

Armed conflicts and economic growth

Master of Science in Economics

submitted by

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Introduction

War is a devastating phenomenon which causes a considerable number of victims which also expands and creates new problems such as obligatory migration, refugee crisis, reduction of foreign direct investments, destruction of vital infrastructure and might cause social and political fragmentation of the society (Gates et al., 2012). The cumulated knowledge of (Kang & Meernik, 2005) asserts that fragmentation of society, economic performance, suppressive political administration and poor living standard are the main factors that push a country into internal conflicts, resulting in civil war. Nevertheless, the outcomes of post-war economic development have had different views between the authors over the years, where (Gates et al., 2012) states that countries that have experienced a war, especially those of internal civil wars in the recent years, tend to lack behind economically when compared to countries that have not had a civil war in the recent years. But, in the other hand (Kang & Meernik, 2005) supported by the definition of “war renewal” school of thought, proclaims that civil wars can produce various advantages through increasing their efficiency of resources due to hard circumstances, technological improvements, and improve their human capital. In addition to that, (Kugler & Arbetman, 1989) claims that destruction of old-fashioned and ageing industrial infrastructure will allow the most modern techniques and technology to be built, thus resulting in better economic performance, efficiency and growth.

The formation of research questions can be constructed over the clashing arguments of post-war economic outcomes between the authors. By analyzing the effects on economic growth of the factors and indicators such as GDP-per capita, poverty and hunger, health expenditures, education effects and by going further into broader influential factors such as international assistance, foreign direct investment, recovery time period and inflation, will attempt to give answer to the question of whether a post-war country has an opportunistic chance to develop economically into higher pre-war economic levels, or will it cause devastating effects on its economy that would take several years to recover from devastating effects of war destruction? To form the answer to this research question, a brief explanation of actual examples over the post-war economies of the countries might come in handy, since it will help demystify more clarity over the factors that affect post-war

economic growth. The information gaps will be tried to be carried out by the help of previous academic literature and engagement. As a starting point, we will go through the “war renewal” school of thought.

2. “War Renewal” school of thought

The “War Renewal” is a term that is used to generalize the useful components that occur during civil war and focuses on positive effects that might lead to economic growth and stability, where it acts as an identifier and supports the idea that, under post-war circumstances, the economic growth rate of a country will bounce back to the levels of pre-war, adding to the claim that even it might exceed the pre-war economic growth rates (Kang & Meernik, 2005). During a post-civil war situation there is a tendency for an economy to recover in rapid pace, where (Siverson, 1981) marked this phenomena as “Phoenix Factor”. But according to (Kugler & Arbetman, 1989), a post-war country showed accelerated rates of economic recovery, but nevertheless, adding that destruction of political structures is not the same case when it comes to the recovery time required.

3. Supportive arguments of “War Renewal” school of thought over economic benefits on a post-war devastated country

The “War Renewal” school of thought, support their claims by giving the example of defeated nations of world war 2, where Germany and Japan had to rebuild their destroyed industrial plants during the war, which give them no option but to replace old industrial technology with more modern and efficient functioning technologies, where in the other side, the winner countries did not have the requirement to rebuild their industries, since the damage was lesser thus leaving them with the option to not incorporate the technological changes as fast as defeated countries did (Kugler & Arbetman, 1989).

The second supportive idea claims that, the economic structures and functioning during war, under hard circumstances causes the economy to function in the most efficient way possible, in which this functionality can then be transferred from a war economy state to a peace economy state, and it takes a considerable amount of time till the functionality of the economy to settle with more favorable working conditions (Kugler & Arbetman, 1989).

The third supportive claim, is focused more in human capital factor, where during war time, looking in the past wars, to reach the demanded industrial capacity and performance, it will increase the labor force by engaging women and minorities which will result in higher economic output and can be carried into the post-war period when economies have to recover from the destruction they have suffered during the war (Kugler & Arbetman, 1989). The victorious nations can return to their old ways of resource managing, whilst in the other hand the defeated nations will have to find more efficient ways under the conditions of capital shortage and devastating loss of human capital to keep the economy on track and growing (Kugler & Arbetman, 1989). Other authors (Lane, 1984) also argued that during post-war period Germany and other defeated countries caught up rapidly to Great Britain in economic growth rates, and criticized Great Britain on failing to keep up with the growth pace during the same time period.

