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Contract or War?

An Essay on Institutional Logic in Violent Conflicts

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Table of Contents

Abstract

This paper[1] reviews several theoretical debates and discourses that shall help to analyse the phenomenon of violent conflict and civil wars. Each line of thinking is utilised in an eclectic manner to distill how and what it can contribute to observe, interpret and explain the emergence of institutional arrangements that govern property rights in zones of violent conflict. Starting with a critical discussion of the dominating *greed versus grievances* debate, I will review the current debate on *state failure* and *complex political emergencies* which seek to explain the current breakdown of state institutions into a kind of anarchic condition. The new *institutionalism* in the social sciences theorises the evolution of institutions as rules of the game and interprets violent conflict as contractual failure. My interest will be on how this theoretical perspective can explain the evolution of institutions on the local level. The *livelihood frame*, in turn, allows us to investigate how civilian actors in zones of violent conflicts develop survival strategies and how they utilise networks of social and political capital assets to stabilise their livelihoods and thus shape the evolution of local institutional arrangements. The *conflict transformation approach* conceptualises the dynamics of social conflict. I distinguish the interest frame from the identity frame and emphasise the role that emotions can play in shaping the process of confrontation and conflict. Subsequently, I will draw some preliminary conclusion: what are the implications of these different debates for the analysis of institutional dynamics and institutional change in civil wars, prior, during and after the actual war.

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1   Introduction: 'Wild Zones' in the Midst of Ourselves?

Some scholars regard 'new' civil wars contrasted to 'old' ones (KALDOR 1999; MÜNKLER 2002). In this distinction, old civil wars are political and fought over collectively articulated 'noble' causes of grievances with a broad popular support and controlled violence. Contrasted to this noble case, the 'new' civil wars seem to be private looting without popular support where roving and stationary bandits (OLSON 2000) compete for who can best tax and expropriate a desperate population. Violence becomes gratuitous exercised by undisciplined militias, private armies and independent warlords. What is behind the current phenomenon of 'postmodern warfare' (DUFFIELD 2001)?

Some authors have warned to make the case of what we currently observe in civil wars, old or new, too simple (KALYVAS 2001; KEEN 2002). While the demise of conceptual categories of the cold war offers an opportunity of less biased research into the causes of civil wars, HOROWITZ (2001) warns that much research seemed to be influenced by reactivity to the occurrence of dramatic violent events (e.g. the Rwandan war, September 11). KALYVAS (2001) thus demands that good theory be grounded in both, sound conceptual categories and reliable empirical indicators, which are to be generated in a parallel process of analytical and empirical research. A more thorough understanding of the causes and underlying processes of state failure, civil wars and the economy of war are essential to prevent simple policy measures: if civil war is simply understood as a problem of banditry, the resolution will focus on police measures rather than a comprehensive political approach towards accommodating different grievances and developing inclusive and just institutions for peace.

The current debate among political economists is dominated by the dichotomy of whether conflicts and civil wars are driven by grievance, i.e. resource scarcity (HOMER-DIXON 1999), inequality, exclusion and poverty (STEWART 2000 and others), or by greed, i.e. the ability to extract wealth out of violence and war (AUTY 2002; BERDAL & MALONE 2000, COLLIER 2000b; COLLIER & HOEFFLER 2000; DE SOYSA 2000,

2002; Fearon & Laitin 2003). It was until very recently mainly argued that uneven development processes and extreme inequality contribute to grievances, particularly, when poverty coincides with boundaries along ethnic, regional or class lines (Stewart 2000). These underlying grievances might then explode in open conflict, when triggered by external shocks (Goodhand 2001). Collier (2000b), the main scholar of the greed argument, challenged this widespread perception and claims that civil wars occurred when rebel groups are financially viable. He based his claims on a cross-country econometric analysis. Anthropological literature has argued on similar lines with the notion of markets and functions of violence (Elwert 1997; Elwert et al. 1999; Keen 1997, 1998), where predatory formations extract economic rents through violence, and hence, do not have a real, 'honest' political agenda (e.g. social justice) for fighting a war, but follow rational economic interests. Wars are thus not the outcome of irrationality, but of the rational behaviour of some social actors within a society. It is surprising that many economists and anthropologists seem to agree on this main argument to explain the evolution and protracted duration of civil wars.

Jean and Rufin (1999) have warned to reduce civil wars to economic functions and stress that the causes of conflicts largely remain political, but that due to the protracted duration, rebel groups would have to search for viable income sources to fund their activities and organisation. Greed might be essential to sustain warfare, but the original causes of conflict are still largely political. In this line, Keen (2000, 2002) argues that rather than stressing the dichotomy of either greed or grievance, it would be essential to understand the interactions and synergies between both. What is important from this debate is that rebel groups use networks of social capital, based for instance on clans or ethnicity, to build group identity and cohesion. Collier argues that conflict needs to actively create divisions (Collier 2000a). Rebels generate grievances and the associated group identities. Ideology is utilised as a tool of a rent-seeking strategy for predatory leaders, perhaps. In many cases, conflict entrepreneurs integrate existing social networks in their ideology and war economy. Goodhand (2001: 26) indeed notes that these conflict entrepreneurs appear to have 'an extremely nuanced understanding of community dynamics and how social capital [networks] can be mobilised for [their] perverse outcomes'.

The greed and grievance dichotomy can provide some useful entry point into the debate, but, as Murshed emphasises: "violent conflict is unlikely to take hold if a country has a framework of widely agreed rules, both informal and formal, that govern the allocation of resources and the peaceful settlement of grievances" (MURSHED 2002: 390).

In my ethnographic research on local institutions in the civil war of Sri Lanka (KORF et al. 2001; KORF 2002d) and my work as a development consultant, I was searching for more explanations to understand institutional dynamics in civil wars. It is in this line that this paper seeks to investigate what some theoretical debates from the political sciences and the new institutionalism in the social sciences as well as perspectives from conflict transformation approaches can contribute to better understand the phenomenon of civil wars. I will subsequently look at the debate on failed states and complex emergencies (section 2), the institutionalist discourse (sec. 3), the livelihood debate (sec. 4) and the conflict transformation approach (sec. 5) in order to illustrate their findings about civil wars. This paper is a work in progress and contains an experimental approach. It strives to link selected pieces from distinct theoretical discourses in social sciences in order to contribute to better understanding of current phenomena of civil war. Doing so it is meant to give incentives for discussion and to raise open questions rather than delivering final answers or to develop a comprehensive theoretical framework.

2 The Debate on Failed States and Complex Emergencies

The debate mainly focuses around why societies fail to provide the adequate basis for social and economic development. I distinguish two important discourses: (1) the debates in the political sciences and sociology on state failure, and (2) the literature on humanitarian aid which uses the term complex political (or of late: protracted) emergencies. The latter has the comparative strength that it integrates arguments from various schools of thought into its framework, in particular both aspects of greed and grievance.

2.1 Why states fail

State failure is a complex phenomenon, and scholars from different disciplines have often disagreed about the nature and causes of it. Most prominently, they have discussed why state failure and the domination of predatory formation could erupt in certain countries, particularly in view of protracted civil wars in Africa and Asia (Sierra Leone, Somalia, Congo, Afghanistan etc.).

MAZRUI (1995) asserts that assessing failure of states requires to define the basic functions of the state first. He distinguishes six functions, namely (1) sovereign control over territory, (2) sovereign supervision of the natural resources, (3) effective and rational revenue extraction from people, goods and services, (4) the capacity to build and maintain an adequate national infrastructure, (5) the capacity to render basic services and (6) the capacity for governance and the maintenance of law and order. In this logic, a state without effective control over its resources is bound to fail. Even more important is a crisis in governance that often leads to catastrophic outcomes. Mazrui argues that many countries in Africa live at the sharp edge between anarchy and tyranny or between too little and too much governance. The state fails in both, in relation to its political institutions and in relation to its

wider societal embeddedness. Mazrui makes an interesting point when he stresses that state collapse may happen because there are too many or too few ethnic groups. He refers to the latter case as dual societies which endangers the state by "having *less* sociological diversity than is necessary for the politics of compromise" (MAZRUI 1995: 30, emphasis in the original).

HERMANN (2002) hypothesises with a view on the colonial legacy in Africa that the late development of African states has created a higher susceptibility to instability, because the post-World War II agenda of territorial integrity of sovereign states imposed stability on their borders. The absence of external threats produced a de jure legitimacy to heads of state and lessens the need to gain popular mandates from the population. It also allowed the state to reorient military might inwards. HERMANN (2002) further argues that these states are heavily reliant on non-tax revenues, e.g. through international aid or mineral resources, which reduces the need of the state to impose a strong presence throughout its geographical territory. These factors contribute to lessening state-society relationships and increasing the likelihood of internal competitors to the state (ibid.: 27). In similar lines, WIMMER (1997, 2002) explains the current wave of conflicts with the creation of new nation states after the dissolution and collapse of the communist regimes, which created new principles in political legitimacy. Ethnic relations take up completely new dynamics within the sphere of a nation-state. In many cases, the new elites are unable to generate sufficient support for their nation project, and subsequently, a fight erupts over whom the state belongs to, and political mobilization happens along ethnic lines.

While Hermann, Wimmer and Mazrui to a large extent endogenise state failure, other scholars argue that state failure is embedded in a wider system of world exchange and globalisation. ATWOOD (1994) asserts that failed states are decentred jurisdictions with defunct state machineries and small economies that are cut off from profits of legal world markets. He describes these states as places without leadership, order and governance, that are unable to provide a sustainable system of governmentability. This results in a world of chaos, where territories are exhausted and destroyed and populations forced into a desperate state of existence as migrants or refugees.

