a civilian police force (independent from the army) and the transfer of some land to former combatants and supporters of the FMLN – a particularly important (if limited) programme given the role of land distribution in conflict causation and the need to reintegrate former combatants in the post-conflict period.

Yet post-conflict economic policy did little to support peace-related programmes. The IFIs took the lead role in post-conflict economic policy as the IMF, World Bank and Inter-American Development Bank all tied their financial assistance to the implementation of market-oriented reforms (Paris 2004: 123). Their focus was the resumption of economic growth within the rubric of macroeconomic stability and neoliberal reforms and immediately peace-related programmes took a back seat – with the IMF stipulating that
peace-related programmes would have to be funded through additional public savings or external funding (Castillo 2001: 1976).

Such an approach slowed the progress of peace related programmes, for example in 1993 El Salvador’s government reported that only 50% of the estimated funds necessary for land transfer were available whilst other areas such as judicial reform, establishment of a human rights office and the national civilian police all had significant shortfalls in funding availability (Boyce 2002:39). The land transfer programme did eventually transfer 10% of land to some 35,000 families (Boyce 2002: 39). However as Boyce (2002: 40) argues any success was dampened by “low and declining real prices for agriculture and by inequitable access to technical assistance, infrastructure, inputs and credit, which imperilled the programmes economic viability”. Limited land transfer though was far from enough to address the persistent underlying inequalities in Salvadoran society and the imposition of neoliberal economic reforms had significant negative impacts on El Salvador’s rural and urban poor which in many cases contributed to worsen distributional inequalities in the years following the signing of the peace treaty. High unemployment and the failure to provide an adequate peace dividend and integrate former combatants into society is widely regarded as the driving force behind the huge upsurge in crime in post-war El Salvador (Boyce 1995: 2074) which in the mid to late 1990’s claimed more lives than the closing years of the civil war (Paris 2004: 126).

In the first six years following the implementation of economic adjustment programmes the country’s Human Development Index (HDI) fell by over 10% (Paris 2004:125). Furthermore, whilst the country achieved strong economic growth throughout the 1990’s – real GDP growth 1992-97 averaged an impressive 6% (Costello 2001: 1976) – this growth has served principally to enrich a small minority, in particular the landed elites who have traditionally formed El Salvador’s wealthy upper classes (Paris 2004:125). In 1995 El Salvador’s Gini coefficient stood at 50.5 (Paris 2004: 125) and in 2008 it stood at 52.4 (UNDP 2007/08 HDI). After 14 years of economic adjustment inequality in El Salvador was still worse than at the signing of the peace treaty.
A Durable Peace for El Salvador?

Economic reconstruction in El Salvador was guided by the primary assumption that peace required the resumption of stable economic growth with reconstruction efforts taking place within a framework of macroeconomic stability and the construction of free market economy (Castillo 2001: 1975). Indeed a viable economy is certainly necessary to fulfil the basic needs of a population and in particular to help fund the implementation of peace related reconstruction programmes. However growth is far from the only precondition necessary for establishing peace and greater attention needed to be paid to the nature of growth and its distribution. This is a lesson which should have been learnt from history; In the period immediately preceding the outbreak of conflict in 1980 El Salvador’s economy had grown rapidly – growth had averaged 2% from 1962 to 1978, yet distributional inequalities widened as workers actually lost one fifth of their purchasing power in the period 1973-1980 (Paris 2004: 127).

The policies imposed by international donors have done little to address the socio-economic inequalities that have been at the heart of El Salvador’s repeated bouts of civil conflict and even led to a worsening of conditions for many. This has led many scholars to question the success of international peace-building efforts and the prospects for peace in the long-term (Paris 2004, Boyce 2002, 1995, Fishel 1998). As Paris (2004: 125) concludes “At best the underlying conditions which drove people to openly challenge the regime in the 1980’s have remained largely unchanged” and “Economic liberalisation policies, in short, appear to have worked against the consolidation of a stable and lasting peace in El Salvador”.

