



THE FLETCHER SCHOOL  
TUFTS UNIVERSITY

**The Nexus:  
Corruption, Conflict & Peacebuilding Colloquium  
*Thought Piece***

Fighting corruption has become an increasingly important topic for governments of the industrialized donor nations and the institutions whose membership they dominate. The World Bank and US government are at the forefront of this agenda, though most of the European nations have subsequently added it to their foreign aid policies in recent years.

Despite the increasing attention placed on this issue by the international community, very little exchange occurs between those working on conflict/peacebuilding and those engaged in fighting corruption. The de-facto pillars operate simultaneously and often in overlapping sectors yet without co-ordination or purposeful mitigation of possible consequences (positive or negative) each may have on the other.

*The Institute for Human Security* within the Fletcher School at Tufts University hosted a select group of thinkers and policy makers to discuss the critical questions related to the nexus of conflict, corruption and peacebuilding on April 13, 2007. The *purpose* of the event was threefold:

- 1.) Finalize a map of existing research and activity related to the nexus;
- 2.) Exchange views and ascertain thinking about gaps and emerging questions; and
- 3.) Determine the questions of significance for a research agenda and attendant activities moving forward

In preparation for the colloquium, each participant was asked to draft a short *Thought Piece* on a specific aspect of the agenda in order to fuel the discussion. These pieces were intended to be 'food for thought' and not academic, formal publications;<sup>1</sup> nor were they intended to be made public. However after much discussion regarding the paucity of existing literature it was felt, where authors permitted, that there was value in making them available.

For further information on the Colloquium, contact Professor Cheyanne Church at [Cheyanne.church@tufts.edu](mailto:Cheyanne.church@tufts.edu) or see <http://fletcher.tufts.edu/corruptionconf/index.html>

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<sup>1</sup> Further information on the agenda and the parameters provided on the Thought Pieces may be found on the Colloquium website.

## THE NEXUS: CONFLICT, CORRUPTION & PEACEBUILDING THOUGHT PIECE

### **‘Fights’ against corruption and violent conflicts, or the longing back to traditional welfare economics**

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What to do about corruption? What to do with civil wars? Is it possible at the same time to reduce the probability of conflicts and the extent of corruption at the same time or are they tied in more sinister ways. To be able to answer questions like these is, of course the major desideratum of their analyses. At this point I must admit a strong feeling of helplessness: Where are the instruments? Do they exist? Or rather, does it make sense to thinking terms of instruments in this case?

In the traditional way of thinking about policy I was brought up, we had a field of outcomes, mainly generated in the private sector that could be *nicely aggregated* into a set of *meaningful and measurable* variables, let us say **i** and **c**, that could be fed into a public welfare function **W (i, c, ...)**. Moreover, some kind of behaviour patterns regulated their interaction, **f (i, c, ...) = 0**. To fix ideas **i** may be private investment and **c** private consumption. To move the outcomes in desirable directions the public authority had a set of instruments, **a**, that it could *fix at will* that had some quantifiable impact on **i** and **c**, i.e. **i** was **i(a,..)** and **c** was **c(a, ...)**. Here **a** could, for example, be a combination of an income tax and an investment subsidy, and the authorities could influence their interaction in a number of ways.

Let us imagine that corruption (**c**) and the probability of a rise of civil war (**i**) are such variables. Presumably they have a negative impact on any public welfare

function, so to fight them means to find an **a** that makes **i** and **c** as small as possible. The **f** function may not allow this, however, so that the public welfare function would have to step in order to determine how much more corruption, let us say 20% increase, one should allow in order to reduce the conflict probability with, let us say, 10 %, in the same way as a decrease in private consumption would be necessary in order to. Since the **f**, **i** and **c** functions were specified this might be answered exactly. The case with such trade offs were usually more interesting for most economists than the simpler case (here a Keynesian situation) where the **i** and **c** functions had the same sign with respect to **a**, a case when one might kill two birds with the same stone.