It is easy for illegal, illicit exchange to trickle into such weak spheres of governance, and consequently, enterprising criminal groups disrupt civic governance functions and destabilise whole regions through violence. Luke & Toal (1998) stress that most such territories are beyond the legal workings of economic globalisation. Contraband commerce, defined as the trade in illegal or prohibited goods, "nests its operations within those failed states where individuals and societies, which cannot ride turbocharged waves of change, struggle to exist amidst obsolete factories and unproductive farms by means of prohibited modes of production and consumption" (ibid.: 19). We would add that even legal goods, such as mineral resources, can be traded in illegal networks of exchange. Many failed states are resource-rich (cf. Murshed 2002; Auty 2001, 2002), in particular in mineral resources, and conflict entrepreneurs utilise civil wars to establish a monopoly in trading with specific goods.

2.2 The debate on complex political emergencies

Jean and Rufin (1999) make a point in arguing for a more differentiated view of violent societies and the economy of wars. The term 'complex political emergency' is a label that many scholars in the field of development cooperation and humanitarian aid now use to describe the complex characteristics of ethnicised conflicts, its *politicised* nature and the context of failed states (Macrae 2001; Duffield 1996, 2001). Duffield (2001) argues that the distinctive new feature of the debate was that it acknowledged the political nature of complex emergencies. The new debate demanded a politicisation of development compared to earlier response strategies that mainly understood such 'emergencies' in terms of large-scale social breakdown and developed mainly technical aid strategies. These enormously difficult emergency situations have raised enormous moral demands and confusion (Gasper 1999) and have lead to a blurring of humanitarian action and politics (Duffield 2001).

Looking at the political dimension of civil wars brings us back to the dimension of grievance, however, the debate on complex political emergencies goes beyond a one-sided view on civil wars and combines aspects of greed and grievance.

GOODHAND and HULME (1999) have defined five characteristic features to denote complex political emergencies:

- *Conflict within and across state boundaries:* The conflict is of a hybrid form where the conflict is neither purely inter-state nor an intra-state war.

- *Political origins:* The rivalry for power and resources is a central dynamic, and the distribution of power and recognition is crucial in politics and is determined by power plays based on ethnicity.

- *Protracted duration:* The civil war is not a temporary crisis after which society will return to 'normal' (levels of physical violence), but part of society itself.

- *Social cleavages:* The civil war is an expression of existing social, political, economic and cultural structures and it affects every aspect of life in the war zones. The conflict is an outcome of a prolonged and often violent struggle by communal (ethnic) groups for such basic needs as security, recognition, acceptance and equal access to political institutions.

- *Predatory social formations:* The ethno-nationalist nature of the conflict triggers a virulent loyalty to one' s own communal group and strong feelings of antipathy towards other groups. 'Conflict entrepreneurs' and political opportunists often seek to reinforce ethnic identities and promote ethnicity as a defining feature for individuals and society.

These analytical categories do not fall into the trap of 'either … or', i.e. stressing either greed or grievances. They contain both aspects. Thus this conceptual framework goes beyond some more narrow-minded conceptions of those scholars that have reduced state failure and civil war to a problem of looting, criminal behaviour, thus 'depoliticising' ethnic conflicts and social conflicts, somehow disembedding them from their societal origin.

More recently, DUFFIELD (2001), one of the leading scholars in the complex emergency debate, has asserted that complex political emergencies create or attract emerging political complexes. This brings us back to the debate on the markets of violence and the economy of war. DUFFIELD (2001) particularly stresses the embeddedness of such war economies in a global network of illegal commerce. The notion of complex political emergencies and of emerging political complexes can, I

argue here, provide a unifying mode for analysing what happens during state failure, since it combines the often more political origin of civil wars with the evolution of economies of wars and how these develop their own institutional logic and dynamic.[2]

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[2] Another feature of the term complex political emergency is the complexity of conflict situations. This has not been subject to systematic debate. In complex political emergencies, we can observe behaviour of social systems which is largely multi-causal, non-linear, non-deterministic, i.e. 'chaotic', which is largely irreversible (Prigogine 1998). Chaos theory suggests that complex systems are irreversible and that their future behaviour cannot be predicted in a deterministic manner. Even if such systems follow a deterministic rationale, the observable phenomena often appear stochastic and thus unpredictable, because the observer misses essential information about the dynamics of the underlying complex system. It is in particular this non-linear and non-deterministic behaviour which makes operating, intervening and planning in such complex political emergencies a difficult task. Chaos theory has shown that small incidences can have a dramatic effect (the butterfly causing storm), and that marginally differing starting points can lead to a dramatically altered development of the system. The thoughts developed here only look simplistically at how some of the categories of chaos and complexity could be used to describe certain features that could be useful in describing dynamics of complex social phenomena. One should be cautious in transferring analytical concepts derived in the natural sciences to social systems. However, certain categories of the complexity sciences have been transferred to the management sciences and organisation theory (Flämig 1998; Stacey et al. 2000).

3 The Institutionalist Discourse

Towards the end of the 1990s, more and more development theorists now emphasise the role that institutions play in development (including the World Bank itself). This was seen in contrast to the neoliberal paradigm of the invisible hand of the market. Much of the new institutional economics literature is therefore preoccupied with refuting some of the foundations of mainstream economics. Nevertheless, some of the wider strands of literature in this discourse that I have arbitrarily selected here can help us broaden our understanding of what happens to societies in civil wars.

Institutional theory has traditionally been interested in looking at transformation or change processes from pre-industrialised societies to the modern society and, since late 1980s, from socialist to market economies. In civil wars, we can also observe a transition from 'peace economies' to war economies, and again back to post-conflict economies. These are extreme actors' constellations, and from a theoretical point of view, it is interesting to ask what we can learn from these apparent failures of 'civil(ised)' institutions.

3.1 Levels of social analysis

Whenever humans attempt to live together, they will have to co-ordinate. Rules which govern co-ordination will emerge. North refers to this as the rules of the game (NORTH 1990). More specifically, "institutions are the rules of a society or of organisations that facilitate co-ordination among people by helping them from expectations which each person can reasonably hold in dealing with others. They reflect the conventions that have evolved in different societies regarding the behaviour of individuals and groups relative to their own behaviour and the behaviour of others." (RUNGE 1981:XV) Institutions can be brought about in manifold ways, either intentionally or spontaneously. They can be formal or informal in nature. Many institutional economists distinguish between institutions as the rules

of the game and organisations as the actors determining such rules. Bromley (2000) defines institutions as the working rules of a nation state that indicate what "Individuals must or must not do (duty), what they may do without interference from other individuals (privilege), what they can do with the aid of the collective power (right) and what they cannot expect the collective power to do in their behalf (no right)." (Bromley 1989: 43)

Institutions are thus intimately bound up with the authority system of any social setting (Bromley 2000). Institutions can be self-enforcing, i.e. those who interact according to rules are also those safeguarding its application and sanctioning the failure of actors to do so. In other cases, this monitoring and sanctioning power is attributed to third party enforcers.
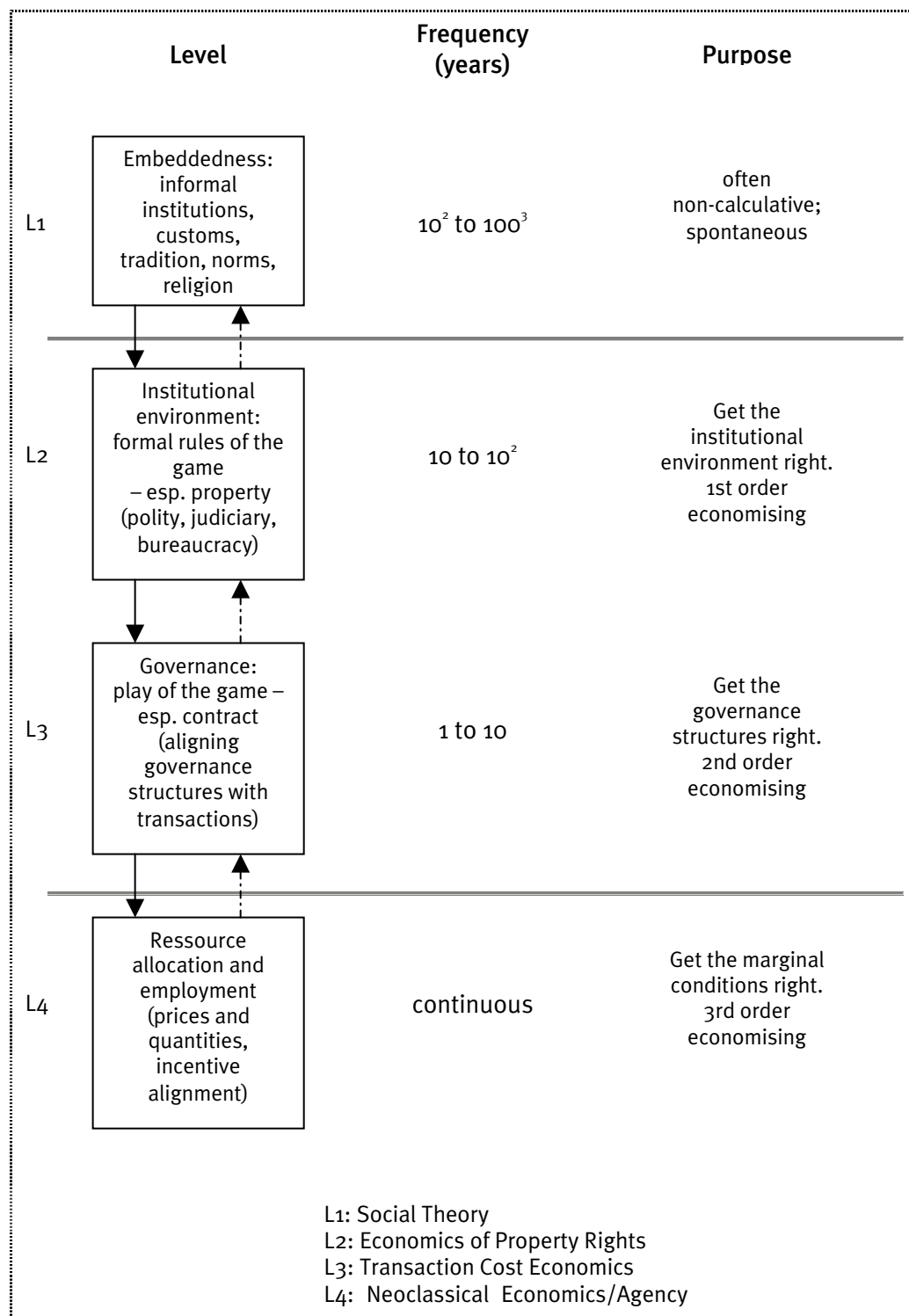
The transaction cost economist Williamson has developed a widely recognised scheme to delineate four levels of social analysis (Williamson 1998, 2000). Although his concern is mainly about the functioning of markets, organisations and economic structures, this differentiation might also be usefully employed in the analysis of different institutional levels that govern political processes in civil wars or post-war transition processes. Williamson (1998: 26) emphasises that the system is fully interconnected and includes the way in which the levels influence each other. The higher levels impose constraints on the levels immediately below, expressed by the solid arrows, while from the levels below to those above feedback takes place, which is indicated by the dashed arrows. These two processes have to be observed in order to understand the system as a whole and the changes in the four levels that take place over time.