Sierra Leone: Socio-Economic Grievance and Civil War

In March 1991 Revolutionary United Front (RUF) rebels invaded Sierra Leone from the East, backed by Charles Taylors National Patriotic Front of Liberia (NPFL), they took control of economically valuable areas – most notably of course alluvial diamond fields. There was undoubtedly an economic logic to the war – both from the perspective of the
NPFL who supported the invasion and the RUF themselves. During the conflict the RUF itself was estimated to have controlled $250 million in annual trade in diamonds alone (Reno 1998 p126). This has led some to cite Sierra Leone as an example of a principally greed driven conflict. However greed and the desire to exploit the lootable natural resources of Sierra Leone cannot be viewed as the only motive for the RUF, nor even the main motive in the onset of violence.

As numerous authors argue (Keen 2003, Hanlon, Zack-Williams 1999, Boas 2007), the conflict cannot properly be understood without reference to the marginalisation of the country’s youth following decades of poor governance, corruption, and economic stagnation, which left a generation of people with little hope or prospects for the future. Socio-economic grievance cannot be dismissed as the actions of the RUF have to be understood in the context of this history and a marginalised youth (perhaps an example of relative deprivation).

Throughout the 1970’s Sierra Leone faced the problem of rapid population growth combined with a declining economy. In the 1980’s as expenditure continued to outstrip revenues the government turned to the IFIs for financial assistance and began to implement a series of structural adjustment programmes (Zack-Williams 1999: 145). In the words of Zack-Williams (1999: 145) the immediate effect of these programmes was “to worsen the economic and political situation, as devaluation and deregulation triggered off widespread inflation, unemployment and the pauperisation of the mass of Sierra Leonean people”.

In Sierra Leone’s neo-patrimonial system neoliberal reforms served only to reinforce division in society. Then president Siaka Steven’s used privatisation to augment his own fortune and those of his key political allies (Keen 2003: 75) whilst conditions for those outside the patronage networks, the majority of the population, declined. The reforms failed to bring economic growth, whilst drastic cuts in subsidies on petrol and food, combined with devaluation induced inflation increased the costs of living, spending on health and education was severely cut and by 1991 social spending in Sierra Leone was just 15% of what it had been a decade previously (Keen 2003: 76). Indeed a number of authors have
directly linked the marginalisation of the country’s youth and its slide into conflict with the impact of neoliberal reforms introduced at the behest of the IFIs throughout the 1970s and 1980s (Keen 2003: 75, Williams 2004, Zack-Williams 1999) as the austerity programmes of structural adjustment simultaneously contributed to the bleak development prospects of the country’s youth whilst capping the ability of Stevens regime to coerce or co-opt dissent (See Zack-William 1999 for overview).

The country’s slide into conflict has to be understood in the context of this history. As Keen (2003: 77) argues: “In a context of extreme poverty, rebels’ distributions of stolen goods could be a powerful attraction, as could the promise (however illusory) of a better future”.

From Peace Accords to Peace-Building: Economic Adjustment and its Impacts

“Youth employment is central to all crises in this country, there is so much unemployment, marginalisation, so many school dropouts; and all these factors helped fuel the war in the first place”


Since Sierra Leone’s peace treaty – the Lome Accords – was signed in 1999 (although peace in earnest was not established until 200110) the importance of the marginalisation of Sierra Leone’s youth to the genesis of conflict has been explicitly recognised by the country’s government and by a number of UN and World Bank studies that have since been published (Peeters et al 2008, WB 2003, UN SG Report 2009). As Peeters et al (2009: 1) state “At the core of the conflict lay a class of marginalized young people, especially from rural areas, lacking education and access to livelihood opportunities”. Attempts to build a sustainable peace in Sierra Leone must work not only to build a viable future for the country as a whole – providing education, health and job opportunities – but also to incorporate marginalised youth within this process socially and economically. This important goal has been recognised by the country’s Poverty Reduction Strategy Paper (PRSP) – produced in coordination with the IMF – which stated that youth employment is “crucial for maintaining peace and promoting pro poor growth in Sierra Leone”.