The fourth supportive claim, focuses on the redistribution of wealth and society behavior, where protest and worker strikes are minimized because of the reduced working options due to war destruction and devastation, thus making the population focus more on finding an income way that would be enough to secure minimal conditions to survive (Kugler & Arbetman, 1989). These minimalist circumstances creates a favorable environment to develop a more fair redistribution of wealth, whilst rebuilding the damaged economy (Wright, 1965). The empirical data of (Kugler & Arbetman, 1989), shows that immediately after the post-war period, the economy in countries such as Austria, Belgium, Czechoslovakia, Denmark, France, West Germany grew by the average of 8% in the first decade and over 4% in the second decade, thus the most devastated countries had almost the double rates of economic growth and development when compared to the period of their pre-war levels of growth rates, resulting in catching up with the victorious countries over time.

The fifth supportive claim, shifts the focus on the possibility of creating a new government and a political system, which might open an opportunity for a more dynamic and more clear economic policies to come into power, which might favor the economic growth, since the party is expected to present economic policies that are designed and projected over the idea of intending to solve the problems surrounding the society and persuade them by promoting

their established values and causes by claiming to improve economic growth, but inversely, it might bring a government into power which might use force to stay in power and cause the economic growth to be more vulnerable to come short of foreign direct investment and block the recent technological activities to flow into the country (Kugler & Arbetman, 1989; Lane, 1984). The governments goal is to improve economic performance, the taxation system, budget managing, inflation control rates, sector stability all depend on government managing, thus making the government a very important factor that might determine the future growth of the economy (Kang & Meernik, 2005).

According to (Kugler & Arbetman, 1989) this positive and high economic growth rates, suggests that after they reach the recovered levels, then the economy will return to normal pre-war levels and the economic growth rates gradually will rise in slower pace, which gives the idea to shift the analysis on the negative outcomes and devastation effects during war and post-war economies.

4.0 Analyzing the economic indicators & the claims that war creates a long lifetime devastation to its economy

While some authors argue that post war effects might have some beneficial outcomes for economic growth and reforms (Kang & Meernik, 2005), in the other hand, war is defined as “development in reverse” and aside direct consequences, it can develop indirect consequences as well (Gates et al., 2012). The disturbance of economic and health sectors result in high undernourishment rates and life quality, in which GDP per capita indicator is the most strong and healthy indicator to track the progression of economy during civil war (Gates et al., 2012).

4.1 GDP per capita as an indicator of war/civil war effects on an economy

Looking into high recovery post-war rates, the main reason why the recovery rates are high, it is caused by the huge losses of economic activity that is caused during war time period, respectively speaking, the average economic Gross Domestic Product (GDP) loss is around -17,5% for a period of over 9,5 years (Costalli et al., 2017). Looking into (Collier, 1999) the Gross Domestic Product outcomes, the war might cause even a larger reduction in

GDP-per capita, contracting by over 30% during war time. According to (Gates et al., 2012) the growth rates during civil war will suffer a loss of 2.2% average GDP per capital for every year that a war continues to wage on. The difference between projected GDP growth and actual GDP growth tends to widen the difference gap of each year that a war goes on (Costalli et al., 2017). Civil wars also tend to cause problems to the neighboring countries, mainly by increasing the risk to drag the country into a civil war, but also countries that were located close to the countries which were on civil war, these countries experienced stagnation and lower economic growth rates when compared to the previous of pre-war years rates (Gates et al., 2012). The devastating numbers of GDP – per capita contraction, leads to poverty and hunger and (Gates et al., 2012) argues that conflicts cause food insecurity. Looking into the empirical data of (Gates et al., 2012), where one country is presented as a country with an ongoing war, and the other country as a country in a peace state, the data shows that the difference between a country experiencing a civil war and the country at the state of peace, the loss due to war on GDP growth per capita is over 20% when compared to the country at the state of peace. The median loss of GDP growth per capita is almost 10% on average when compared to a country without a conflict (Gates et al., 2012).