Level 1 is the level of *social embeddedness* where the underlying values of societies are located: customs, traditions, norms and religion. Williamson argues that the informal institutions governing at level 1 are mainly of spontaneous origin – "deliberative choice of a calculative kind is minimally implicated" (Williamson 1998: 27) – and changes in them take place very slowly, not faster than in centuries or millennia. Level 1 sets the frame for the activities that are acceptable in the society at all, which is why although informal institutions are usually not of the written kind and not enforceable by law, they "have a lasting grip on the way a society conducts itself" (ibid.: 27) and a "pervasive influence upon the long-run character of economies" (North 1991: 111).

The embeddedness level imposes constraints upon the formal rules of the game at level 2. Institutions at this level largely arise out of "evolutionary processes, but design opportunities are also posed" (Williamson 2000: 598). This opens up the possibility to shape the rules of the game in a certain direction. The instruments employed at this level are "the executive, legislative, judicial, and bureaucratic functions of government as well as the distribution of power across different levels of government (federalism)" (Williamson 2000: 598). At level 2, property rights are created, that determine the access, and use rights to resources, and how these rights are being reinforced. Modifications of institutions at level 2 might take decades or even centuries, unless sudden massive changes like wars, occupations or breakdowns take place (sic!).

At level 3, the play of the game, i.e. the governance of contractual relations, takes place. The question is: How can we get these *governance structures* right? Williamson contends that for each specific transaction there exists an efficient, i.e. transaction cost minimising, governance structure. To design efficient institutions, we have thus to (1) determine in which attributes transactions differ, (2) to identify distinctive governance structures, and (3) to find the efficient "match" between specific transactions and specific governance structures to align governance structures with transactions (Williamson 2000). Changes at level 3 take place in much shorter time spans than those at level 1 and 2.

The lowest level 4 is concerned with the marginal conditions of resource allocation. Williamson's scheme follows the approach of neo-classical economics, which regards institutions and governance structures as given with no influence on efficiency. Continuous adjustments of prices and quantities take place to get the marginal conditions right. Neo-classical economics is based on rigid assumptions of rational actors and the functioning of markets.

Figure 1: Four levels of social analysis

Level	Frequency (years)	Purpose
L1 — Embeddedness: informal institutions, customs, tradition, norms, religion	10^2 to 100^3	often non-calculative; spontaneous
L2 — Institutional environment: formal rules of the game – esp. property (polity, judiciary, bureaucracy)	10 to 10^2	Get the institutional environment right. 1st order economising
L3 — Governance: play of the game – esp. contract (aligning governance structures with transactions)	1 to 10	Get the governance structures right. 2nd order economising
L4 — Ressource allocation and employment (prices and quantities, incentive alignment)	continuous	Get the marginal conditions right. 3rd order economising

L1: Social Theory
L2: Economics of Property Rights
L3: Transaction Cost Economics
L4: Neoclassical Economics/Agency

Source: Williamson (1998: 26)

The differentiation of levels could be a useful starting point for analysing how institutions emerge, how they change and particularly, what level of analysis is eventually touched upon. And, how level 1 and 2 that are supposed to be rather rigid towards short-term change, might get seriously altered under the extreme constellations of civil war and violent conflict. For example, scholars in the New Institutional Economics mostly argue that cognition, shared mental models and ideologies (level 1) that shape the rules of the game (Mantzavinos, 2001; Mantzavinos et al, 2001; North, 1990) evolve over a long time span. Under the conditions of civil war, however, there is evidence to believe that while some cultural customs and norms might prevail, others might break down dramatically offering scope for moral hazards, opportunistic behaviour and a breakdown of trust in society. Similarly, on the level of the play of the game (level 3), we can expect dramatic changes in the informal rules that determine the game, with the influence of powerful, violent actors coming into the scene, such as rebel groups, conflict entrepreneurs, and army soldiers. Institutional reform in a post-war transition phase will remain half-hearted, if it remains on the formal level (2) and neglects the underlying rules of the game (level 3).

The following two schools of thought focus especially on the second and third level, the rules of the game, their dynamics, how actors influence these and what the consecutive outcomes might be. While Williamson (1998, 2000) was mainly concerned about efficient outcomes of institutions, the following authors seek to understand why efficient institutions might *not* emerge.

3.2 Incomplete contracting and the grabbing hand

Emerging literature from a New Institutional Economics perspective tries to theoretically underpin some of the greed arguments. Wars are difficult to comprehend from a traditional Coasian economic perspective of contracts and transaction costs (Coase 1960): Why can't the different parties just agree not to fight and save the costs of arming and the destruction losses of warfare? Arming and war thus take place because there is incomplete contracting (Skaperdas 2001: 3). Each party is unable to commit not to arm and not to engage in warfare because there is a

lack of functioning institutions in combination with changing circumstances and opportunities that create demands which are difficult to accommodate peacefully.

What are the factors contributing to contractual incompleteness and insecurity? SKAPERDAS (2001) identifies five:

- The geography of vast territories allows the emergence of atomised anarchies to develop (e.g. Congo).

- Ethnicity, even though it might be constructed, can serve as a point of rallying support and creating organisational structures leading to the disintegration of inter-ethnic contractual security.

- Economic change needs new institutions to govern it and new social groups might emerge in the process asking for adequate representation.

- The period of state building offers a period of high contractual incompleteness, because the build up of political and legal institutions needs time.

- Intervening external actors can be interested in extracting rents, substantiating territorial claims and support particular rivaling rebel groups.

In such institutional semi-vaccum of contractual insecurity, a dark side of the economy can develop: GARFINKEL and SKAPERDAS (2000) compare the economic modeling of rent-seeking with that of conflict and appropriation. If, as economic rationality defines, every actor acts out of self-interest, we must include the possibility of actors with a 'grabbing hand' exercising activities of appropriation, predation, deception and enforced redistribution. SHLEIFER and VISHNY (1999) utilise the term 'grabbing hand' in connotation with the invisible hand of Adam Smith to denote predatory and corrupt government politics with rent-seeking in transition economies, namely Russia. Equally, we can transfer the term to the situation in war economies. Economic actors in civil wars face a trade-off between producing and grabbing (or between contract and war).

SKAPERDAS (2001, 2002) develops game theoretical models of anarchic situations to unveil the interest that lead actors to decide whether to produce or grab. In a model of organised anarchy, stationary warlords extract rents from the civilian population, but provide protection against stationary bandits at the same

time.[3] In these warlord markets, greater competition among conflicting groups increase the costs of providing protection and of defending one's share of rents and much of the value of rents is crowded out by less production. SKAPERDAS (2002) argues that the subsequent deterioration of material welfare can have a negative feedback effect on investments in institutions of conflict management, because these are costly. Thus, contractual incompleteness prevails and the civil war keeps going on.[4]

SKAPERDAS (2001: 20) himself states that "while an economic approach can be useful in understanding structural causes of civil wars, at this point little could be offered in terms of concrete policy proposals for their resolution (…) What an economic approach can help with is its emphasis on the importance of interests and the need to look for that behind the veil of rhetoric." Another institutional approach is to look at bargaining and distribution as factors determining the evolution of institutions.