10 For an insightful overview of the conflict see Keen (2003), Williams (2004), or Zack-Williams (1999)
So what approach has been taken to post-conflict economic policy and what progress has been made in the crucial areas of youth employment, education and healthcare? The current situation in Sierra Leone suggests that despite the explicit recognition of the role played by marginalised youth in the genesis of conflict – and apparent initiatives by the IFIs such as PRSPs designed to help address the social impacts of adjustment – too little is being done to address youth unemployment. It appears that traditional IFI imperatives concerning macroeconomic stability are once again taking precedence over peace-related programmes. Sierra Leone’s PRSP contains a familiar mix of targets concerning fiscal retrenchment and deregulation:

“Government will tackle the budget deficit and money supply growth through strict fiscal and monetary discipline, and maintain flexible exchange rates and liberal trade. Structural impediments will be removed, particularly in mining and fisheries, and civil service and public enterprise reform will continue” (Sierra Leone PRSP: 10)

Under the IMF’s Poverty Reduction and Growth Facility (PRGF) programme – PRGF programmes are set up to implement PRSPs – the priority for Sierra Leone is “continued maintenance of macroeconomic stability” (Hanlon 2005: 5). The IMF has set a number of criteria for the Sierra Leone government to follow in order to keep in line with the PRGF and compliance with these criteria is a condition for all foreign aid. For example Britain is the largest single donor to Sierra Leone and its aid is conditional on adherence to the PRGF (Hanlon 2005: 5). Such an approach has been conducive to a situation in which job opportunities remain inadequate, spending on education and healthcare has suffered and poverty and inequality remain high.

In April 2009 a team from the IMF undertook a mission to Sierra Leone to make arrangements for a review of the PRGF. The teams noted that the government “lacked sufficient fiscal space for its development and poverty reduction programmes” (UN Security Council Report 2009: 6). Fiscal retrenchment and caps on government spending have impeded the expansion of social services such as healthcare and education into war-affected areas (Hanlon 2005: 6). For example, concerning education, the National Recovery
Strategy estimated that an additional 8,000 teachers would be required in 2003 but because the ministry of finances ceiling of 25,000 teachers had already been reached only 3,000 were hired in 2004 (Hanlon 2005: 6). By 2008 just half of Sierra Leone’s primary schools were functioning and secondary school attendance stood at just 44% (Irin News: 18th December 2008). Adult literacy rates in Sierra Leone are the worst in West Africa – standing at just 27% of the population (UNESCO 2009).

Food security has also become a concern for the country’s impoverished majority. Whilst food prices have risen wages have remained static (UN Security Council Report 2009: 5) meaning that although there is enough food in the country access among the poor is a concern. The effects of a food crisis in the country in June 2008 are particularly illustrative of the human development situation in Sierra Leone, in relation to the crisis the World Food Programme noted “Young people were considered particularly vulnerable to price shocks due to high unemployment, stagnant wages and limited education and skill training” (World Food Programme 2008: 8)

Despite strong economic growth of between 7 and 9% annually since 2002 (UNDP 2007: 12) this has yet to make any significant impact on the high unemployment rates and poverty that persist in Sierra Leone – particularly amongst the country’s youth. According to the government, in 2009 youth unemployment in Sierra Leone stood at 60% (Irin News, 3rd March). Sierra Leone remains at the bottom of the UN’s Human Development Index (UNDP 2007/08) and it is also ranked as one of the most unequal societies on earth with a Gini index of 62.9 (UNDP 2007). Furthermore the cost of living has increased as high inflation combined with caps on wages has increased the price of basic goods such as food. Consumer prices increased by 14% in 2004 and 12% in 2005 (UNDP 2007: 12) and inflation remains high in 2009 (UN Security Council Report 2009: 5).

