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## Original Article

# Violent conflict and social transformation: An institutionalist approach to the role of informal economic networks

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**Abstract** This article seeks to add to the debate on the role of informal economic networks in violent conflict. It argues that social transformations arising from conflict can be either productive or destructive, depending on the particular institutions embedded in social networks. It also emphasizes how the historical relationship of informal networks to the state shapes the institutional content of informal networks. Two case studies are used to exemplify these contrasting cases. In Somalia, customary institutions of trust and reciprocity were preserved during conflict, and contributed to economic coordination and conflict mediation. In Sierra Leone, the intrusion of patrimonial networks into community life contributed to the development of youth networks based on social misconduct and opportunism, causing social collapse.

Cet article cherche à contribuer à la discussion à propos du rôle des réseaux économiques informels lors de conflits violents. Il soutient que les transformations sociales qui découlent d'un conflit peuvent être soit productives ou destructives, selon la nature des institutions imbriquées au sein des réseaux sociaux. Il souligne en particulier la manière dont la relation historique des réseaux informels avec l'Etat façonne le contenu institutionnel de ces réseaux informels. Deux études de cas contrastées sont présentées afin d'illustrer ceci. En Somalie, les institutions traditionnelles de confiance et de réciprocité furent préservées lors du conflit, et ont contribué à la coordination économique ainsi qu'à la médiation du conflit. Au Sierra Leone, l'intrusion de réseaux patrimoniaux dans la vie communautaire traditionnelle suite au conflit a contribué au développement de réseaux de jeunes ayant un comportement anti-social et opportuniste, ce qui causa un effondrement social.

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## Introduction

Observers of informal economic activities in conflict zones, where formal institutions tend to be decayed or absent, have tended to view informal practices as inducing either social collapse or productive social change during war. This article will seek to add to this debate by taking an institutionalist approach to informal economic networks. An institutionalist framework considers how the institutions embodied in networks and their historical relationships with society and the state condition the behaviours they sustain (Meagher, 2005, p. 224). It will be argued that the social transformations arising from conflict can be either productive or destructive, depending on the particular institutions embedded in social networks. Productive change occurs when the benefits of economic opportunities are inclusive, and is promoted by the retention of customary institutions that allow actors to coordinate exchanges in socially beneficial ways. Destructive change implies an exclusive structure of economic opportunities that contributes to the perpetuation of

violence. It will further be argued that the historical relationship between informal networks and the state affects institutional development, and therefore the ability of informal networks to sustain socially productive economic activity during war. Networks, it should be noted, are conceived here as a set of informal economic relationships that facilitate exchange through social linkages. These arguments will be made from an interdisciplinary perspective rooted in the economic sociology of informal economic networks and the political economy of resource control and distribution.

The next section will elucidate the different theoretical positions that have been taken on the tendency of informality to produce either productive or destructive social change. The arguments will then be made that conflict can lead to socially productive change where informal institutions promoting trust and economic efficiency have been preserved; and that transformation can be destructive where these mechanisms have been weakened and replaced by socially dysfunctional behaviours. A case study of the on-going Somali conflict will be used to demonstrate how informality can be socially productive amidst violence by accelerating modernization, entrepreneurship and conflict mediation. On the other hand, the conflict in Sierra Leone from 1991 to 2002 will show how informal networks can institutionalize violence and exploitative economic practices in a historical context of state neglect. The conclusion will revisit the main argument and discuss the implications of the thesis for development policymakers.

## **The Social Functions of Informal Networks during Violent Conflict**

Informal economic networks have played an important role in modern violent conflicts. The understanding of informal economic activity used in this paper follows Castells and Portes (1989). These authors challenge a rigid, singular conception of informality. They consider informal income-generating practices as those that do not comply with formal regulations, which implies substantial variation across time and space (1989, pp. 12–13). Despite the suggestions of Portes (1994) and Klein (1999) that the withdrawal of the state from market regulation and the penetration of the informal sector by state officials render the informal/formal dichotomy meaningless, this paper sides with others who have argued that the distinction retains value even when the lines between these sectors are blurred. Meagher (2006), for example, comments that informal actors continue to be excluded from beneficial institutional resources where regulatory mechanisms are weak. The alternative mechanisms drawn upon by these excluded actors are central to the analysis of socially productive and destructive change below.

