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ABSTRACT

Zhukov, Yuri M.—Trading hard hats for combat helmets: The economics of rebellion in eastern Ukraine

Using new micro-level data on violence in Eastern Ukraine, this paper evaluates the relative merits of 'identity-based' and 'economic' explanations of civil conflict. The first view expects rebellion to be most likely in areas home to the geographic concentration of ethnolinguistic minorities. The second expects more rebel activity where the opportunity costs of insurrection are low. Evidence from the armed conflict in Ukraine supports the second view more than the first. A municipality's prewar employment mix is a more robust predictor of rebel activity than local ethnolinguistic composition. Municipalities more exposed to trade shocks with Russia experienced a higher intensity of rebel violence throughout the conflict. Such localities also fell under rebel control earlier – and took longer for the government to liberate – than municipalities where the labor force was less dependent on exports to Russia. *Journal of Comparative Economics* 000 () (2015) 1–15. Department of Political Science, University of Michigan, United States.

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*Before the war, I worked in a mine for three years. Last year, the price of coal started to drop and many mines started to close. I lost my job. Then, with what happened during the spring, I decided to go out and defend my city.*¹

Rebel fighter with Vostok battalion
Pisky, Donetsk oblast, July 2015

In March and April 2014, angry mobs and armed med stormed administrative buildings and police stations in Eastern Ukraine. Waving Russian flags and condemning the post-revolutionary government in Kyiv as an illegal 'junta,' the rebels proclaimed the establishment of 'Peoples' Republics' of Donetsk and Luhansk and organized a referendum on independence. Despite initial fears that the uprising might spread to other provinces, the rebellion remained surprisingly contained. While 61% of municipalities in Donetsk and Luhansk fell under rebel control during the first year of the conflict, just 20% experienced any rebel violence.

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¹ Langston (2015)

What explains local variation in rebellion? Why might two municipalities in the same region experience different levels of separatist activity? Why do some towns remain under government control while others slip away? Why might residents of one municipality be more receptive to foreign fighters and support than another?

This paper uses new micro-level data on violence and economic activity in Eastern Ukraine to evaluate the relative explanatory power of ‘identity-based’ and ‘economic’ drivers of civil conflict. The first category places an emphasis on ethnicity and language. According to this view, the geographic concentration of an ethnolinguistic minority – in this case, Russians or Russian-speaking Ukrainians – helps local rebels overcome collective action problems (Bates, 1983; Weidmann, 2009), while attracting an influx of fighters, weapons and economic aid from co-ethnics in neighboring states (Gleditsch, 2007; Salehyan, 2007). The second group of explanations privileges more traditional economic factors, like negative shocks and reduced opportunity costs of rebellion (Miguel et al., 2004; Ciccone, 2011; Iyer and Topalova, 2014). According to this framework, violence should be most pervasive in areas potentially harmed by trade openness with the EU, austerity and trade barriers with Russia.

The conflict in Eastern Ukraine would appear to be a hard test for economic shocks, which have received far less attention in the public debate than nationalism or identity (see Gentile, 2015). Of all international news items on the conflict published in its first year, 55% mentioned Russian ethnicity, language or military support, while just 23% mentioned any economic issues.² If economic conditions can explain variation in a conflict so widely perceived to have been fought along ethnic lines, we should expect to see similar patterns unfold in less unlikely circumstances.

The challenge in empirically testing these competing models of conflict is that, at the regional level, Ukraine’s ethnic and economic profiles overlap. The Donets coal basin – or Donbas – is both highly dependent on trade with Russia, and has deep cultural and linguistic ties to Russia. This overlap has made it difficult to parse out the independent effects of language and trade. A regional empirical focus also masks potentially important variation in local conditions. While the Donbas is home to numerous enterprises almost entirely dependent on export to Russia – such as locomotive plants and certain machine-building firms – other local industries, like steel, have been far more competitive on the European market.

This paper confronts these challenges with a disaggregated approach, using new micro-level data on violence, ethnicity and economic activity to explain sub-regional variation in conflict behavior. The event data on violence are based on human-assisted machine coding of incident reports from multiple sources, including Ukrainian and Russian news agencies, government and rebel press releases, daily ‘conflict maps’ released by both sides, and social media news feeds. The data include 10,567 unique violent events in the Donbas, at the municipality level, recorded between President Viktor Yanukovich’s departure in February 2014 and the second Minsk ceasefire agreement of February 2015.

Using Bayesian model averaging, I show that a municipality’s prewar employment mix is a stronger and more robust predictor of rebel activity than local ethnolinguistic composition. Municipalities more exposed to economic shocks – like ‘monocities’ dominated by the machine-building industry – experienced a higher intensity of rebel violence, weekly and overall. They also fell under rebel control earlier – and stayed under their control longer – than municipalities where the labor force was less dependent on exports to Russia.

These findings contribute to research on the relationship between economic conditions and conflict (Collier and Hoeffler, 1998; 2004; Miguel et al., 2004; Bazzi and Blattman, 2014), and particularly recent work on the effects of economic shocks on the opportunity costs of fighting (Brückner and Ciccone, 2010; Dal Bó and Dal Bó, 2011; Besley and Persson, 2011; Dube and Vargas, 2013).

From a policy standpoint, this evidence offers a corrective to the dominant ethno-nationalist narrative surrounding public debate on the Ukrainian conflict. It is tempting to associate terms like ‘pro-Russian’ and ‘pro-Ukrainian’ with the ethnic and linguistic groups that bear their name. Yet in the Donbas, those rebelling may have ‘pro-Russian’ sympathies for reasons other than ethnicity or language. Depending on the source of income, one’s livelihood may depend on maintaining close trade ties with Russia.

These findings highlight the national security risks of regional economic dependence on a single export market. If the outside country chooses to impose targeted trade restrictions and import substitution, this local dependence can significantly increase the risk of civil conflict.

The paper proceeds as follows. Section 1 briefly reviews recent literature on ethnic conflict and economic shocks. Section 2 presents an overview of events leading up to the war in Eastern Ukraine, and the political economy of the Donbas. Section 3 introduces a new dataset on violence in the Donbas. Section 4 presents the empirical strategy used to test the competing theories of violence, and summarizes the paper’s empirical findings. Section 5 offers a discussion of the broader significance of these results, and some concluding remarks.

1. Identity, economics and conflict

A growing literature in economics and political science has explored the relative influence of ethnolinguistic and economic conditions on the causes and dynamics of civil conflict (for review, see Blattman and Miguel, 2010).

Rationalist theories of ethnicity expect conflict to be more likely and more intense in areas where ethnic groups are geographically concentrated, for several reasons. The ‘exclusion hypothesis’ emphasizes the greater motivation for rebellion among

² Statistics are from a search of all sources in the ProQuest News & Current Event database, with date range 4/1/2014–3/31/2015. The query (donbas OR donbas OR donetsk OR luhansk) yielded 66,729 hits. Sub-searches of these results with keywords (ethnic OR language OR nationalist) and (trade OR industry OR economic) yielded 36,545 (55 percent) and 15,259 results (23 percent), respectively.

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