New initiatives identified by the PRSP such as youth employment and training programmes under Sierra Leone’s National Action Plan for Youth are a welcome development (See Peeters et al 2009 for an overview). However their impact remains stunted by the overarching dominance of traditional neoliberal reforms. High unemployment and the lack
of general poverty reduction remain the biggest challenge to integrating Sierra Leone’s marginalised youth, as Peeters et al (2009: 106) state: “Limited labour market opportunities for young people are more closely linked to the overall challenging economic situation than to the specificities associated with their age”

**A Durable Peace for Sierra Leone?**

As in El Salvador post-conflict reconstruction has been principally guided by the same neoliberal economic policies that would be applied to a peaceful society with little consideration for the imperatives of peace-related programmes. Post-conflict economic policy has thus far failed to address the socio-economic factors that contributed to the outbreak of conflict in Sierra Leone. New IFI initiatives such as the PRSPs have had little discernable impact and they are formulated within the standard neoliberal agenda – that is any initiatives to address the social imperatives of economic adjustment must be done within the limited remit of traditional neoliberal policies. Macroeconomic stability has been prioritised over job creation and reconstruction.

As a number of authors have argued (Hanlon 2005, Keen 2003) there is a danger that IFI policies are simply replicating the conditions that were so conducive to conflict in the first place. At this stage the socio-economic steps necessary to build a durable peace have not been taken. A 2009 report of the UN secretary general concerning peace-building in Sierra Leone identified youth employment as still being one of the key problems facing the country: “Youth unemployment and underemployment remains one of the most intractable problems facing the government” (P10). The Secretary General’s report is highly indicative of the problems Sierra Leone faces and the question mark that hangs over its future:

“the recent disturbances had the potential to evolve into a full-blown conflict... the huge numbers of unemployed or underemployed youth with limited or no hope for a better future coupled with spiralling food prices, the reductions in remittances and other effects of the global financial downturn, all contribute to a climate in which political violence could easily have thrived.”
Synopsis:

The case studies warrant a number of common conclusions. In both cases socio-economic grievances were integral to conflict causation and in both cases a largely inflexible neoliberal approach was imposed at the behest of IFIs. This approach prioritised economic growth, based on macroeconomic stability and free market deregulation, above all else and often sidelined peace-related programmes in its pursuit of these goals. As El Salvador in particular illustrated there was a divergence between the imperatives of neoliberal economic policy and some of the peace-related policies laid out by the Lome Accords. Despite the admission by the IMF and World Bank that post-conflict societies require a different approach the terms of the debate on post-conflict reconstruction issues are still essentially neoliberal. And the core prescriptions of macroeconomic stability, fiscal austerity and deregulation, with all their associated hardships, remain the order of the day. As evidenced by Sierra Leone, fiscal imperatives still constrain the implementation of peace-related projects.

The initial economic downturn associated with economic adjustment created initial hardships in both cases, and whilst both countries enjoyed reasonably strong levels of economic growth in the years following adjustment this growth has, as of yet, largely failed to ‘drip down’ and impact on the traditionally poor and marginalised in society. Consequently the socio-economic disparities which fuelled violent conflict in the past have remained largely in tact in both El Salvador and Sierra Leone. Peace-building has maintained a negative peace but has thus far failed to remove the underlying socio-economic causes of conflict which must be done if a positive peace is to be attained.

Conclusion: Discussion, Analysis and Prospects for the Future

Discussion of findings

This paper has sought to assess the suitability of current approaches to post-conflict economic policy in dealing with socio-economic grievances that can cause civil conflict.
Chapter one outlined the importance and nature of socio-economic disparities to conflict causation. The relative, rather than the absolute, position of a collectivity (relative to their value expectations based on a reference group or some other point of reference/expectations) was identified as being a key determinant of the impetus to conflict. Such grievances can rarely be discounted from conflict causation and consequently, it was argued, an economic peace-building approach that is capable of addressing socio-economic disparities and promoting equitable and balanced growth would be most suited to building a durable (or positive) peace.

However, as chapters two and three demonstrated the current neoliberal guided approach to economic policy for peace-building is far from well suited to performing this task. The neoliberal economic approach promotes a type of economic growth that is highly inequitable. In the short run the poorest in society bear the brunt of the social costs of neoliberal reforms and even in the longer term inequality remains high and affects on poverty reduction questionable. Furthermore because of its emphasis on macroeconomic stability and fiscal austerity the approach provides no incentive and even restricts the ability of governments to address underlying socio-economic imbalances (as we saw in both El Salvador and Sierra Leone).