African wars in the 1990s differed from past conflicts because: they were fought within, and not between states; warring groups were not mobilized by the ideologies of major world powers; small, mobile weapons supplied by illicit private dealers were more important than conventional weapons; civilians were deliberately targeted; and political messages were publicized through atrocities (Bangura, 2004, p. 13). These wars can be conceived as ‘violent competition between decentralized networks of state and nonstate, local and global actors of violence for control of locally available resources and access to the global market’ (Bakonyi and Stuvoy, 2005, pp. 360–362). Scholars have taken widely differing perspectives on the role of informal networks in these conflicts.

Some observers perceive the informal economic networks mobilized in violent conflicts to be engines of corruption, violence and economic dependency. Reno (1995, 2000)

analyses modern conflict in terms of a 'Shadow State', or informal, personal and commercially oriented form of authority that mobilizes marginalized youth to use violence against groups making competing claims against local resources and power. The Shadow State is said to exist in inverse proportion to the institutions of formal authority: where the provision of services is weak and entrepreneurial opportunities are limited, people will be forced under the leader's patronage to meet their basic needs (2000). The Shadow State is increasingly pressed to grow outside national boundaries, as relationships with illicit creditors and traders are needed to maintain the complex network of 'elite accommodations' that allow it to control society (1995). Competition between networks for lucrative natural resources puts a 'premium on particularly violent behaviour' (2000, p. 451), and violence becomes an essential tool for maintaining the supremacy of the Shadow network. In this analysis, therefore, informal economic networks are appropriated and manipulated by corrupt officials to extend their political support. As clientelistic politics penetrate more deeply into community life, economic activities are redirected towards sustaining the Shadow State and society descends into a cycle of violence.

Other writers take a more ambiguous stance, asserting that networks can be manipulated during conflict in ways that produce a new economic order, significantly changing pre-war structures of authority and power. Bakonyi and Stuvoy (2005) and Keen (2005) challenge the idea that violence produces nothing more than social collapse; instead, they see it as a powerful force for social change and reorganization of the relations of production. These authors stress the 'affective and irrational motivations' (Bakonyi and Stuvoy, 2005, p. 363) that motivate acts of violence by individuals seeking to ameliorate their position in a social order that has historically exploited and excluded them (Keen, 2005, p. 289). These violent behaviours substantially change accepted norms of exchange, politics and morality, allowing politicians, traders, fighters and others to gain power and profit whereas others continue to struggle for survival (Keen, 2005). The ultimate lesson these authors wish to impart is that 'for good or bad, war has been an engine of change, and it is dangerous to assume these changes away in any plans for reconstruction' (Keen, 2005, p. 297).

Writers at the most optimistic end of the spectrum have perceived informal networks to catalyse positive societal transformations by allowing marginalized people to assert their agency during war. In his work on Mozambique, Chingono (2001) has argued that the collapse of formal authority allowed women, children and other 'barefoot entrepreneurs' to challenge traditional, patriarchal social structures, stimulating the move towards a capitalist economy. The empowerment of civil society groups in the midst of state collapse is evidence of a 'precarious dialectic of constructive destruction' through which new economic opportunities come to replace the old system (2001, p. 93).

Duffield (2001) and Nordstrom (2004) hold a similar view that the informal networks sustaining daily life in the context of war can be engines of substantive economic development. Informal networks are the only means of supply during the transition from one formal regime to another, and the provision of basic and industrial goods through these structures sets real development in motion (Nordstrom, 2004). Thus, development is created at the local level through the 'new relations of production and legitimacy' that have emerged as a result of war (Duffield, 2001, p. 147). These authors go so far as to suggest that the new forms of power created in informal networks threaten the hegemony of formal systems of authority, and that holders of official power seek to obscure the positive transformations induced by war to protect the transition to formalized peace upon which their legitimacy is based.

## A Typology of Productive and Destructive Change in Conflict Societies

Missing from this debate, however, is an analysis of how the particular institutions embedded in informal economic networks induce either productive or destructive social outcomes. Networks vary in their character and constitution: social conventions promoting trust, redistribution and efficiency may be embedded in networks; however, customs fomenting opportunism, abuse and violence may also prevail. These differences have important consequences for the types of behaviours that are accepted and encouraged, and thus for the social change produced by war.