But this thought experiment is, of course, painfully far removed from real situation when we look at the corruption- conflict issues for a number of reasons. Some have roots in their research characteristics, some in their policy nature:

- 1) The old policy formulation presupposed that the public apparatus was exogenous and the public authority to be well-meaning. Corruption by its very definition, as a variable to be explained, presupposes the public authority to be endogenous, and civil wars are difficult to analyse without making at least important aspects of the state apparatus to be endogenous. Apparently neither a clear-cut autonomous agent nor a control variable exist to make the fight. While possible, one may introduce the international community as a well-meaning authority with some scope for independent action, but often it will hardly be considered well-meaning, doesn't possess the characteristics of an independent decision maker and may hardly have any policy instrument. An if it does (e.g in terms of

military force) that may have an independent negative impact on the public welfare function

- 2) Unlike the macroeconomic studies of, let us say, aggregate private investment and consumption the research on corruption and violent conflicts have developed as separate fields. Hence it is not so surprising that there so far has been little research into their interaction. This is also a reason for optimism, however, in the sense that there might be possible to dig out some trade-off functions, where we may say that an increase of corruption of 20% may be worth a reduction of corruption probability of 5%, although that seems utopian at the moment.
- 3) Unlike the aggregate of private consumption and investment, one of the variables in the interaction to study, corruption, has not so far been based on micro-observations that through meaningful aggregation may become a conceptually clear macro-variable with a clear empirical interpretation. Instead they have so far to be based on the aggregation of different indications of or perceptions of the same (?) aggregate, 'corruption'. In some way this is reminiscent of the business 'barometers' that once ruled macroeconomics, but it is at present difficult to see how it may be possible to move from a 'barometer' stage in this case. Corrupt transactions are so heterogeneous and often so difficult to observe that no micro-observation based and meaningful corruption aggregate to be plugged into corruption-conflict interactions is in sight.
- 4) The corruption variable that is sought through the aggregation of the different observational intakes to it that rule the leading indicators, is too wide for the study of its impact on conflicts. While commercial forms may

tend to weaken the existing public authority and hence prepare the ground for the rise of competing (to the state) violent organization it may also make it difficult to establish the competing ones. Relation-based corruption, on the other hand, may both weaken the state apparatus and ease the construction of competitors, hence undoubtedly increase the likelihood of violent conflicts. But it may also strengthen the state apparatus in a world where large, relation-based group competitors to the state (or rather to the state-holding group) in fact exist.

- 5) While time lags certainly are important in the consumption-investment interactions, the variables are composed of events that happen continuously and feeding upon each other. In the corruption-conflict nexus, corruption is taking place continuously; before, during and after conflicts, while conflicts are only occurring intermittingly. Hence, it is tempting to either regard corruption as a cause before the conflict outbreak, when focusing on the conflict as the variable to be explained. Or, when focusing on corruption levels in a post-conflict country, to regard the conflict as the major cause. While both points of view may prove fruitful, this structure suggests that corruption – conflict stories need considerable time-spans in order to be disentangled, longer time spans than we at present possess possibly relevant data. To expect satisfactory explanations here is probably premature.

While developing separately, the two research fields of corruption and violent conflicts apply many of the same explanatory variables. Hence, it is of some interest to be aware of the implications of the results of one field for the other.

Sometimes the result may appear rather ludicrous. For example, in one article Kaufmann and Kraay seek to demonstrate econometrically that while corruption has a clear negative impact on GDP/capita, that variable did not decrease corruption. Hence, corruption appears to have a kind of causal impact on GDP/capita. Coming to the conflict field, Collier in a number of articles and Miguel in an influential article about African conflicts show that GDP levels (and shocks) have strong negative impact on the likelihood for the outbreak of conflicts. Hence corruption causes GDP causes conflicts. Ergo, corruption is a major cause of conflicts! Certainly a nice demonstration of the importance of the chosen subject when one starts out to study the corruption-conflict nexus from the starting point of corruption, but hardly convincing. Incidentally, it illustrates the over-use of GDP/capita as explanatory and explained variable. What would remain of it when we combined the results from all the subjects in which it is involved?

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Coming to the subject matter of corruption and civil wars, it is obvious that both the econometric analysis and the precision in the model analyses are hampered by the extensive endogeneity involved. Nothing appears given. When combined with the few and unreliable observations posts into the inner workings of the mass of organizations and institutions involved, it is to be expected that the results here may become either superficial or inconclusive.

Nevertheless, I believe one should open up for even more endogeneity in the sense that the presumption of the existence of state apparatuses as something given has to be loosened up for the set of issues outlined here. In some cases the very state

apparatus may be closer to a Potemkin village than any hard and determining structure that through its properties are causing corruption and conflicts – or their absence.

Moreover, and that is the key policy issue compare to the old idylls of welfare economics: The policy agents supposed to address and eventually solve the problems are part of the problems in the fields of corruption and conflicts. No real policy *instruments* appear to exist.