## 3.3   Distributive bargaining: Institutions and social conflict

The theory of bargaining and distribution considers social institutional change "as a by-product of strategic conflict over substantive social outcomes" (KNIGHT, 1992: 107). This theory allows us to analyse situation where actors intentionally seek distributive advantages in their co-ordination. In such accounts, if rules emerge as the result of distributional conflicts, the effects of institutions must consequently reflect the differences between the actors in terms of their distributional expectations and in terms of whatever kind of resources these actors have to put

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[3] This model follows the categories outlined in the exciting work of Olson (2000) who explains the emergence of states with a model of transition from roving to stationary bandits and subsequent evolution of institutions that lead to the formation of a state.

[4] More in the tradition of the greed argument which looks at rebel groups as 'quasi-criminal activity' (Collier 2000c), Mehlum et al. (2002) model the relationship between disorder and violence and markets of protection plus extraction. Azam and Hoeffler (2002) suggest that soldiers may terrorise civilians, because they need the loot to augment their resources, while the rest of time is engaged in proper fighting. Both lead us back to the notion of markets of violence and the development of war(lord) economies, however, on a narrow game theoretical frame of utilitarian rationality.

into play (Hanisch 2000). Knight (1992) argues that distributional struggle forms a central part of the problem of – and solution to – collective action and the evolution of institutions. The main distinguishing feature of different institutional forms is thus their distributional consequences (Knight 1992: 26). Rules of the game (institutions) are not neutral, but conflict of different actors about power lies at the center for explaining the emergence of social institutions.

Figure 2: Actors' resources in conflicts on institution building
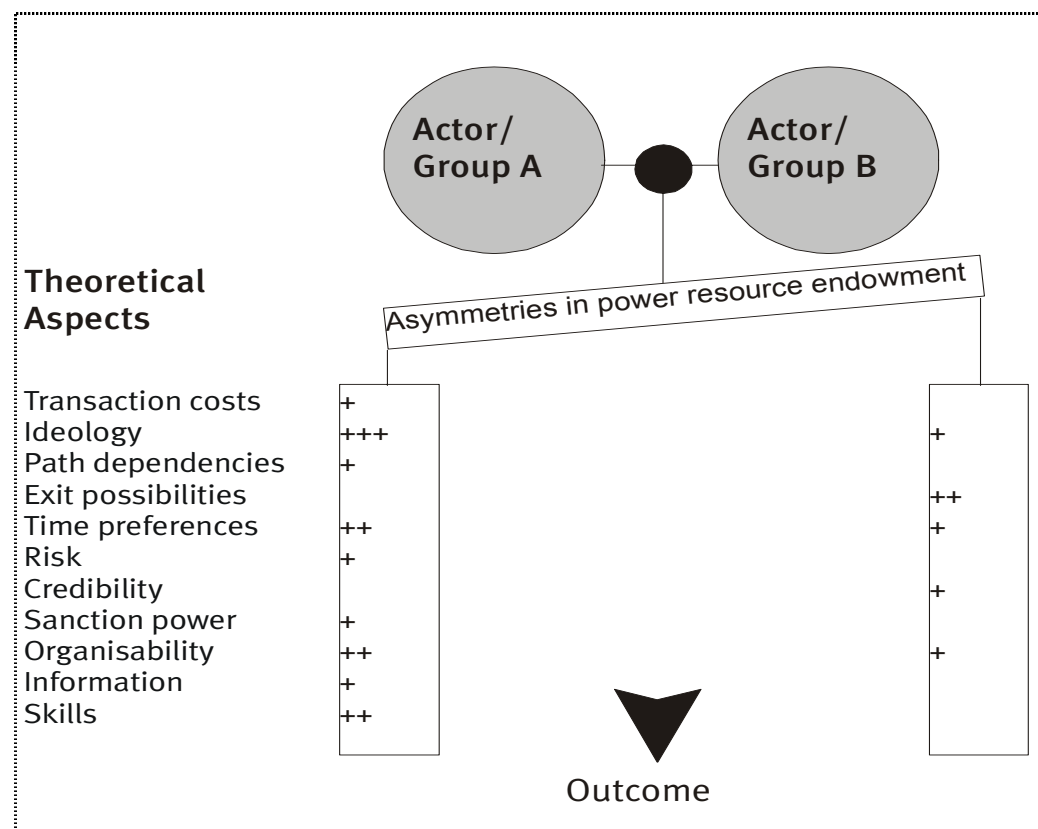
Source: Schlüter 2000

The guiding notion of the distributive bargaining theory is hence the power and bargaining resource asymmetries of actors, such as the credibility of their commitment, individual risk aversion, time preferences, information, sanction power, but also ideology (Schlüter 2000, 2001). North (1990) uses the term ideology in a twofold way distinguishing an efficiency and a normative aspect of ideology. Ideology as shared mental model defines commonly accepted informal institutions and this consensus reduces transaction costs in communicating. At the

same time, ideology has a legitimising function, offering presumably weaker groups the chance to increase their bargaining power (HAGEDORN 1996: 429).

KNIGHT (1992) uses a simple game-theoretical model with two alternatives for each player and two Nash equilibriums which differ only in their distributional consequences. The strategic and powerful actor can bind the rational choice of the other actor by adhering to a strategy which means a distributional disadvantage for the latter (KNIGHT 1992: 127). Repetition of such bargaining with other actors stabilises expectations and thus creates new informal institutions. When the distribution of power resources changes or the distributional consequences are altered, institutional change will emerge and institutions will be adapted to the now-prevailing power distribution, i.e. the structure of the game will change. This simple bargaining approach can be applied for single-event institutions and for institutions with repeated use (KNIGHT 1997: 698).

3.4 How institutions are distorted in civil wars

In complex political emergencies, the power asymmetries favor militant actors (including both military and rebels) at the costs of 'civil(ised)' actors and institutions. The 'rule of violence', threat and fear superimposes political and social institutions. One much debated issue is the impact of conflict on the social networks of a society. Social capital, i.e. the individual's access to support, trust and co-operation among families, kin and communities, is a crucial element for livelihood strategies. A protracted conflict can undermine and even destroy social capital: conflict entrepreneurs – new political actors legitimised by the rule of force and violence - often play a fundamental role in determining access to resources. They often patronise their own clientele (their own ethnic group) and thus reinforce intra-ethnic identities and inter-ethnic grievances. Conflict entrepreneurs could thus use their oligopoly of violence to discourage civic engagement and intimidate citizens.

Individuals and groups depend on meaningful mental models for the purpose of reducing complexity (NORTH, 1990: 24). As a consequence, people are seeking new cognitive schemata to understand and to explain the world which changes so dramatically during civil wars. Ideology becomes a powerful tool for network patrons

(conflict entrepreneurs) to reinforce ethnic identities, the related networks and to stabilise these rent-seeking war economies in an ambiguous and deeply uncertain political context. Opportunistic and free-riding behaviour and moral hazards might become more prominent, partly due to the short-term horizon imposed by a high level of uncertainty and risk, and partly due to the decline of social bonds. Individuals realise that it might not be worthwhile to invest in their social capital, since it will not yield much benefit under the given circumstances. Mutual support might concentrate on the close family rather than the wider community. We are facing a serious collective action problem, since long-term commitment, trust and credibility as well as enforcement and monitoring arrangements are difficult to organise, develop and sustain.

Since institutions are as such distorted in protracted social conflicts, it is not easy to just form them back into a nice shape in post-war recovery. It is therefore a long-term process to re-establish governance mechanisms which are accepted as trustworthy and accountable by the population, and particularly, by all ethnic and social groups in a society.
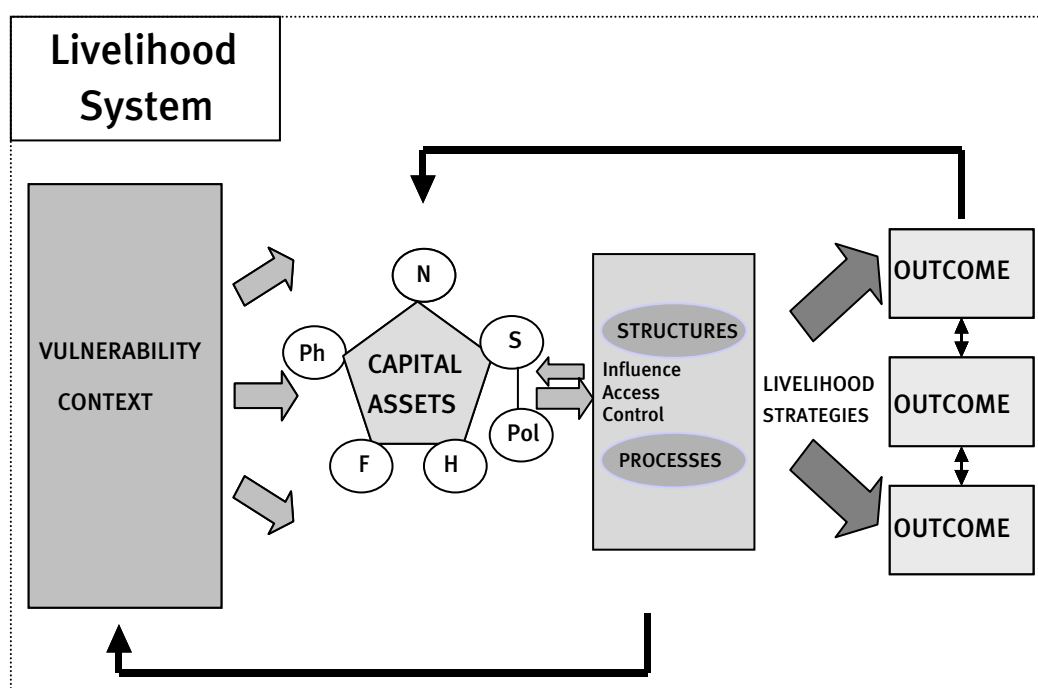
4   The Livelihoods Debate

The livelihoods debate helps to understand how people survive in wars. Much of the literature on civil wars and the economy of war seems to be preoccupied with the perceived 'bad guys', i.e. corrupt governments and looting rebels. However, civil wars do not take place in a vacuum. The local population has to survive in the context of a civil war and thus develops survival strategies. Recent ethnographic studies from Sri Lanka (GOODHAND & LEWER, 1999; GOODHAND et al. 2000; KORF et al., 2001; KORF 2002d; KORF 2002e) and Sierra Leone (KEEN, 1998, 2002) indicate that local people are as much victims as they are actors in the conflict. While local farmers are largely victims of increased risk and uncertainty due to political violence, the impacts for different households differ significantly, and some farmers have gained considerable wealth by making use of comparative (political) advantages to establish trade oligopolies or capture resource rents. They make use of government and rebel forces for their own economic success.