Socially productive change is defined here as the creation of economic opportunities that contribute to the cessation of violence by virtue of their socially inclusive nature. I refer to a developmental process where the stability of the economy and of life is improved as actors make use of unofficial channels for economic production and distribution and for conflict resolution. It involves the creation and upholding of mechanisms for coordination and protection of property rights based on social ties when they cannot be guaranteed by the state. Socially destructive change occurs when the reorganization of economic opportunity created during conflict is inherently exclusive. Violence is perpetuated by the centralization of gains under the control of networks that use them to further strengthen their use of force. In the absence of formally protected property rights and mechanisms for coordination, the institutional configuration of such informal networks fails to incentivize behaviours that produce broader social benefits.

The argument goes further than to say that the nature of institutions embedded in networks – trusting or abusive – determines whether conflict induces socially productive or destructive change. Also essential to the analysis is the historical role of the state in the constitution of informal networks. Networks are not formed independently from the state; rather, they are defined by the nature of their relation to it at the local and national levels (Meagher, 2005, p. 226). Evans (1996) suggests that ‘state – society synergies’, by which is meant ‘mutually reinforcing relations between governments and groups of engaged citizens’ (1996, p. 1119), can create developmentally effective social capital by adding reliable state – society linkages to the relations of trust found in ties of kin and friendship (1996, p. 1122). Thus the historical experience of ‘synergistic’ ties with the state can reinforce the ability of informal networks to respond to conflict in socially productive ways. Alternatively, where the state has intruded in self-seeking ways in the lives of citizens, socially destructive outcomes are more likely to come about. In such contexts networks may be manipulated by elites, who use them as instruments of political opportunism and fragmentation (Meagher, 2005, p. 232). A third possibility is when a region is considered peripheral to economic and political interests and has experienced relatively little state intrusion of either of the above kinds. In this case it is the interaction between customary institutions and opportunities for political and economic entrepreneurship created by the war economy that will determine social outcomes. Although the ‘marginality’ of northern Somalia ‘promotes innovation’ and has restrained violence there (Reno, 2003a, p. 34), it is conceivable in other situations that the balance between local custom and unrestrained behaviours may be tipped towards the latter, with socially destructive results.

The sections ‘Somalia: social cohesion amidst state collapse’ and ‘Sierra Leone: social disintegration under a perpetual ‘Shadow State’ will illustrate these trends, drawing primarily on the case of Somalia and also making use of comparative evidence from Sierra Leone. It will be suggested that the historical relationship of informal networks to the state

can help explain why socially productive outcomes arose in the former whereas social destruction resulted in the latter. In Somalia, the state was relatively nonintrusive in some areas, and in others informal politics reinforced clan-based relationships of trust. These factors allowed trading networks to maintain the mechanisms of social coordination and control that sustained daily life and even contributed to economic development in a context of total state collapse (UNDP, 2001). In Sierra Leone, on the other hand, the historical exclusion of average citizens from patrimonial networks fostered the creation of a war economy that key actors had an interest in perpetuating (Keen, 2005). Trading networks were brought under the auspices of patronage lines, undermining community-based institutions and ultimately causing social collapse.

### **Somalia: Social cohesion amidst state collapse**

The Somali state collapsed in 1991 with the ousting of President General Siad Barre by rebel groups (Warsame Yusuf, 2006, p. 470). Barre had fuelled the subsequent conflict by manipulating clan identities with 'divide-and-rule' politics and a dictatorial leadership style (Warsame Yusuf, 2006, p. 470). Barre's tactics of clan repression motivated the emergence in the 1970s and early 1980s of the Somali Salvation Democratic Front and the Somali National Movement, insurgent groups in the nomadic North that were recruited from the Darood/Majerteen and the Isaaq clans, respectively (Bakonyi and Stuvoy, 2005, p. 355). Warring clans fought for control of urban centres and the conflict eventually spread throughout south-central Somalia (Warsame Yusuf, 2006, p. 470). Despite the creation of the Transitional Federal Government in 2004, peace continued to elude the capitol as clans disregarded official steps towards reconciliation (Warsame Yusuf, 2006, p. 471). Shortly thereafter the intensity of violence was renewed, as the Transitional Federal Government and its Ethiopian backers were pitted against an uprising of diverse groups in Mogadishu (Menkhaus, 2007). An 'eminently avoidable' humanitarian crisis has ensued as a result of poor political decisions and miscalculations (*ibid.*).

