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Why internal conflict deteriorates state capacity?
Evidence from colombian municipalities

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WHY INTERNAL CONFLICT DETERIORATES STATE CAPACITY?

EVIDENCE FROM COLOMBIAN MUNICIPALITIES

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ABSTRACT

Previous work has documented a negative correlation between internal conflict and state capacity. We attempt to shed light on mechanisms that underlie this relationship, using data for Colombian municipalities. We rely on identifying heterogeneous effects of different types of violent events on state capacity, taking advantage of variability across municipalities in the prevalence of specific manifestations of conflict and their intensity. Our findings suggest that events making civilians feel targeted affect the state's capacity to collect taxes, while those reflecting a stronger military capacity of illegal armies, in particular their large-scale attacks, affect the state's capacity to provide public goods.

Keywords: State capacity; state capacity at the local level; internal conflict; Colombia

JEL codes: O17, D73, D74, H1.

**SOBRE POR QUÉ LOS CONFLICTOS INTERNOS MINAN LA CAPACIDAD ESTATAL. EVIDENCIA
DE UN PANEL DE MUNICIPIOS COLOMBIANOS**

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Resumen

Una correlación negativa entre la ocurrencia de conflictos internos y la capacidad estatal ha sido previamente documentada. Este trabajo investiga algunos posibles mecanismos de transmisión detrás de tal relación, valiéndose de datos sobre conflicto y gobierno en los municipios colombianos, entre 1993 y 2002. Nuestra estrategia descansa sobre la potencial heterogeneidad de los efectos de distintas manifestaciones del conflicto sobre medidas de capacidad gubernamental, y aprovecha la variabilidad entre municipios colombianos en términos de las manifestaciones del conflicto y su intensidad. Los resultados sugieren que eventos violentos que crean entre los civiles la percepción de ser blancos directos del conflicto afectan la capacidad del gobierno para recoger impuestos, mientras que ataques que pueden ser contra la infraestructura civil o militar disminuyen el gasto público en bienes públicos.

Palabras clave: capacidad estatal, capacidad estatal en el nivel local, conflicto interno, Colombia.

JEL codes: O17, D73, D74, H1.

1. Introduction

It has been argued that internal conflict erodes the state's capacity. Besley and Persson (2008) present a model that delivers such result. Both statistical evidence and case studies are consistent with the argument. Using data for a large cross section of countries, Besley and Persson (2008) have documented a negative correlation between internal struggles and the capacity of the state several decades later. Cárdenas et al. (2013) show a similar result, that holds within countries even when the persistence of state capacity is taken into account. In turn, Centeno (2002) argues that the history of Latin American states points at a deterioration of state capacity induced by internal conflict. What explains this potentially causal effect? Several reasons have been suggested, though little work has been conducted to analyze the empirical validity those hypotheses. This paper contributes to filling that gap. Understanding the mechanisms that translate internal conflict into a deterioration of state capacity may help us better understand how state capacity is built, an issue of the foremost importance for development.

Internal conflicts have been characterized as times of extreme internal division, which in turn may constitute a barrier for the development of state capacities as social will is necessary to invest on those capacities (e.g. Centeno, 2002, and López-Alves, 2000, on the weakness of Latin American states; and Besley and Persson, 2008, on the contrast between external and internal conflicts.) Internal conflict may also be associated with the risk that opposition groups win the struggle and government moves to their hands, depriving the elites that initially held power from the possibility of continuing extracting rents through the state apparatus. This would reduce incentives for those elites to exert effort to increase the capacity of the state. The destruction expected from large scale internal conflict can also reduce incentives to invest in state capacity. If, for instance, a society invests in state capacity partly to get the state to provide public goods,

the likelihood that public goods are destroyed as a result of internal struggles reduces incentives to invest in state capacity. Finally, investments in state capacity require society's will to build a strong state. Citizens are unlikely to support those efforts if they see the state as illegitimate, either because the state is unable to protect their property or their personal security, or because parts of the state have been captured by illegal forces (see below a discussion of the interaction between rebel forces and state agents in the Colombian case).

These mechanisms may differ in terms of empirical implications. For instance, if lack of trust in a state unable to protect one's property or personal safety is the key issue, then violence of any origin, related or not to conflict, should be detrimental of the state's capacity. But if the central reason why conflict affects the state's capacity is that division within society erodes the gains from investing in it, then it is only conflict-related violence, as a proxy for the intensity of social division, that should matter for state capacity. As another example, violence against targeted civilians by illegal groups likely makes civilians see the state as incapable of protecting them, and become unwilling to pay taxes, but the same effect is unlikely if conflict is mainly reflected in events involving solely armed forces, or occurring only in isolated areas. It may also be less likely if the damage conflict inflicts to civilians is collateral, than if it is targeted at specific individuals.