4.1   Sustainable rural livelihoods (DFID)

The livelihoods approach provides a way of thinking about the scope, objectives and priorities of development. The approach is promoted by the Department of International Development of the British Government (CARNEY 1998; DFID 1999; SCOONES 1998) and was inspired by the work of Sen (SEN 1981, 1999). An important strength of the livelihoods frame compared to earlier development frameworks is that it emphasises people's potential in a holistic way rather than stressing on their problems, constraints and needs. It understands that livelihoods as such, and, in particular, the institutions that influence and shape livelihoods are dynamic. The sustainable rural livelihoods framework is a qualitative approach seeking to understand relationships rather than producing quantitative figures. This qualitative focus is particularly useful for applied research in complex political emergencies: quantitative data are hardly available and even if they are, they run quickly out of

date due to the volatile ground situation. It is therefore more important to understand qualitative mechanisms that drive adaptive and coping strategies of farmers in the changing conditions of a war.

Figure 3: The Livelihood System

Source: Department for International Development (DFID 2000), modified by the author.

The livelihood systems frame (Figure 3) is a way of analysing the system of a household's internal and external factors that affect its socio-economic survival.[5] It looks into livelihood strategies of people in a given vulnerability context (the frame conditions). People have access to six forms of capital assets (natural, physical, human, social, political, and financial). These are the resources, which people can make use of and combine in order to carry out livelihood strategies and achieve certain outcomes. These outcomes have positive as well as negative impacts on the livelihood (feedback loops). Structures and processes ('institutions') are critical in

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[5] The specific vulnerability of individuals within a household and intra-household dynamics might in fact be very critical to understanding household behaviour and thus analysing household livelihoods.

determining who gains access to which assets and to define the actual value of certain assets. Institutions such as markets and legal restrictions have a profound influence on the extent to which one capital asset can be converted into other types of capital assets. The role of formal and informal institutions is particularly important in understanding human disasters, because they are placed under great pressure by violent conflict (VON BRAUN & FELDBRÜGGE 1998; VON BRAUN et al. 2002).

Livelihood strategies will differ with regard to whether people have to deal with gradual trends or sudden shocks: Adaptive strategies denote processes of change which are more or less conscious and deliberate in the way people adjust livelihood strategies to long term changes and challenges (trends). Coping strategies are short-term responses to periodic stress or sudden shocks of both natural and political hazards. Societies in war-affected areas can be described as 'distressed livelihoods' or as 'livelihoods at risk' (KORF 2002e): They face multiple vulnerabilities (natural, political and economic).[6] Conflict-related uncertainties enhance the overall threshold of vulnerability a household faces and thus limits its resilience, i.e. its ability to respond to sudden shocks without undermining its future coping ability.

It is important to note that the internal dimension of coping and adapting is closely linked with the accessibility to assets. FELDBRÜGGE and VON BRAUN (2002) have outlined that external factors influence the assets of households which in turn affect risk-reducing and risk-distributing coping capacities. The more assets a household controls the more options to respond to risk and uncertainty a household can develop. In political emergencies, power and reciprocity in vertical networks of support become important 'political assets' for survival strategies of people. This has often been overlooked in the coping literature which tends to stress 'social assets' in the form of social networks of mutual family support. While the latter remains a last resort (BOHLE 2001), ethnicised interactions in political and economic terms determine by and large the entitlements to agricultural resources and markets

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[6] Originally developed to denote livelihood risks in natural disasters, the concept of vulnerability (Watts and Bohle 1993; Blaikie et al. 1994; Chambers 1989; Watts and Bohle 1993) has recently also been used for livelihood analysis in complex political emergencies (Mayer 2003).

which can lead to unequally distributed resources among different ethnic groups (KORF, 2002d).

Alliances with those who hold the monopoly or are part of an oligopoly of violence can become important livelihood strategies to reduce vulnerability or to increase short-term economic gains in a bleak future perspective. KEEN (1998, 2000) distinguishes top-down economic violence, incited by political leaders and entrepreneurs, from 'bottom-up' violence, which is embraced by 'ordinary' people (civilians and low-ranking officers), which, according to his analysis of civil wars in Africa, is triggered largely by deep social and economic exclusion, absence of strong revolutionary organisation, and impunity for violent acts. Opportunistic behaviour can become extremely rewarding in such predatory war economies. It is therefore essential to ask how people make use of their social and political capital assets in order to access, influence or control powerful actors in the institutional sphere (which is referred to as 'structures and processes' in the livelihoods frame).

4.2 Social capital, political capital and the capture of institutions

The concept of 'social capital' has become more and more popular in the discussion of rural development and collective action (e.g. COLLIER 1998; GROOTAERT 1998; OSTROM 1994; SORENSON 2000; WOOLCOCK 1998), but remains contested amongst social scholars (HARISS 2001; FINE 2001). It is a complementary approach to the social bargaining theory, since it provides some account of why some societies are tied together and others are not. In the various approaches to understanding and defining social capital, we can distinguish an individualistic approach (BOURDIEU 1992) and a social systems perspective (PUTNAM 1993). BOURDIEU (1992) understands social capital as the potential and actual resources associated with networks and relations an individual can mobilise for his or her benefit. Bourdieu's approach looks particularly at the exclusionary forms of social capital. PUTNAM (1993) claims that social capital understood as networks of civic engagement is instrumental for a society to solve social dilemmas.

What is striking is the widespread perception that social capital, understood in the collective view, is something *per se* positive, (e.g. PUTNAM 1993; OSTROM 1994). HARISS (2001) hypothesises that the normatively positive terms social capital and civil society are so attractive, because they offered a somewhat peaceful picture of democracy without accepting the contestational politics and clashes of ideas and interests, which are equally part of democratic societies. One main problem of the collective view is that it tends to fall back in promoting the 'myth of community' (PRETTY & SCOONES 1995; GUIJT & SHAH 1998), i.e. assuming that village communities were homogeneous social entities which they are not.

This paper follows Bourdieu and defines social capital assets as individual endowments and entitlements and distinguishes these from political capital assets. Social capital is based on horizontal networks with family, clan, neighbours and community, whereas political capital is vertical, a network with powerful patrons to acquire important endowments and entitlements over resources. Political capital determines the access to and influence on larger institutions in society, particularly the administrative, political and military power holders.[7] Political capital is thus a vertical link and looks at how individuals are able to capture resources and political advantages through patronage networks on a vertical level. The power and politics are capital both in a tangible sense in that rights give way to claims and assets, and, indirectly, in that institutions determine access to these claims and assets (BAUMANN 2000). Social and political capital assets in Bourdieu's sense thus reflect the micro-politics of favourism, clientelism, and in the end, about petty corruption on the informal scale of institutions.

A protracted conflict can undermine and even destroy social capital assets of individuals and households and social networks as such: In complex political emergencies, conflict entrepreneurs – new political actors legitimised by the rule of force and violence – play a fundamental role in determining access to resources. They often patronise their own clientele (their own ethnic group) and thus reinforce intra-ethnic identities and inter-ethnic grievances. Conflict entrepreneurs may use their oligopoly of violence to discourage civic engagement and intimidate the citizens. GOODHAND and HULME (1999) use the term 'anti-social' capital and anti-

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[7] Baumann (2000: 20) defines political capital in the livelihood system frame as 'an asset that links an individual or a group to power structures and policy outside of the locality'.

social networks to denote these forms of engagement which triggers factionalism and sustain warfare. They assume that anti-social capital might be established comparatively quickly, while the incremental process of building up social capital and societal bonds is a long-term process.

5   The Conflict Transformation Debate

Is social interaction *potentially or inherently* conflictual (HERMANN 2002: 5; author's emphasis)? In general, people tend to perceive conflict as something negative. Conflicts are, however, a normal and integral part of social interaction and driving forces of change and development. What appears to be important is how conflict manifests itself, viz. it is the escalation into violence which causes concern. Peace and conflict theorists have therefore discussed possible ways to channel conflicts in a way as to arrive at peaceful processes and outcomes. Or to find possible ways to de-escalate and, finally manage or resolve social conflicts. The debate on conflict resolution thus focuses largely on *grievances* aspects of civil wars. Much of the challenge of Collier's *greed* argument must be understood in this context, because if warfare is triggered by greed rather than caused by grievance, such approaches would be meaningless, or at least, not very successful. However, I argue that the conflict transformation debate is essential to incorporate aspects of emotions, identity and process into our understanding of institutional dynamics of modern warfare.