Yet, the civil war has catalysed radical economic changes that have allowed the maintenance of some degree of social stability and created real development for some groups. The collapse of all state authority has induced a radical transformation from a centrally planned economy to a free market system, and has resulted in the internationalization of the economy through the emergence of transshipment and trans-border trade (UNDP, 2001, pp. 90–91, 94).<sup>1</sup> Furthermore, the northern territory of Somaliland has developed its own (minimal) institutions of governance and service provision, and has become a lead nation among East African livestock exporters (Little, 2003, p. 132). These productive changes were made possible by the preservation of customary institutions, deeply embedded in informal networks that had not been co-opted by the predatory state.

An examination of the historical context in which social networks have interacted with the state helps to explain how new commercial opportunities and patterns of governance emerged as a result of conflict. Before the war most Somali herders and farmers in the borderlands received little in terms of services or infrastructure from the government, barely used judicial means to solve disputes, and showed almost no support for the established leadership (Little, 2003, p. 14). In this context informal institutions promoting trust and reciprocity were able to gather strength. Little (2003, p. 16) points to the *diya*, a lineage-based blood payment system providing resources for individuals in circumstances of conflict or need; the *xeer*, a social contract binding members of the *diya* unit; and the

*nabadoon*, a locally held political position for the mediation of conflicts. These components of customary law are used in the settlement of land and property disputes, giving informal networks responsibility for conflict resolution in the absence of a working formal government (Warsame Yusuf, 2006, p. 482).

Without a formal welfare system, such informal institutions have been indispensable for the maintenance of livelihoods. Informal networks for resource transfers provide 64 per cent of household income (Nenova, 2004, p. 5).<sup>2</sup> Thus, the total collapse of the state structure has not meant the withdrawal of mechanisms for social cohesion and control; rather, these institutions were already firmly in place and remained so during conflict, providing valuable instruments for coping with disruptions as violence ensued.

The historically central role of the clan in informal political organization has contributed to the emergence of clan-based commerce as a force for reconstruction and development in the war economy. Lineage identities were solidified in the South during the colonial period as violent state intrusions forced groups to seek the protection of clan militias, and a British policy that gave *diya* unit headman the incentive to preserve groups' formations produced a similar outcome in the North (Reno, 2003a, pp. 7–14). Clan-based political organization was integrated into the state structure under Barre through a neo-patrimonial system (Bakonyi and Stuvoy, 2005, p. 364). Clan-based economic networks were increasingly tied to the proliferation of informal economic activities, creating a situation in the 1980s where the formal and parallel economies were not distinct entities (UNDP, pp. 141–142). The clan dimension of commercial networking gained significance throughout the 1980s, as kinship became a means of identifying the ruling elite and its opposition (*ibid.*, 2001, p. 143). These networks have facilitated economic development through trading partnerships and financial service provision, which will be discussed in turn below. The role of these networks in sustaining violence through commercial transactions should not be ignored and will be discussed thereafter.

### *Networks and trade*

With the collapse of state regulatory mechanisms, clan identity has provided the trust required to sustain trading networks. Trading networks organized according to clan affiliation have replaced the juridical guarantee of the state with social control and trust (Bakonyi and Stuvoy, 2005, p. 365). Companies often initially appeal to clan identity to attract customers (UNDP, 2001, p. 148). Private sector ventures based on reputation and clan ties have taken a dominant role in the restoration of infrastructure and basic service provision, and as these enterprises have grown across clan lines, informal ties of trust have been strengthened between factions (Warsame Yusuf, 2006, p. 482).

Clan-based transborder trade between Somalia and Kenya has played a crucial role in the maintenance of commerce in the border regions. Little's (2003, p. 117) study of livestock trade on the Somali – Kenyan border indicates that this activity is increasingly clan-based, with only the Ogadeen clan participating in trade on the Kenyan side. Informal middlemen reinforce dozens of simultaneous credit relationships through clan ties, drawing on multiple trust-based obligations if an agreement is violated (2003, pp. 115–116). The *dilaal*, a market broker who insures market transactions and protects against the sale of stolen animals and goods, encourages fair trade in the absence of contracts backed by the state (2003, p. 11). This form of livestock trade is the only one to have survived the devastation of the war and in fact has grown considerably, allowing pastoral communities to improve their economic well-being in comparison to pre-war conditions (UNDP, 2001; Little, 2003). This trade has also helped maintain commerce

through a complementary trade in grain and basic consumer goods brought back from Kenya (2003, p. 118).