4.2 Poverty and Hunger as an indicator on war/civil war effects on an economy

The amount of undernourished people around the world was over 1.2 billion people between 1991-1992, this number decreased to 821 million in 2017, however in the same time the number of conflicts around the world also declined, thus (Brück & d’Errico, 2019) believes that the number of conflicts are in positive relation with the number of people living under poverty line limit. Violent wars also trigger the forced displacement of the population, further adding fuel to the weaking of food supply, by making harder to access the arable land and keep the agriculture running in rural areas (Brück & d’Errico, 2019). The food insecurity problem extends its root deeper into the behavior of people affected by war, even normal population for the protection of their food might cooperate with the groups that take part in armed conflicts, thus resulting for a part of population to continue suffering and being malnourished whilst, the cooperating portion of population will benefit

from the conflict such as access to food, production land and animal farms (Kemmerling et al., 2022). The problem with the food supply goes even further where (Kemmerling et al., 2022) describes hunger as “weapon of war” since the food supply can be used to wipe an entire group of population by the means of starvation. This ethnic cleansing can be reached by blocking the food access to them, destroying vital infrastructure of food production (factories, depots, transport equipment) even going as far as polluting water supply canals and wells and destruction of agricultural lands (Kemmerling et al., 2022). This strategy of “scorched earth” can be noticed to this day in the conflict zones in Yemen, Central African Republic and South Sudan, where humanitarian and economic aid from international organizations is severely restricted (Kemmerling et al., 2022).

4.3 Health & Health expenditures as an indicator on war/civil war effects on an economy

The health expenditures during war are reduced drastically when compared to its pre-war levels, where the main portion of the expenditures goes to military equipment and for the capacity to increase the military activity (Gates et al., 2012). The perfect example of a drastic decrease of health expenditures can be noticed during the civil war of El Salvador where during the war the budget for health expenditure was reduced by almost 50% (Ugalde, 2000). Infant mortality rates are amongst the most affected categories when it comes to budget cutting, where in Sub-Saharan African countries the countries which were involved in civil war the infant mortality rates rose for 10% when compared to countries which did not get involved to any conflict before (Gates et al., 2012). The expenditure cutting does not always happen due to shift on military spending, instead it is caused by the incapability of governments to harvest their projected revenue, where in addition to that, the existing health infrastructure and stocks might also damage health facilities, thus resulting in an uncontrolled possibility for various diseases to spread, such as tuberculosis, cholera and respiratory diseases (Abouharb, 2022). The infant mortality rates, malnutrition rates are falling short when it comes to measuring the negative effects during a civil war, since besides these indicators, the psychosocial problems and social problems are also important indicators which mainly occurs during post-war periods of time, where special

rehabilitation programs are needed, which cause further government health expenditures, whilst alcoholism drugs and violence will be on the verge of rising trend (Ugalde, 2000).

4.4 Education as an indicator on war/civil war effects on an economy

Education is regarded as one of the main pillars for economic growth, even both elementary and secondary school education results in increase of economic performance and life quality (Marquez-Ramos & Mourelle, 2019). According to the empirical data of (Marquez-Ramos & Mourelle, 2019), the economy will grow by over 1.5% for every 10% increase in secondary education, and followed by 0.9% economic growth for a 10% increase in tertiary education. Looking into the case of Romania (Mariana, 2015), the found data claims that for every percentage of increase in the number of students will lead to a 0.2% increase in GDP-per capita, confirming that education is a very important indicator which should be carefully monitored during ongoing conflicts, and post-war progression. During a state of civil war a country reduces its education expenditures varying from 3.6% to 3.1% in a period of 7 years of war, even though the reduction of government expenditures on education decrease throughout the years, specifically from 11.3% reduction on the first year, and a gradual reduction of 1.4% per year, the source of decreased government education expenditure is caused from a reduced government budget and the ability to perform the right procedures of budget distribution(Lai & Thyne, 2007). The decrease in education quality and output is as a result of displacement of school children, such as the case of Liberia where over 800,000 students had to flee from their nearest schools and over 80% of total school across Liberia had to be shut down due to the risks of a potential attack from the guerilla groups operating in the nearby area (Lai & Thyne, 2007).

Besides discussing the views of authors who claim post-war effects have positive impact on economies, and of those who claim through the indicators of economy, education, health & expenditures and poverty that war causes devastating effects on all hemispheres of economy where according to (Kemmerling et al., 2022), the international humanitarian aid and international factor (such as United Nations Council) interference plays an important role on how the civil wars on the specific countries will develop, with the aim to reduce casualties and project their way to the least damaging possible outcome from the war.

5.0 Role of International Aid during war & post war period

Over 90 billion USD were spend on international aid, where 48% of total aid spent went to states which experienced at least one civil war in the past 20 years (Hoeffler, 2012). The food is defined as a right for every human that is affected from the war and countries in war state have to respect and fulfill the right to access the food for its people without exceptions (Kemmerling et al., 2022). The duty of International humanitarian law is to protect this access to food, where also in the same time regulates and coordinates human relief operations under unfriendly environment, by trying to tackle the starvation levels on civilians, managing with the resources that they have access and transforming them to a state which will serve to the favor of starving and diseased population (Kemmerling et al., 2022).