The current neoliberal approach over simplifies the relationship between poverty and conflict and growth and peace. It is not simply that poverty is associated with conflict and economic growth is associated with peace. We must understand how poverty is conducive to conflict in order to understand how post-conflict economic development can contribute to peace. It is a specific type of poverty which increases a country’s tendency toward conflict and consequently it is a specific type of post-conflict development which is required to build a sustainable peace – where issues of socio-economic grievance are concerned equitable growth is the most important thing. A standardized one size fits all approach designed to bring macroeconomic stability and general economic growth (along neo-liberal lines with all its associated inequalities and hardships) is very often not enough to address socio-economic grievances and can place a severe strain on post-conflict peace-building efforts.
As the case studies of chapter three illustrated the current neoliberal approach was successful in creating a negative peace (Galtung 1990) (i.e. maintaining a cessation of hostilities) but a question mark remains as to how durable peace is in El Salvador and Sierra Leone.

Adjustment Toward Peace?

The current approach presents too much of an either/or dichotomy between economic growth and equity. Yet without equity any economic gains that are made may be lost if conflict once again erupts.

In countries emerging from civil war the benefits of macroeconomic stability and fiscal austerity (themselves debatable as we have seen) need to be better weighted against the requirements for establishing peace. In this endeavour an interesting concept put forward by James Boyce is that of ‘adjustment towards peace’. Boyce (1995, 2002) argues that in the wake of civil conflict economic policy must promote not only macroeconomic stability but also political stabilisation. There must be an adjustment toward peace and long-term policy objectives must support the attainment of equity as well as the attainment of macroeconomic balance in order to remove the socio-economic disparities that can fuel civil conflict. Boyce argues that peace accords create new priorities for public spending (Boyce 2002: 47). This includes both short term ‘negative priorities’ for the immediate consolidation of peace – such as rebuilding infrastructure and housing internally displaced persons etc. But also longer-term priorities (what we might term positive priorities) which support the consolidation of peace through promoting the equitable distribution of taxes and spending and reducing the disparities between identity groups. Macroeconomic considerations must not dominate peace-related issues. Take post-war Cambodia for example. The IMF and World Bank pressed the new government to cut civil service by 20% but contrary to the IFIs demands the government actually expanded public employment by 15% so as to provide employment to members of the former opposition.
whilst maintaining macroeconomic stability by cutting non-salary expenditures (Boyce 2002: 44-45). This provided a peace-dividend to former adversaries and contributed to reduce socio-economic disparities.

IFI\text{s} have traditionally sought to distance themselves from ‘political issues’ and focus narrowly on economics, but as we have seen throughout this paper the economic policies adopted by the IFI\text{s} have immense political implications. IFI\text{s} need to accept political nature of what they do and work better in coordination with the UN and promote peace-related policies to secure a positive, durable peace. As Boyce argues, IFI\text{s} and donor governments could promote the adjustment toward peace by using aid conditionality to advocate peace-related programmes, and distributionally sensitive tax and government spending policies to benefit marginalised groups and reduce socio-economic disparities.

Whatever alternatives may exist to the current approach the fact is that neoliberal guided post-conflict economic policy, in its current form, is ill suited to address socio-economic disparities between groups and has therefore left a question mark over the durability of peace in many post-conflict societies. To build secure foundations for peace pre-existing socio-economic disparities must be eased not exacerbated. The neoliberal approach may indeed promote economic growth, but without equity this growth can endanger the very peace it should be supporting.
References


Korf, B. (2006) Functions of Violence Revisited: Greed, Pride and Grievance in Sri Lanka’s Civil War, Progress in Development Studies, 6(2)


UNECA (2003), *Prospects for Pro-Poor Growth in Africa*, Available online at [www.uneca.org](http://www.uneca.org) –


**Websites**

[www.irinnews.org](http://www.irinnews.org) – Humanitarian news and analysis (project of the UN Office for the Coordination of Humanitarian Affairs)

[www.undp.org](http://www.undp.org) – UN Development Programme (UNDP) Website