As described by Marchal (2002), the Bakaaraha market in Mogadishu provides another example of commercial growth in the war context, facilitated by the trust that clan ties provide. The goods sold here range from food and medicines to fuel and weapons, and their destinations extend across Somalia and to neighbouring countries (2002, pp. 63–77). The physical expansion of the market and of the goods it provides has been enabled by what Marchand refers to as the ‘clanization’ of the urban setting: as of 1996 the land in the area was divided between the Murusade and Haber Gidir clans, as a means of protecting their property (2002, p. 64). Clan ties also seem to play a role in the extension of credit to market operators. For Marchal (2002, p. 76), there is ‘no obvious explanation why [credit] exists at all’. He suggests that culture and consideration for the business position of one’s clan may at least partially underlie trading behaviours in this market (*ibid.*). Thus it seems that clan-based ties of trust have replaced formally protected property rights in providing security for land, wares and financial resources, allowing market forces to operate and commercial trade to grow.

### *Networks and financial services*

A system of kin-based resource transfer from the Somali diaspora has provided a critical source of capital for maintaining community life and making productive investments. This system has roots in the ‘franco-valuta’ system of the 1980s, in which local middlemen who were integrated into clan-based patrimonial networks exchanged foreign currency received from Somalis living abroad for shillings and delivered funds to their families (Bakonyi and Stuvoy, 2005, p. 366). Particularly since 1995, these companies have incorporated traditional *hawilaad* agents (Lindley, 2005, p. 8). In the Somali *hawala* system, money is paid out to families by one agent on the assumption that another agent who received funds from the remitter will pay him back (*ibid.*).

The resource transfer system was greatly expanded with the proliferation of worldwide informal remittance companies. The system has grown with the diaspora resulting from the civil war, with \$500 million to \$1 billion in remittances sent into Somalia via the *hawala* system annually (Nenova, 2004, p. 5). Remittances are a stronger force of development than international aid, considering that \$174 million is received in aid annually and much of this is spent at NGO headquarters in Nairobi rather in Somalia itself (cited in Lindley, 2005, pp. 14–15). The process works through trust-based relations, to the extent that transactions are processed free of any formal regulation; the identity of the receiver is verified through security questions about kinship provided by the sender (cited in Nenova, 2004, p. 4). The system has reinforced the importance of clan-based identities, since its growth has relied on the mobilization of clan affiliation to forge commercial relationships around the world (UNDP, 2001, p. 142).

The *hawala* system has also promoted societal cohesion beyond the clan level. Remittance companies have recently expanded their investor and customer bases beyond clan ties, allowing them to expand their operations throughout the country (Lindley, 2005, p. 9). This has coincided with growth in the range of services provided to create new sources of economically productive funds. The larger *Hawilaad* companies in Mogadishu also serve as savings accounts for individuals and businesses, transfer money outside Somalia for students, travellers or others and have taken the lead investor role in a variety of projects from construction to telecommunications (Marchal, 2002). Specific examples include the Dahab Shiil money-transfer company, which expanded its primary business

from refugee camps to commercial purposes, and al-Barakaat, a company that founded the telecom Betelco in 1994 (*ibid.*, pp. 22–23). An example at the community level comes from a microlending scheme known as *hagbed*, wherein women associated through their living or work arrangements and/or clan membership use collective financing for business development (cited in Nenova, 2004). These examples demonstrate that customary institutions have facilitated the growth of financial services in the absence of a formal regulatory framework.

### *Networks and violence*

This argument does not intend to downplay the role of informal networks in sustaining conflict. There is evidence from the infrastructure sector, for one, to suggest that networks have been mobilized to undertake economic activities that have impeded development or promoted violence. Marchal reported in 2002 that the Ballidoogle airport continued to be controlled by the interests of militias and their private business leaders, despite attempts by the Transitional Federal Government to take it over for military purposes (2002, p. 43). Clan rivalry also caused ports to function irregularly and inefficiently, and the situation seemed unlikely to change given its profitability for a select few (*ibid.*, p. 41). Networks may also have destructive effects in privately provided social service sectors, such as health and education. Clan identity biases achievement at university, as successful outcomes for a particular clan ensure its representation at higher levels of the civil service (*ibid.*, p. 100). It may also encourage people seeking medical care to place unwarranted faith in the fraudulent clinics and pharmacies of Mogadishu (*ibid.*, pp. 94–103).