For a proper functioning of relief effort mechanisms, the security and funding of the volunteering members is secured by the United Nations Security Council, where it states that every person under war circumstances has a right to access its food, and if the fighting parties are not of the same thought or cooperating, then the use of sanctions can come into play, such as the sanctions over Somalia and Central African Republic were imposed after these parties decided to use their power over the population by starvation (Kemmerling et al., 2022). Nevertheless, (Girod, 2012) argues that international aid triggers economic development if the aid receiving country has its institutions capable of absorbing and managing the incoming aid from various organizations, and also the sending institutions/organizations should be in the same level of managing capability. Even after receiving the international aid (Girod, 2012) argues that the lack of desire to reach the projected development goals might occur, due to receiving more aid that needed and even the possibility of directing the received aid (in this case financial aid) into the fields which might cause the violence to continue for a longer period or time or get caught into perpetual loop. The perpetual loop of returning back to war is also mentioned on (Hoeffler, 2012) where it is argued that over 40% of the countries that had experienced civil wars, can return back to civil war inside 10 years. The empirical data of (Girod, 2012), shows that the most efficient aid recipient formula is when the aid sent has low strategic importance to the receiving country, because the aid that has low strategic importance tends to have more

efficient effects on reducing the mortality rates due to malnourishment by over 2%, whilst humanitarian aid with high strategic importance will decrease the infant mortality rate at his best by 0.1%, due to the reason that the aid sent will not reach its projected destination. However (Girod, 2012) by this empirical data outcome suggests that the policy implications should be revised since the thought of “the more the aid the better” is not always the case when it comes to supporting the people under war or post-war effects. Moreover, (Kemmerling et al., 2022) also brings up the idea that uncontrolled aid inflow of food assistance might damage the local food production, and cause the local communities to depend more on international foreign aid instead of producing and developing their own local capacities.

The slow economic development rates, the insecurity of property rights, the strategic importance level of the goods causes, improper distribution often affects the investments in a negative way and cause further conflicts (Gonzalez, 2007).

5.1 The function of property right in the development of an economy

In an economy where the property rights are in poor condition, then the accumulation of goods and the capital will not be efficient, thus resulting in lower productivity rates and followed by lower economic growth (Gonzalez, 2007). The rapid positive rates of economic growth can cause problems in the economy if the property rights are not fully regulated, even though if a country shows positive signs of economic development post-war period, poor enforcement of property rights will cause a rise in the misuse and waste of the available resources, causing a serious problems for the post-war economies to gather momentum to improve (Gonzalez, 2007). The economic growth that occurs with low secure property rates, can cause for the problem to diverse or result in the reiteration of past events, such as wars and social fragmentation (Gonzalez, 2007). The insecure property rights also affect the trading, where the negotiating sides might prefer more secure alternatives to complete the trade instead of more efficient and higher returns (Garfinkel & Skaperdas, 2006) even stating that the insecurity of property rights can be seen over the insecure resources which continues to this day and causes clashes between various local communities and countries over specific areas where goods of precious and valuable nature are found, such as gold, oil, accession to fresh water and diamonds.

When potential investors, follow the circumstances of the economic property insecurity, it causes uncertainty for the future economic returns from the investments, thus it reduces the desire of the foreign direct investors to invest in that particular area (Blair et al., 2022).

5.2 Foreign Direct Investment in a state of war and post-war period

The mining firms operating under constant civil war pressure, always tend to adapt to the unfriendly environment that surrounds the operating area of the company, the firms tend to invest according to the pace of the conflict, where firms that operate near the conflict area but stays away from fighting areas tend to decrease their investments (Blair et al., 2022). Investing on an environment where civil war rages on, there is a high possibility that the expected returns from the investment spending are highly in doubt to match the projected profitable outcomes, due to the fact of destruction of productive assets and uncertainties about the future (Li et al., 2017). The firms tend to expand their operating areas by respecting their “safe” distance from the war, respectively firms will reduce their capacity expansion plans within 5 kilometers from the conflict area but as the distance from the conflict area extends further, then firms increase their investments gradually (Blair et al., 2022).