In the debates on conceptual approaches to solving protracted, ethno-political conflicts, different levels of intervention have been distinguished (see Table 1). Track I strategies focus on official and formal activities of diplomatic and governmental actors, while Track II referred largely to more informal and unofficial efforts by non-governmental parties. More recently, based on the conflict transformation discourse, Track III initiatives gain more attention in concepts of conflict transformation and peace building. This track refers to all process- and structure-oriented initiatives undertaken by actors involved in grassroots training, capacity building and humanitarian or development assistance. Activities on this level would include trauma work, human rights activities and development work (including state reform, local governance). REIMANN (2001) emphasises that it is now widely agreed that these three tracks have to be understood as complementary and integrative rather than mutually exclusive.

Table 1: Track I, II and III actors and strategies

	Track I	Track II	Track III
Actors involved	Political and military leaders as mediators and / or representatives of conflict parties	From private individuals, academics, professionals, civil mediation, citizens diplomacy to international and local non-governmental organisations involved in conflict resolution.	From local grassroots organisations to local and international development agencies, human rights organisations and humanitarian assistance
Strategies taken	*Outcome-oriented:* From official and coercive measures like sanctions, arbitration, power, mediation to non-coercive measures like facilitation, negotiation, mediation, fact-finding missions and good offices.	*Process-oriented:* Non-official and non-coercive measures, mainly facilitation, consultation in the form of problem-solving workshops and round tables.	*Process- and (or) structure-orientated:* Capacity building, trauma work, grassroots training, development and human rights groups.

Source: Reimann 2001

However, Ropers (2003: 262) has criticised the 'theory gap' in the literature on conflict transformation: theoretical investigation of inter-group conflict management is still poorly developed. Some authors (Miall 2001; Reimann 2001; Rothman & Friedman 2001) have attempted an 'ideal-type categorization' of different theoretical, conceptual and practical approaches to conflict management that also have implications of how much importance is attributed to each of the three levels of Track I-III. Reimann (2001) distinguishes between conflict settlement (based on rational choice, game theory), conflict resolution (based on human needs theory) and conflict transformation that takes both former perspectives into account and adds structural causes (social structures, competition over resources) to it. Similarly, Rothman and Friedman (2001) distinguish between three frames of conflict and the underlying causes of conflict: the resource (competition over

resources), the interest (underlying interests as expression of needs and desires) and the identity frame (conflict as articulation and confrontation of identities in the form of frustrated human needs).

Figure 4: Two schools of thought in conflict (transformation) approaches
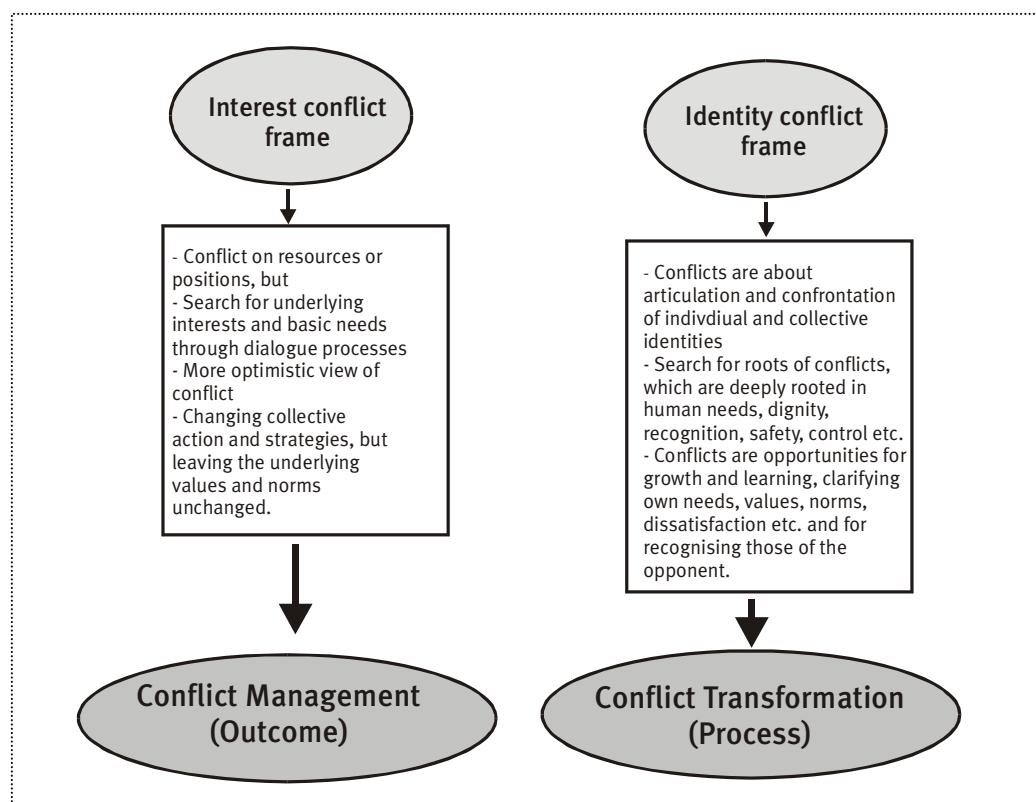
Source: Bigdon and Korf 2002

The key distinguishing feature seems to me, however, that in the conceptual frames of conflict settlement (or resource frame) and conflict resolution (interest frame), conflict is seen as something that can be managed and contained rather than really resolved. They work in a *logic of management* (REIMANN 2001). The conflict transformation perspective (or identity frame), on the other hand, works in a *logic of empowerment* and perceives conflict as something that can create positive forces for social (and thus institutional!) change. Or, in other words, we could argue that processes of conflict transformation are also processes of institution building, be it formal or informal institutions. I will thus deviate from the former categorizations and make a more simplified distinction in the discourse of conflict

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management focusing on two major schools of thought only, namely based on the distinguishing category whether they focus on *outcome or process* of conflict resolution (see Figure 4).

5.1 The interest frame

The *interest frame* of conflict goes beyond a simple competitive framework of conflict that defines disputes as struggle over values and claims to scarce status, power, and resources. Although conflicts may appear like demands for resources and as a win-lose game, bargaining positions are simply concrete expressions of interests, which one can define as "needs, desires, and fears" (URY & FISHER 1981). More long-term oriented interests of both parties, in contrast to their seemingly confrontative bargaining position, might reveal overlaps of shared interests and needs. The alternative dispute resolution school of thought thus developed a process of interest-based bargaining, which focuses upon articulating what each party is really seeking and upon employing creative methods for maximising the degree to which the interests of both sides can be satisfied. The interest frame provides a more optimistic view of conflict, because it tries to achieve win-win solutions. Engaging in conflict may help the conflicting parties to clarify their own interests and perceptions and understand those of the other side.

The interest frame works with a 'logic of conflict management'. Resolving conflicts is viewed as unrealistic. The focus is therefore on managing and containing them, trying to find constructive ways to bring opponents together, aiming to reach a compromise or win-win situation in which violence may be laid aside (MIALL 2001). Based on this 'ideology of management' (REIMANN 2001: 11), the interest frame school of thought defines conflict as a problem of political order and of the status quo: violent protracted conflict is thus understood as the result of incompatible interests and competition for scarce (power) resources. The Havard school of conflict settlement (URY & FISHER 1981) applies both rational choice and game theory assuming that political and military leaders are rational actors. They will calculate their interests and thus will work towards a rational and mutually profitable goal. The interest frame thus conceptualises conflict settlement as a non-

zero sum game in which the gain for one party need not necessarily be at the expense of the other (Reimann 2001).

The challenge in conflict settlement is to focus on the difference between rather short-lived positions and long-term interests each party has in the negotiation process. The approach is largely 'outcome-oriented': success is defined as a sustained win win solution. The main critique with regard to the interest frame is, that although it seems to be more successful to find agreements, interest-based conflict resolution can obscure the underlying nature of conflict. Conflict settlement focuses on changing individual and collective action strategies but leaves the underlying values and norms unchanged (Reimann 2001). That is where the identity frame offers an alternative concept of conflict resolution or transformation.

5.2 The identity frame

The *identity frame* of conflict emerged largely from attempts to deal with intractable ethnic conflict and alternative approaches to the static power-politics model of international diplomacy (Rothman & Friedman 2001, p.590). Conflict is seen as stemming from needs, desires, concerns, and fears. The most intractable conflicts are really about the articulation and confrontation of individual and collective identities. Conflicts are rooted in threats to or the frustration of deeply rooted human needs such as dignity, recognition, safety, control, purpose, and efficacy (Azar 1990, Burton 1990). Within the identity frame, conflicts are not viewed primarily as problems to be resolved, or even managed. The contention is that conflicts offer opportunities for growth, adaptation and learning (Lederach 1995). Conflicts can lead all parties to clarify for themselves their needs, values, and what causes them dissatisfaction and satisfaction (Baruch Bush & Folger 1995). Conflict engagement therefore means reflexive dialogue, in which parties to the conflict speak about their needs and values in the presence of their adversaries, before any kind of negotiation can succeed. Through the recognition of others' articulation and assertion of self, conflict provides the opportunity for mutual transformation and empowerment (Baruch Bush & Folger 1994).