Finally, violence itself is an important commercial enterprise for a number of businessmen. Faction leaders are backed by businessmen seeking political power and/or economic opportunities; in some cases these business men have become faction leaders themselves, with profitable results (Compagnon, 1998, pp. 85–86). Yet, to a large extent these destructive impacts can be explained by a complex history of state manipulation of customary institutions and economic opportunities. Reno (2003a) describes in detail how President Barre targeted his patronage networks at a diversity of clans in the agriculturally rich southern region, eroding the political power of elders and the social control provided by customary institutions. Subsequent politico-economic entrepreneurs have perpetuated a war economy run by militias whose members are unrestrained by conventions limiting the use of violence (*ibid.*). Yet, the businessmen of the North have been excluded from patronage networks and have consequently adopted a global outlook, which necessitates a stable environment (*ibid.*). Remittances, for example, were used by the Somali National Movement for investments in telecommunications and financial services through the *abban*, a credit system based on clan organization (*ibid.*). These differences in outcomes support the assertion that productive change is enabled by the preservation of customary institutions. They also raise questions on the role of the state in economic regulation, which shall be addressed in the discussion section below.

### **Sierra Leone: Social disintegration under a perpetual ‘Shadow State’**

Violent conflict erupted in Sierra Leone in March 1991 when a small group of rebels calling themselves the Revolutionary United Front (RUF) invaded from across the Liberian border. This insurgency was composed of three groups of youths: Liberian rebel forces who had acquired training in Libya; Sierra Leoneans resident in Liberia; and hard-core Liberian rebel fighters on loan to the RUF (Abdullah, 2004, p. 57). The RUF relied

on hit-and-run ambushes, misinformation and terror tactics against villagers to demoralize opponent troops (Richards, 1996, p. xx) in their declared campaign to liberate the country from a corrupt and ineffective government. However, this 'freedom crusade' soon devolved into a strategy to gain access to the country's lucrative diamond wealth, becoming an excuse to loot and kill as diamonds were trafficked to Liberian President Charles Taylor (Kpundeh, 2004, p. 100). RUF forces eventually weakened their resolve and began disarming in 2001, with the programme declared successfully completed by the UN in early 2002 (Keen, 2005, pp. 267, 287).

The historical exclusion of African businessmen and average powerless citizens under a neopatrimonial 'Shadow State' (Reno, 1995) can help to explain Sierra Leone's descent into anarchic violence and the development of an exploitative war economy. Reno (1995) describes how the APC governments of Siaka Stevens (1967–1985) and Joseph Momoh (1985–1992) developed informal networks of foreign investors, banking institutions and local politicians into which diamond wealth was increasingly concentrated, whereas the institutions of the formal state decayed and the citizenry was increasingly excluded from access to sources of national wealth. Coercion and patron – client relationships with local politicians allowed Lebanese businessmen to extend patronage networks into other trade sectors such as fisheries and agriculture, and the indigenous bourgeoisie was gradually crowded out of the retail and service sectors by the families of foreign entrepreneurs (1995, pp. 116, 141–142). The privatization of violence helped expand patronage networks, cloaking society under their destructive reach. The South African private military Executive Outcomes created the local conditions necessary to gain control of some mining areas, which were handed over to President Strasser (1992–1996) in 1995 to strengthen his 'shadowy' regime (Reno, 1997b, p. 504). Further evidence of clandestine economic networks motivating violence was seen when Sierra Leonean soldiers began to join forces with rebels to exploit diamond wealth, developing a reputation as 'sobels' (Reno, 1997a, p. 180). The 'Shadow State' came to colonize the domains of politics and society as social categories were redefined by one's level of access to this network (Reno, 1995, pp. 105, 126).

The patronage politics of the 'Shadow State' had an impact on institutional development within networks of marginalized youth, with important social consequences. In a political context where the patrimonial state was increasingly protected from vertical and horizontal accountability and closed off from civil society groups (Kpundeh, 2004), university students and unemployed youths prone to crime and drug-addiction, or 'lumpens', emerged as its primary opposition (Abdullah, 2004, pp. 44–45). The RUF found a receptive audience among the young mining workers of the East and South who had been excluded and exploited by elite diamond networks (Richards, 1996). The lumpens who constituted the primary thrust of the opposing factions were social misfits who saw the violent methods of the RUF as a way to take revenge against the local patrons who had excluded them (Bangura, 2004, pp. 16, 21).

