Negative Economic Shocks and Militant Formation

Prepared for ABCDE 2021

Iris Malone (irismalone@gwu.edu)

George Washington University
Research Overview

Do changing economic conditions incentivize people to fight?
Do changing economic conditions incentivize people to fight?

Existing Explanations:

- **Larger State Prize** (Garfinkel and Skaperdas 2007, Besley and Persson 2008)
Do changing economic conditions incentivize people to fight?

Existing Explanations:

- **Larger State Prize** (Garfinkel and Skaperdas 2007, Besley and Persson 2008)

**Empirical Test:** Commodity Price Shocks $\rightarrow$ Civil Conflict?

**Problem:** Country-level tests finds inconsistent evidence of shock-conflict relationship (Bazzi and Blattman 2014; Berman and Couttenier 2015; Blair et al. 2021).
Main Idea: Shocks affect emergence of militant campaigns, but not necessarily escalation to civil conflict.

(a) Single-Stage Process

(b) Two-Stage Process
Economic Shocks Affect Origins of Militant Conflict

Main Idea: Shocks affect emergence of militant campaigns, but not necessarily escalation to civil conflict.

(a) Single-Stage Process

(b) Two-Stage Process

Intuition:

- Lower opportunity costs $\rightarrow$ decision to fight, not the start of overt violence
- Civil conflict depends on other factors after mobilization begins (e.g. bargaining failure)
- Existing results miss militant emergence because:
  - Mobilization occurs $\sim$ 3 years before civil war begins
  - Only $\sim$ 25% of militant campaigns escalate to civil war
Example: Nigerian Delta Reaction to 1997 Oil Shock

- 26% drop in oil prices → Ijaw mobilization
- Government-militant negotiations ultimately reduced risk of civil conflict escalation (Niger Delta Development Commission)
Research Design

  - 123 counties
  - 944 group campaigns
  - Code year of formation, violence onset, and civil conflict escalation
- DV: Campaign Formation
- IV: Commodity Price Changes (Bazzi and Blattman 2014)
- LPM with lags, country FE, year FE, county-specific time trends
Civil war is rare, but militant campaigns are not

**Figure 2:** Spatial Distribution of Militant Campaigns, 1970-2007
Negotative Price Shocks Affect Risk of Militant Formation

<table>
<thead>
<tr>
<th>Model</th>
<th>Pr(Formation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRICECHANGE$_{t}$</td>
<td>$-0.01^{**}$</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
</tr>
<tr>
<td>PRICECHANGE$_{t-1}$</td>
<td>$-0.01$</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
</tr>
<tr>
<td>PRICECHANGE$_{t-2}$</td>
<td>$-0.01^{**}$</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
</tr>
</tbody>
</table>

Country FE: Y  
Year FE: Y  
Country-Year Time Trend: Y

E(Formation): 0.11  
R$^2$: 0.25  
Adj. R$^2$: 0.20  
Num. obs.: 4210

---

***$p < 0.01$; **$p < 0.05$; *$p < 0.1$ SE clustered by country.
Heterogeneous Effects by Shock and Group Types

Additional Robustness Checks: Consumption Shocks, Magnitude of Shock, Asymmetric Effects, Unscaled Export-Dependence, Alternate Dependent Variables
Implications

- Militant campaigns emerge years before the start of overt violence
- Empirical focus on civil conflict onset may:
  - miss lagged or indirect effects of shocks
  - underestimate effect of shocks on social unrest
- Need to study emergence of earlier stages of militant activity and low-level militant violence