Still the firms go for the maximizing of their profits, and because of the circumstances of always being in danger, some firms will take the advantage to extract the resources below market prices, since the competition is reduced due to the war (Blair et al., 2022). The disrupted production, even though it may create some form of opportunities for the firms, many cases of ceasing operations due to the local violence on the staff members, disruptions on the chain supply & transport and destruction of vital infrastructure occurred, such as the case of a flower transporting company, where violence due to war affected the company and saw reduced export levels at - 38% (Blair et al., 2022). Even though destruction of the production facility is considered as the main reason that Foreign Direct Investment to avoid funding their projects, there are more important effects that tackle the functioning of the firms in these environments, particularly the fleeing of employees during increased risk of war escalation, unreliable transportation, fear of looting valuable machinery components and decline in demand are the main reasons on why the firms will avoid investing in that particular area (Collier & Duponchel, 2010). The functioning of

firms might continue lacking even after the end of civil wars, since the war might damage or destroy the vital transporting infrastructure, lower the quality of human resources, cause disturbances and damages in the education system, which might take a long time to recover from the damages caused from the war, thus resulting in a longer time to produce qualified labor force which will run these production chains and secure the proper functioning of the operating firm (Collier & Duponchel, 2010).

Besides the long recovery times for qualified working force on post-war countries, the same phenomena occurs also for the economy recovery at pre-war levels (Hoeffler, 2012).

5.3 Recovery period and effects on an economy after experiencing a war/civil war

Most of the countries after civil war tend to experience rates that are higher than projected when it comes to economic growth (Hoeffler, 2012). The economic growth rates tend to increase at a pace of 1.6% slower when compared to states that have not experienced a civil war, and once the conflict on that particular country ends, their economic growth rate experiences a trending rate of 1%, where it would take an average of 22 years for the economy to recover to its pre-war levels (Hoeffler, 2012). Inside a 10 year period of recovery the economic growth rates set slow but steady recovery, especially during the fourth, fifth and sixth year of recovery and (Hoeffler, 2012) further stating that the economic aid, would have no effects on contributing to economic growth if the country is still going through a civil war, however an extra aid of 1% would contribute between 0.01% - 0.05% on an economic growth. The economic losses take a considerable amount of time to recover, and it may also cause the whole global economy to lack behind, where the global economy would have had a value of over 10.9 trillion US dollars (15.7%) more if no civil war would have happened since 1960, and the global income inequality would have had lower difference gaps (de Groot et al., 2022). Further detailed estimates show that the net total cost of 10.9 trillion US dollars it composed of gross 12.7 trillion US dollars and 1.8 US dollars of gross benefits, and for the countries of Israel, Afghanistan and Sudan, their total Gross Domestic Product would have doubled if none of the violent conflicts would have been avoided in the past, and in total the world would have been wealthier for approximately 16% if no conflicts would have had occurred since 1960 (de Groot et al.,

2022). The negative effects of violent conflicts that has caused on economic growth will never be able to fully revert the losses that the world has already experienced hardships (de Groot et al., 2022).

5.4 Inflation rates during a state of war and capital stock

The inflation rates are in positive correlation when it comes to capital stock (Davies, 2008). The focused government expenditure on military equipment and training, causes the governments to supply their expenses by printing more money compared to peace time, resulting in triggering higher inflation rates and the data from (Davies, 2008), shows that from a sample of 2100 observations, the mean annual inflation increases as much as three times compared to pre-war levels, and once the war ends, the inflation levels do not return to their pre-war rates, but instead the rates tend to be the double the value compared to pre-war inflation rate. The empirical data of (Davies, 2008) continues to further suggest that for every 1% increase in inflation rate will result in a rise of 0.005 to 0.01 increase in capital flight flows, further suggesting that the way to avoid capital flights, low inflation rate would be favorable to prevent the capital flight rate (Davies, 2008), thus adding that low inflation rates form the most favorable environment for economic activity and the reduction in capital flight can be counted as an extra benefit for economies in general.