The intrusion of APC networks into social organization was so deep that local informal trading networks were brought under its patronage and inter-network rivalries were heightened. At Koindu, a trading town at the juncture of the Sierra Leonean, Liberian and Guinean borders, politicians with access to petrol, agricultural products and other consumer goods subcontracted illicit trade to Fula traders to the objection of the Mandingo traders who had traditionally dominated the practice (Reno, 1995, p. 148). In this way diverse social groups were tied to the patrimonial network of the President, and local network disputes were restructured around access to the resources of the 'Shadow State' (Reno, 1995, p. 148).

Koindu traders marginalized by APC strategies were receptive to rebels' diamond trading networks, which presented an alternative to the tightly controlled patronage networks based in Freetown (Keen, 2005, p. 51). Temne, Lebanese, Mandingo and Fula traders benefited from these alternative outlets, assisting the diamond mining operations of the rebels and soldiers through connections to chiefs and businessmen and growing petty-trade links with the RUF (Keen, 2005, p. 129). Thus the new economic order that arose from the conflict further promoted the development of exclusionary patronage networks and created a system wherein soldiers, rebel forces and traditional traders had an economic interest in perpetuating the war. The war economy that emerged in Sierra Leone made peace a threat for many actors, extending and mutating the informal economy that had existed before the conflict (Keen, 2005, pp. 116, 297).

Yet, when armed youth remained close to home and tied to local customs, or became integrated into new communities on the basis of the customary institutions of their chiefs, relative stability was achieved. Community protection units, called Kamajors, engaged in looting and unrestrained violence when away from their own areas, but customary practices by elders kept them from doing so when near to home (Reno, 2003a, p. 27). Furthermore, local chiefs in downstream mining regions were able to use initiation rites and other practices to engage Civil Defense Force soldiers with local custom, ensuring reciprocal protection and avoiding the social collapse that occurred in the Kono region, where APC chiefs had been imposed (Reno, 2003b). This comparison between upstream and downstream chiefs shows that historical autonomy from APC networks had significant impacts on the ability to contain violence through customary institutions as fighting intensified (*ibid.*).

## Discussion

The above analysis may seem to have painted a positive portrait of the relationship between economic development and the absence of government. Nonetheless, the purpose of this article is not to argue that the state should not play a regulatory role in the economy. In fact, the state is the preferred entity for the implementation of a strategy for productive social change. Private owners of resources are dispersed, having neither the systemic vision nor the strategic certainty regarding the behaviours of others to initiate coordinated structural change (Chang, 1994, p. 298). Their time horizons are finite but those of societies are unlimited, implying that the state would discount the future at a lower rate (zero) than individuals (Lefebvre, 2003, p. 32). A crucial example of the failure of private agents to produce socially optimal change in the Somali case is the inability of the private sector to develop and monitor compliance with health and safety regulations. The Somali economy has suffered in this regard, as the inability to meet international health and safety standards for livestock has severely hampered exports (Nenova, 2004, p. 4). Moreover, the health and safety of Somali citizens is put in danger by the absence of regulation to ensure the quality of medical practitioners and pharmaceuticals (Marchal, 2002, pp. 94–103).

Somalia is an important case study not because it demonstrates the flourishing of a free market in the absence of government control; rather, it serves to demonstrate the extent to which a formal institutional base can be replaced by the institutions embedded in informal networks and produce positive change. According to North (1981), the behaviour of social actors is governed by an 'institutional framework' comprised of three layers:

'constitutional rules' regarding the structure of property rights and control of the state; 'operating rules' that delineate terms of exchange; and 'normative behavioural rules' or 'ideologies' that provide a moral framework that legitimize these constraints and simplify decision-making procedures. Customary ties have a profound influence on the ideological layer of this framework, and are also mobilized as rules of exchange and protectors of property rights. In this way market transactions are allowed to proceed, as in the pockets of productive change analysed in the Somali case. Customary ties have been less successful at replacing the aspects of the 'constitutional' layer that ensures coordination and conflict resolution between diverse groups. The two case studies show that some essential elements of the institutional framework may continue to operate where a predatory state has intruded relatively little and allowed customary institutions to be retained, leaving citizens better off than those residing where these mechanisms have been targeted for destruction. The cases do not suggest that customary ties are a replacement for an efficient and effective state, or do they that social welfare can in general be improved by minimizing state involvement in the economy.