From the perspective of identity frame, the goal of intervention is not just to reach agreements or solutions. Rather, the process of engaging conflict is seen as an opportunity for challenging the status quo (including the parties themselves) building on local capacities for peace (Rothman & Friedman 2001, p. 592). The identity frame follows a process-oriented approach and seeks to address the underlying causes of direct, cultural and structural violence. 'Structural violence' defines the social, political and economic structure of a conflict situation with a perpetuation of unequal power, domination and dependency. Burton (1990) points to the universal drive to satisfy basic and ontological needs, such as security, identity, recognition, food, shelter, safety, participation, recognition, distributive justice and development.

The aim of the conflict resolution school of thought is to eliminate the violent and destructive manifestations of conflict that can be traced back to the unmet needs and fears of the conflict parties. The key is to make all parties aware of these needs and fears as a precondition to redefine interests and positions. Needs and fears, contrary to interests, are, however, non-negotiable (Reimann 2001). In a wider sense, the conflict resolution or transformation school of thought argues that in the process of working on conflict, new institutional arrangements will arise that allow more constructive dispute resolution also in the future.

5.3 Conflicts as dramas? On emotions, fairness and reciprocity

While the interest frame is largely influenced by game theory, an emerging brand of theoretical literature is complementing game theory with a framework of irrational behaviour which would provide support for the identity school of thought. Drama theorists believe that classical game theory addresses just part of something more complex – conflicts are largely shaped by irrational influences of emotion.[8] Drama theory rests upon the idea of a 'soft' game, which is also called a 'frame'. This is a

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[8] Matthews (1998) provokes with the statement that any theory that attempts to sum up something as complex as an emotionally charged conflict with a handful of numbers is asking for trouble.

game (in the sense of game theory) that is not fixed, but is transformed through the emotions of characters (actors in the game) as they face dilemmas and paradoxes of rationality (Howard 1998).

Drama theory allows for irrational and rational behaviour (in the sense of rational choice theory). Outcomes of conflicts and social interaction are influenced by emotion, deceit, disbelief, character development and rational arguments in the common interest and by rational actor reasoning. Drama theory stresses that positive and negative emotions cause preference changes and the creation of options in a process where value systems and viewpoints develop (Howard 1999). The important point drama theory seeks to make is that actors are not always acting rationally in the sense of rational choice theory. Emotions lead the characters of a drama to reframe their perception of the environment and, consequently, to change their positions, interests, and the rules of the game. This could help to understand why so much of the experienced protracted social conflicts and violent struggles appear irrational to outsiders and why conflict resolution, or even settlement, is so difficult, even if win-win solutions seem in sight.

These conceptualisations are supported by recent findings from empirical economics. Selten, one of the doyens of game theory, emphasises that we have to distinguish stringently between normative and descriptive (or positive) theory of interaction (Selten 2001). The classical game theory of von Neumann and Morgenstern (1944) utilises a strong model of rationality, which did not hold true in describing human behaviour observed in empirical economics. Recent findings from experimental economics provide substantial backing to the observation that people are much less utility-maximizing in the narrow sense that the notion of homo oeconomicus would let us expect. Fairness, reciprocity and other factors contribute substantially to shaping the behaviour in coordination games (Fehr & Schmidt 2000a,b; Davis & Holt 1993; Kagel & Roth 1995; Bolton & Ockenfels 2000; Güth, Kliemt & Ockenfels 2003; Rabin 1993; Selten 1998). People especially care about reciprocal fairness and reward fair play (or punish unfair behaviour). These fair-minded people will substantially alter the required contractual conditions compared to a world of purely selfish people. In the frame of drama theory, people might change their preferences when they feel treated in an unfair manner.

6   Summary and Conclusions

Figure 5 summarises the story of this paper: the starting debate was on whether greed or grievance triggered the occurrence of state failure and civil wars. While this approach certainly has helped us realising the importance of war economies and rent-seeking in explaining the protracted duration of some civil wars, it does not contribute much to propose policies to be pursued in such circumstances, or even more, how the escalation of social conflict into violence – the breakdown of the 'social contract' – could be prevented.

Figure 5: Four debates on violent conflict
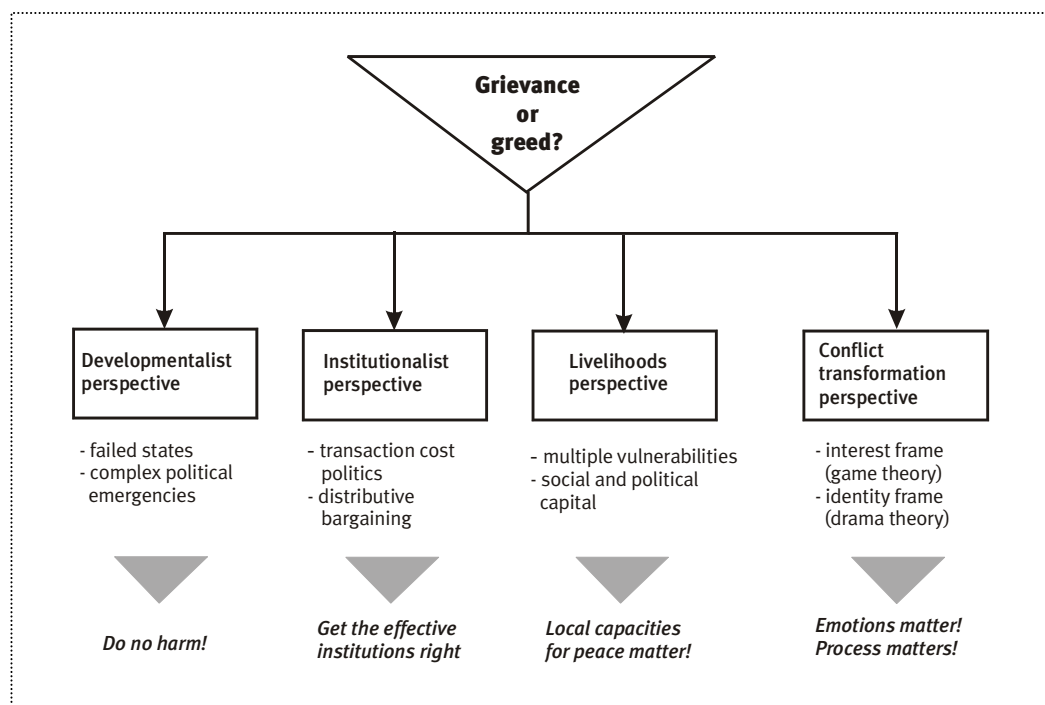
The debate on state failure looked closer at the political conditions of violent societies, while the institutionalist discourse helped to better understand the different levels of rules, actors and governance structures in society. It helped clarify the nature of rent-seeking, and of social bargaining. The livelihood debate brought the bottom-up perspective back and showed that local people have to develop

survival strategies in wars that might in themselves reinforce systems of war economies, clientelism and rent-seeking. Finally, conflict transformation theory stressed the relevance of emotions and identity in the escalation and de-escalation of conflicts going beyond a simple resource based bargaining concept. The latter showed that conflict can also provide an opportunity for the future, in that a carefully designed process of dialogue can contribute to the evolution of better functioning social institutions.

In their search for constructive ways to channel violent conflicts into more constructive streams of peaceful resolution, peace and conflict researchers and practitioners have emphasised two issues: Process and emotions. Emotions matter, because conflicts are often not only about the distribution of the resources that are at stake in a specific dispute, but about issues that are rooted much deeper in our consciousness. What drama theory seeks to conceptualise in complementing game theoretical models and what the identity frame of conflict transformation stresses is that processes of conflict transformation matter. And, as I have argued above, processes of conflict transformation are also processes of institution building, be it formal or informal institutions. If conflicts are fundamentally about emotions governing our interactions, then we have to carefully observe the history and current processes of a violent conflict and its resolution. This would point to the importance of path dependencies in institutional evolution and of the evolution of shared mental models that might be difficult to change within a short time frame (NORTH 1990).

On the other hand, some peace activists argue that one has to enable the parties to a conflict to empower themselves in order to overcome the deadlock in which they might be. This process, and this is the grand message of the conflict transformation approach, offers opportunities for all conflict parties to achieve a true 'win-win' situation (one going beyond game theoretical conceptions of win-win), because new institutions of coordination and cooperation might evolve as a result of transformation processes. In other words, conflict transformation can contribute to the evolution of better functioning social institutions and societal contracts that provide a more equitable and just platform for resource distribution and dispute resolution.

Then, how can we design processes and institutions that meet these requirements and help resolve social conflicts peacefully. From an institutionalist perspective, it may be more detrimental than helpful to simply focus on conventional policy recommendations by saying "what governments should do" assuming that pre-designed concepts could be precisely implemented by political and administrative actors. This is in particular true for the normative notion of "proper sequencing" relief, rehabilitation and development, which has become known as the 'continuum debate' (BRUCHHAUS 1999; SMILLIE 1998; MACRAE 2001)[9] or for the various initiatives to support peace building (CROCKER et al. 1996; MIALL et al. 1999; WALLENSTEEN 2002; AUSTIN, FISCHER & ROPERS, no date). In fact, the ability and willingness of internal and external political actors to govern and to control real changes (that means not only formal ones such as laws which are not or insufficiently implemented) in post-war situations is rather low. Furthermore, as we can see in many societies trapped in a complex political emergency, some political elites have developed a culture of "rent seeking" by legitimizing "the grabbing hand", and this means that the activities of powerful actors are not automatically and primarily oriented towards policies and institutions that improve the well-being of their society. There exists no such "state" acting as "benevolent dictator", who is able and willing to serve the public interest.