6.0 Discussion and Conclusion

The study paper investigates the possible outcomes of economic growth during war and post-war period, focusing the research over economic indicators and the clashing ideas of the previous authors that performed research over the effects on economic growth during war and post war period. Before sharing personal opinions, identifying further research gaps, a quick glance and brief summary over the main points that shaped this research paper and bringing up once more the different opinions over war effects on economy might come in handy. Looking into (Kang & Meernik, 2005) argues that the countries which have experienced low scale wars, tend to be better for economic growth, and the countries that had suffered destruction over the infrastructure during civil war, will have the ability to rebuild their infrastructure and reform their political structures, but also does not forget to

mark the role of international assistance, the united nations and investment as a positive factor on economic recovery. Also the (Kugler & Arbetman, 1989) “phoenix factor” argues that economies recovering from the war will have higher economic growth rates by one fourth when compared to their pre-war economic growth. The positive effects of a war on economy claims are supported by the reasoning of rebuilding of destroyed infrastructure which results in more modern technology, efficiency which comes due to adapting of hard circumstances, engagement levels in labor due to increased war production and redistribution of wealth due to “restart” of the economy (Kang & Meernik, 2005; Kugler & Arbetman, 1989; Siverson, 1981).

On the other hand, (Collier, 1999; Gates et al., 2012) consider war as an event that causes the economy to grow in reverse, and that the war also causes rise in the rates of infant mortality, decrease in the education participation, poverty, hunger and hardship on accessing drinkable water. Further literature review over additional indicators, such as economic recovery time (Hoeffler, 2012), takes over 22 years to reach the pre-war economic levels, adding that the international aid, would not have an effect on economic growth rates if the country receiving the aid is still under war state, and the growth rates from international aid on post-war country will have no more than 0.01% to 0.05% economic growth for every increase in 1% of international aid. Also revising (Gonzalez, 2007) over property rights functioning, if the property rights are in poor conditions, it will result in weak accumulation and management of goods which will be followed by lower productivity rates and lower economic growth. Also the important factor for economic growth of Foreign Direct Investment (FDI) will continue to face post-war functioning issues, since besides the probability on the damage of infrastructure, it would also have to cope with shortage of qualified and trained workers, disturbances in chain supply and the increased risk of looting the valuable production equipment (Collier & Duponchel, 2010).

To tackle and to conclude on the research question of “whether a post-war country has an opportunistic chance to develop economically into higher pre-war economic levels, or is it going cause devastating effects on its economy that would take several years to recover from devastating effects of war destruction?”, we can understand that (Kang & Meernik, 2005; Kugler & Arbetman, 1989; Siverson, 1981) research is mainly focused on the

indicator of economic growth rate and post-war economic growth, without bringing up the consequences that the war has caused, recovery time and the losses that were suffered during war. The deeper studies on the factors that indicate economic growth (Collier, 1999; Gates et al., 2012; Hoeffler, 2012) show that the consequences from the civil war are more serious, where it touches all the fields of society and economy which the economic recovery take a long period of time, even in some cases the economy can never recover from the actual losses.

7.0 Personal opinion & Further research gaps

Regarding personal opinions about the war and post-war consequences on the economy, the economy will have positive growth rates directly after the war ends since the economy of that particular country will have to rebuild all the way over again. Since assuming that the economy will be devastated and torn to the ground, the first rebuilding efforts will show high economic growth rates, but it will be far away from the pre-war economic levels.

The rebuilding of the economy after the violent conflict has a more complex as it appears because the rebuilding of damaged infrastructure, strengthening/revising of political structures, should be financed, and reformed from more qualitative and capable people. Considering the environment where human capital losses are high, and government revenues are on all time low, it will not be easy to replace the damaged economic infrastructure with more modern technology, and reform the political system/governance when already suffering from shortage of qualified human capital. The wars might push countries to fund their military expenses by printing money to battle their expenses, thus triggering higher inflation rates which the efforts to lessen inflation post-war period, might cause in the future for the deflation problems to occur. The contradicting examples mentioned on rebuilding could also be applied on education, health expenditures and the function of property rights. As (Gates et al., 2012) states, direct consequences of a violent conflict are bad, but analyzing further into details the aftermath of war consequences are much more worse. Since during post-war period, the factors such as hunger, education system takes really long time to recover, and the portion of population who missed the

chance to participate on any kind of education, might cause an unemployment problem in the future.

Future Studies should also analyze to what extent will the ineffective property rights continue to generate economic growth and more empirical data over the indicators that determine economic growth will provide a better understanding on their effects during conflict or post-conflict. Also besides the existing data about the Foreign Direct Investment (FDI) operating near the buffer zone and the areas which are further than a certain diameter of distance from the conflict zone, an additional data from the core of civil war and a wider category of economic operating industries might be useful for further studies to have more precise empirical data on the effects of Foreign Direct Investment (FDI) and on post-war economic growth.

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