

Violence and coercive threats play a central role in shaping economic under-performance in many developing societies.¹ Yet, little is known about how to mitigate such political risks. My research focuses on understanding the effectiveness of organizations and innovations that societies have developed to address the risk of political violence in the past, and to derive new lessons for contemporary policy.

In my work so far, I have empirically documented a series of strategies societies have used for addressing political violence. For example, I measure the effects of financial innovations in aligning the incentives of conflicting groups historically, and in raising support for peace in a field experiment today. I show how the development of organizations to exploit inter-ethnic complementarities in trade has had lasting effects on peace. With Steven Wilkinson, I examine how the effects of combat experience acquired in war itself enhances the potential for political collective action. My broader research also focuses on the role of organizations in mitigating conflict: including measuring how informal slum leaders mediate political participation among the urban poor, how newly-introduced rural parliaments distribute political voice to marginal groups, and developing theories to understand the effectiveness of non-violent mass movements and how social hierarchies emerge to sustain trust across ethnic lines.

My focus on innovative organizations has led to a somewhat different approach than much of the related literature. The cross-country regressions common in many influential studies in historical political economy can illuminate broad patterns of incentives and macro phenomena, but often have less to say about the details of the organizations and new ideas that societies have applied to mitigate conflict and the pathways through which these are developed and diffused. Similarly, in key benchmark models of political economy, collective action is assumed to occur spontaneously among agents with the same endowed interests.² In contrast, understanding the mechanisms through which societies forged coalitions to solve the problem of political violence requires understanding the specific institutions of each society.

I have adopted a dual approach to delve into these mechanisms. First, I have focused on developing a particular expertise in contemporary South Asia, an environment encompassing half the world's poor, remarkable ethnic diversity, and long histories of both extensive political violence and innovative solutions to such conflict. Second, I have sought a directed understanding of a small set of other

¹ A growing body of work in political economy documents the central role of violence and the coercive power of incumbent elites in persistent underdevelopment. A common theme is that within-society differences in endowments—e.g. of wealth, ethnicity, rights, access to finance, etc.—can lead conflicting interests to block reforms and foment violence (eg Acemoglu, Johnson and Robinson, 2005, Rajan 2009, Montalvo and Reynal-Querol 2005, Haber and Perotti 2010).

² See for example, Acemoglu and Robinson (2005) and Banerjee, Iyer and Somanathan (2008).

societies at critical points in their political development. In order to correctly identify the potential sources of violence and their mitigating mechanisms, my co-authors and I have engaged in fieldwork and primary archival research in each setting.

In “Trade, Institutions and Ethnic Tolerance: Evidence from South Asia” (*American Political Science Review* 2013), I draw upon a novel dataset of South Asian towns spanning their medieval and colonial histories to demonstrate how inter-ethnic complementarities, along with ethnic-specific ease of entry into trade, fostered incentives for long-term peaceful coexistence between Hindus and Muslims. I identify the effects of historic trade incentives on contemporary ethnic violence by using small natural harborages that subsequently silted up to provide exogenous variation in a location’s propensity for medieval-era inter-ethnic trade. I show that these medieval ports were 25 percentage points less likely to experience a Hindu-Muslim riot than otherwise similar places, even two hundred years after the loss of overseas trade. I draw upon empirical evidence from household surveys, primary sources, and fieldwork to document how these differences reflect cultural norms and organizations that emerged in the medieval period and continue to reduce ethnic violence, inter-ethnic inequalities, and enhance inter-ethnic trust (as measured by minority polio vaccination rates). A key role played by these organizations lay in coordinating complementarities between ethnic groups in new spheres, and in providing non-violent means to share the gains from trade through cross-ethnic charitable contributions. This paper received the Michael Wallerstein Award from the American Political Science Association for the best paper published in political economy in 2012-13.

In “Does Combat Experience Foster Organizational Skill? Evidence from Ethnic Cleansing during the Partition of South Asia” (*American Political Science Review* 2012), Steven Wilkinson and I also exploit novel South Asian data—in this case on the quasi-random assignment of different battalions to combat in World War II—to identify the effect of combat experience on political collective action. We show that while districts that raised army units that happened to experience an additional month in combat saw increased ethnic cleansing—by 17,000 minorities killed, displaced, or converted during the Partition—they also experienced increased co-ethnic immigration, with population flows occurring with less actual violence. We interpret these results as reflecting the organizational capacity of veterans returning from war. In newer research in progress, Rikhil Bhavnani and I conduct the first systematic empirical analysis of a puzzling success: how India’s independence struggle was able to maintain a robust non-violent mass movement across ethnic lines that won democratic concessions from the British Empire in 1930-6. We draw on novel data from both Indian nationalist sources and declassified British intelligence reports to present evidence consistent with the role of economic opportunity and