The argument also provokes questions about the nature of the contemporary state. Reno (1997a, pp. 183–185) challenges conventional understandings of the state through his work on the relationships between 'weak states', foreign commerce and the privatization of violence in foreign hands, suggesting that the rulers of these countries may be more concerned about controlling access to the economic opportunities created by resources than monopolizing control over their territory. In such cases, where private foreign agents play a significant role in providing security and where the state intends to centralize wealth in its own hands, the above reasons for state intervention in the economy are undermined. When the formal institutional base promotes the success of the state at the expense of its citizenry, productive change relies on the mechanisms embedded in informal networks. The lesson to be taken from the Sierra Leone example is that when these customary ties have been eroded, the basic securities required for stability and exchange are denied and social disintegration results.

## Conclusions

This essay has shown that modern violent conflict can be a catalyst for either productive or destructive social transformations, depending on the institutional content of informal economic networks. It has also argued that the historical relationship of informal networks to the state plays a decisive role in the social outcomes of conflict. Two case studies of countries experiencing violent conflict in the 1990s have supported these points. In Somalia, customary institutions for maintaining trust in trading relationships and for redistributing resources have been maintained, encouraging efficient economic behaviour and supporting conflict resolution. Where the state has intruded little into the operation of social networks, customary mechanisms of trust have flourished. Informal political networks based on clan identity have played a crucial role in maintaining commercial activity after state collapse. Without overlooking the role of clan-based ties in fomenting violence and low levels of security and development, it is important to acknowledge their role in sustaining a relatively efficient private sector in the midst of political chaos.

In Sierra Leone, on the other hand, the intrusion of patrimonial networks under the control of the President contributed to the erosion of community institutions and values,

and created a class of marginalized youth amenable to the economic opportunities offered by forces battling for control of diamond fields. In contrast to Somalia, where institutions supported social cohesion and popular livelihoods, informal networks came to be based on socially destructive and opportunistic behaviour. Informal institutions thus facilitated the perpetuation of a patrimonial economic system whose leaders relied on violent conflict to generate wealth, contributed to prolonged suffering and delayed the emergence of democratic order.

As a final consideration, it is worthwhile asking how informal networks relate to recent political events in Somalia and Sierra Leone. The former saw the rise of a powerful Council of Islamic Courts from 2004, which became increasingly radicalized throughout 2006 (Menkhaus, 2007). The Courts garnered their financial support from the Hawiye clan, the country's strongest in economic and military terms (Menkhaus, 2007). It is important to avoid interpreting the rise of the Courts as an expression of oppressive power amassed through informal Hawiye networks. Facile labelling by international actors obscured a view of the Courts as a manifestation of the desire by a new set of actors for change from the terrorizing control of warlords (Marchal, 2007, p. 1105). The Courts had had initial success at eradicating the rampant criminal behaviour in Mogadishu, and this had won the support of many Somalis (Menkhaus, 2007). Moreover, Menkhaus (2007) suggests that before the onset of war the *sharia* courts were evolving towards a neighbourhood-based system that could have provided equitable legal protection for all clans. The rise of the Courts seems to express a culmination of frustrations with the failure of the rule of law and its violent results at the societal level, rather than a failure of customary institutions to maintain order and economic relationships within particular groups. Further, the role of foreigners in the renewed crisis of 2007 must be considered before assigning responsibility to internal actors. The assumption by the international media and politicians that members of the Courts were terrorists with connections to al-Qaeda had a decisive influence on the decision by Ethiopia and the United States to invade Somalia (Marchal, 2007, p. 1093), precipitating the current humanitarian crisis.

In Sierra Leone, it may be premature to consider the destructive impact of networks on stability to have been eradicated. Reno (2003b) suggests that the peace settlement has not succeeded at expunging the political networks through which economic opportunities are distributed and customary institutions are destroyed. Corruption continues to dominate the distribution of mining opportunities, local law enforcement is subjugated to the power of 'local strongmen', and the pitiful salaries of the civil service complicate any efforts at the construction of a strong and honest state (*ibid.*). An evaluation of the sustainability of peace requires more evidence of the interactions between informal networks and the state-building process.

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## Notes

1. The term 'free market' should be taken with a grain of salt. As observed by Marchal (2002, pp. 113–114), Mogadishu's is not truly a free market economy because of the high transaction costs of protection and evidence of collusive behaviour by established firms to expel market entrants.
2. Although it is generally agreed that remittances have been a strong, positive force for economic development, Marchal (2002) cautions that they accrue primarily to urban and relatively high-income families.

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