In complex political emergencies, institutional arrangements and bargaining procedures are be distorted, because powerful militant actors play their own game as patrons for certain groups or individuals. Often, they use their power of violence to reiterate 'ethnicity' and communal troubles as a means to strengthen their own

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9 According to the continuum model, humanitarian assistance should follow a time sequence in its intervention tools in and in the aftermath of complex political emergencies, starting with relief, going further with rehabilitation and only after a while transcending into full-scale development cooperation. This model has been criticised for its linear logic of conflicts going through a sequence of different levels according to which the appropriate intervention tool would be selected. In contrast to this thinking, it has been emphasised that conflicts are often circular with periods of relative calms interrupted by sudden escalation of violence. I have argued elsewhere (Bauer and Korf 2002; Korf 2002b, 2002c) that it is not reasonable to wait with development-oriented aid until the wars are over. A continuous commitment towards development (as contrasted to pure relief and emergency aid) can contribute to a local or regional stabilization of war-affected areas, first by the sheer presence of international organisations, second by supporting existing survival and livelihood strategies rather than undermining these through relief aid. Often, relief aid has rather strengthened existing patronage networks (which was one of the most important criticisms of the 'do no harm' approach of Mary Anderson (1999).

patronage position. A development project can be understood as a strategic resource, similarly other forms of humanitarian aid. Strategic groups and actors bargain in an arena of negotiation to acquire their share of the cake (Bierschenk 1988; Bierschenk & Elwert 1993; Grehan & Von Oppen 1988). These bargaining processes take place on the institutional level of agencies and organisations as much as on the village level, where the local elite will be eager to divert funds for their purposes. It is not a big task for influential local leaders to undermine planning processes, which they feel could harm or endanger their position. In an ethnicised environment that we can observe in many civil wars, allocation of development funds is in itself a politicum. Donors and the main political actors in such situations need to develop accountable mechanisms based on sound technical criteria (poverty, neediness) to allocate funds where they are needed and not where the political patronage is strongest.

In the Sri Lankan case, for example, we can observe the development of *hybrid governance* structures: some form of state structure and administration co-exists with the rule of the armed forces and the rebel forces. While, *formally*, the state administration goes on to exercise some basic functions and the legislative framework is supposed to apply in the war-affected areas as well, it is *effectively* an underworld of violent actors that appropriate rents from the local population and develop their own clientelistic states within the formally remaining framework of the state of Sri Lanka. Instituting governmental and non-governmental actors bears the danger that these have their own conflictual agenda or are perceived as biased by part of the population. It is therefore essential that development agencies use their leverage power of providing funds to encourage transparent and accountable institutions on the local level as much as on the regional actors' level, a challenge as huge it might be. Laws and regulations can be formally blueprinted in the capital, however, what effectively happens on the ground often is a totally different story. International agencies have there an important point to make and to advocate for more transparency, at least in their realm of influence. This provides some 'model' example which can encourage the demand for 'more of the same': villagers experience that governance can be different from what it was before.

The point is that institutional reforms must address all relevant levels. In Williamson's scheme (Figure 1), we do not only get the institutional environment

right, i.e. developing better laws, reforming constitutions, devolving functions. If these do not materialise on the local level in the effective rules of the game, constitutional and legislative reform does not yield much change for the better, and the frustration among the local population might even increase grievances further. State reform would hence include both, altering formal constitutional structures and the culture of politics. In the logic of Track I-III (Table 1), it becomes more and more apparent that in the long-term processes of peace building, Track III strategies focusing on community and regional level are essential to construct peaceful rules of the game and support 'local capacities for peace' (HEINRICH 1999).

As civil wars distort civic institutions, it is the most important aspect in the transition process from war to peace to contribute to 'get the institutions right' in the sense that accountable and trustworthy governance structures are (re-)created in society. The real challenge is often not so much about what the formal setting of institutions looks like, but how rules of the game are *effectively* functioning. It is often the gap between formal and effective institutions which makes the distinct difference for people, and it could be one fundamental task for donors to support partner countries and specific actors within these partner countries to work on fairer and more accountable effective institutions on local level as a main task in post-war recovery. This could and should complement efforts on the national level of drafting constitutional amendments on more equal rights and devolution of power, which would still have to materialise on the local level.

In the past, third party interventions often contributed to a further distortion of local institutional arrangements. In the logic of management of development assistance, donor-driven funding structures often do not favour a smooth development of local institutional capacities for fund allocation and collective action on local level. Instead these rather reinforce patterns of clientelism and patronage where powerful leaders – or warlords – will use these funds to acclaim their realm of power and the support of their clientele by handouts and gifts. A large majority of the population might then experience very little change in their individual lives, since aid is often not reaching them, especially when they live in remote rural areas or belong to a minority tribe or low class or caste with a limited bargaining power. The danger is that this works largely against the peace process, since it might retard the evolution of inclusive, civic institutions. It is thus also a critical concern which

actors ought to be strengthened, the state or non-governmental organisations. What is an appropriate approach to accommodate the (former) warlords in a post-war reconstruction framework (DEBIEL 2003; WIMMER & SCHETTER 2002)?[10]

Coming back to HOROWITZ (2001) and KALVYAS (2001) about good theory and its embeddedness in sound conceptual categories and empirical foundations, theorists and practitioners in the field of conflict studies and post-war development need to distinguish more stringently between normative and positive theory and policy. This is not an easy task, because much of the social dynamics of wars are not easy to analyse without emotional affection. However, one thing is to be careful not to make sweeping generalisations across very different societies and to ignore specific histories, struggles and evolutions (BASTIAN 2003). Simple blueprints or all-round theories that claim to be able to explain these phenomena on a world-wide scale, should be viewed with great caution. According to Peter WINCH (1958), it is not causal relationships that matter in our investigation, but *reason*. In order to understand the reason behind violent or seemingly irrational behaviour, we need a thorough understanding of complex local realities, histories. Similarly, constitutional and political reform has to deviate from a simplistic, formalistic focus to a broader basis that provides a *meaningful* reason for democratic governance rather than bureaucratic rituals.

It is my contention that peace building and state reform cannot be separated from each other, they are closely intertwined. It is thus only logical to also merge important insights from theoretical concepts that are attributed to the two processes. In Giddens' dichotomous notions of structure and agency (GIDDENS 1986), theoretical conceptions of post-war transition processes need to find an

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[10] The case of post-war reconstruction in Afghanistan offers an illuminating example for the ambivalent impact of development aid for institutional development. While donors and government have agreed upon a large-scale reconstruction programme, the real challenge will be to spend the funds sensibly. There is a danger that the large flow of funds will exceed the absorption capacity of both government and non-governmental organisations and new forms of patronage and clientelism will emerge to absorb the large cake. The management logic of development agencies has responded to such challenges with a fine-tuning of management tools, for example peace and conflict impact assessment (PCIA) methodology (cf. Bush 1998, 2001; Gsänger and Feyen 2001; Hoffman 2001; Leonhardt 2001; Roth and Rossman 2001). However, this does not really solve the general problem of institutional distortion caused by large fund disbursement. Such management approaches thus remain fractious, if donor intervention strategies are not embedded into an overall framework of institutional reform on the various levels of society.

appropriate balance between the two: while powerful actors and actor groups play an important role, we also have to deconstruct and identify structures that have developed in war and that need now be transformed into peaceful capacities or actively ensured that they cannot harm the rules of the game anymore. In that case, societies can return to contract, not war.

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Berghof Report	Title	Author	published
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2	Interkulturelle Mediation – eine schwierige Vermittlung. Eine empirisch-analytische Annäherung zur Bedeutung von kulturellen Unterschieden.	FRANK LIEBE (WITH THE ASSISTANCE OF NADJA GILBERT)	May 1996
2	*Intercultural Mediation: A Difficult Brokerage. An Empirical-Analytical Attempt to Assess the Impact of Cultural Differences.*	FRANK LIEBE (WITH THE ASSISTANCE OF NADJA GILBERT)	May 1996
3	Konstruktive Haltungen und Verhaltensweisen in institutionellen Konflikten. Erfahrungen, Begriffe, Fähigkeiten.	EVA MARINGER / REINER STEINWEG	June 1997
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4	*Crisis Prevention and Conflict Management by the European Union.Concepts, Capacities and Problems of Coherence.*	TOBIAS DEBIEL / MARTINA FISCHER	September 2000
5	Friedensförderung in Bosnien-Hercegovina. Ansätze der Jugend-, Bildungs- und Kulturarbeit.	MARTINA FISCHER / JULIE TUMLER	September 2000
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9	Kollektive Traumata. Annahmen, Argumente, Konzepte. Eine Bestandsaufnahme nach dem 11. September.	ANGELA KÜHNER	February 2003

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2	*Golitsino Workshop for Peace Builders. 25. – 29. September 1995*	ANJA WEIß / ALEKSEJ NAZARENKO	August 1996
3	*Warsaw Workshop for Peace Builders. 28. Januar – 2.Februar 1996*	ANJA WEIß / ALEKSEJ NAZARENKO	September 1996
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1	Konfliktbearbeitung in der Zivil-gesellschaft. Die Workshop-Methode im rumänisch-ungarischen Konflikt.	P. HAUMERSEN/ H. RADEMACHER/ N. ROPERS	2002
2	Die Teilung überwinden. Eine Fall-studie zur Friedensbildung in Zypern.	OLIVER WOLLEH	2002
3	Hilfe die nicht vom Himmel fällt. Gewaltprävention in der Entwicklungsarbeit von NGOs.	E. FORBERG/ U. TERLINDEN	2002