organizational innovations in the success of India's non-violent campaigns. The opportunity was provided by Depression-related trade shocks which reduced the gains from openness to the Empire in affected districts. Non-violent discipline, we argue, arose through Gandhi's organizational reforms, which selected leaders based upon public sacrifice rather than wealth. Consistent with this, we show that later attempts to arrest 60,000 of these leaders overnight in 1942, which the British believed would quell the movement, led instead to a rapid deterioration of peaceful protest into widespread violence.

The Subcontinent of course does not have a monopoly on the problem of violence, nor its solutions. Exploring the lessons from the South Asian experience has led me to examine other societies grappling with political violence. I am writing a model to explain why economic complementarities involving commercial ethnic minorities supports peace in some settings but appears to foster 'ethnic cronyism' and dictatorship in others. Alberto Diaz-Cayeros and I provide evidence that a combination of complementarities and the ability to withhold production allowed vulnerable indigenous communities in Mexico to survive the trauma of the Spanish conquest and to emerge as entrepreneurs. Similarly, Steven Wilkinson and I are examining how organizational skills acquired through combat may have affected political collective action by non-elites in the French Revolution and contributed to democratization in Britain. Rikhil Bhavnani and I are developing a theory to understand the broader promise of "Gandhi's Gift": the organizational design of mass non-violent civil disobedience, and how to explain its successes— such as those during the early US civil rights movement—and its failures.

A particularly promising direction to mitigate political violence is through the use of financial innovations that allow the credible sharing of the gains from peace. I explore the promise and limitations of this approach in a sequence of papers that will culminate in a book entitled *Swords into Bank Shares*. The book takes as a departure point the benchmark theory of portfolio choice, in which all agents hold the same (market) portfolio. This may also align political incentives, as all individuals can gain from policies that improve the returns or lower the risks of the market portfolio, including risks stemming from political instability and conflict. It then examines how societies have approached or deviated from this benchmark. The historical cases focus on three revolutionary states where financial development also preceded rapid economic growth: Civil War-era England, post-Independence United States, and Meiji Japan. Finally, the project draws upon the theory, historical cases, and contemporary field experiments to assess the promise of finance in addressing conflict today.

In the first empirical paper in this sequence, "Financial Asset Holdings and Political Attitudes: Evidence from Revolutionary England" (*Quarterly Journal of Economics* 2015), I use a novel dataset I created on the endowments of each Member of Parliament that spanned the English Civil War. I

identify the effects of shareholding on political attitudes using the increased propensity to invest among those that happened to be able sign legally binding contracts just as new overseas joint stock companies, mostly run by merchants, were making their IPOs. I show that shareownership aligned non-merchants with merchants against dictatorship and in favor of representative government in Revolutionary England. While the role of financial innovation in fostering representative government and ultimately reducing political violence in England was unintended, the next two papers in the project assess the success of technocratic innovators like Alexander Hamilton in the US and Matsukata Masayoshi in Japan in learning from England's experience to reduce violent conflict and foster reforms.

A central aim of my historical research is to develop new approaches for contemporary policies aimed at mitigating political violence. In "Valuing Peace: The Effects of Financial Market Exposure on Votes and Political Attitudes", Moses Shayo and I draw on insights from history to design and implement the first study to experimentally assign individuals incentives to trade in financial assets and examine the effects on their political choices. Prior to the 2015 Israeli elections, we randomly assigned financial assets from Israeli and Palestinian companies to likely voters and gave them incentives to actively trade for up to seven weeks. We find that this financial market exposure raised the propensity to vote for parties that favor peace negotiations by 4-6 percentage points (relative to a 25% vote share), and increased support for costly concessions for peace. We delineate the mechanisms and find evidence that financial market exposure led to learning and reevaluation of the economic costs of conflict.

Most recently, work with Moses Shayo and Yotam Margalit brings together two different strands of my research: complementarities and financial assets. In preliminary results, we find that previously undecided voters who were randomly assigned incentives to trade stocks from EU companies chosen to complement the UK economy were almost twice as likely to vote to Remain in the European Union during the recent Brexit referendum. Looking forward, I, with my co-authors, intend to build on these studies to develop interventions at scale to assess this mechanism's potential for mitigating conflict in the Middle East, South Asia, and elsewhere.

References

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