We propose identifying heterogeneous effects of different violent events on state capacity measures, in the context of intense internal conflict, to try to uncover the mechanisms that underlie the negative impact of these conflicts on state capacity. The rationale behind this strategy is the aforementioned observation that specific types of events likely correlate more strongly with some of the mechanisms outlined above than with others. While there is obviously no perfect correspondence between any of the proposed mechanisms and a single type of

conflict-related episode, results from this exercise may at least shed some light on the relative importance of these different mechanisms. We take this idea to the data by examining the relationship between state capacity and the occurrence of different conflict-related events in Colombian regions. We take advantage of the fact that Colombia has been immersed in long-lasting internal conflict, with conflict-related events varying in type and intensity both over time and across regions.

The paper is divided into 5 sections, including this introduction. Section 2 discusses important features of the Colombian case and the plausibility of focusing on that context. Section 3 presents the data, while section 4 explains the empirical strategy and discusses results. Section 5 concludes.

2. Context and approach

The long-lasting internal conflict in Colombia, the high variability it displays across regions in the country, and the relatively accurate way in which data about it has been recorded, offer a unique opportunity to investigate several unexplored dimensions of the relationship between internal conflicts and state capacity. First, different types of violent events can be examined. In particular, we can distinguish between conflict-related homicides, displacement, kidnappings, massacres, and military attacks by illegal groups. We can also contrast their relationship to state capacity against that of common crime. Second, the effects of the intensity with which these events are observed can also be evaluated. Finally, we can focus on local investments in state capacity, a dimension of state capacity that is of particular interest, as discussed below.

Focusing on regions within a single country has the advantage of eliminating much of the heterogeneity that cannot be controlled for in cross-country analyses. Colombia is a legally

centralized country, so local governments of over 1,100 municipalities share the same basic legal capacity. In contrast, given the high degree of fiscal decentralization, Colombian municipalities differ greatly in terms of their fiscal abilities. Specifically, there is significant dispersion in terms of the municipalities' ability to raise local taxes or to invest in infrastructure with their own funds. We will measure state capacity in the sub-national level as the ability by the local government to collect its own tax revenues and invest in public works.

Tax revenues have been used as a measure of the state's capacity (e.g. Besley and Persson 2008, 2009). The rationale is the notion that the ability to collect taxes is increasing in a state's degree of institutionalization, bureaucratic organization, and perceived legitimacy. Of course, this approach does not come without criticism. Is a large government necessarily also a capable government? One could plausibly argue that an inefficient government may need to be large in order to perform the same tasks of a smaller but more efficient one. A similar argument could be made for a corrupt government compared to a transparent one. Our use of investment in public works as an alternative measure of state capacity is partly intended to address some of these concerns. This is also an advantage of using within-country data, as it is more difficult to find accessible and comparable measures of public goods provision for comprehensive sets of countries.

While shifting focus from the national to the local level has the advantages discussed above, there is at least an important downside to it: the local dimension is not the one to which the concept of "state" capacity most naturally applies. For example, the army, which plays a central role in the Colombian conflict, is centralized. However, for some of the mechanisms that we believe may be behind the conflict-state capacity relationship, local governments may provide as good a proxy for the "state" as the national government does. Police strategies, for instance, have

an important local component, and police fights the conflict as much as the army does in the country. Capture of state institutions by illegal armed forces is arguably more prevalent at the local than the central level in Colombia, and at this level it may affect the capacity of the government to perform its tasks. It is also true that an interest on the state refers more generally to the public sector as a whole; local governments are as important as the central government in that characterization. Finally, we argue that the public in Colombia, to a large extent, perceives official institutions of different levels as one single entity: “the government”. Trust or distrust on this widely understood entity is likely to be reflected on willingness to pay taxes to the different levels of government, and trust or distrust on this entity likely varies across the very heterogeneous Colombian regions as a function of its perceived effectiveness and legitimacy. Based on this reasons, we argue that our measures of fiscal performance by Colombian local governments do proxy for meaningful dimensions of state capacity.

In any case, one dimension our local focus certainly does not cover is incentives to invest to strengthen the army. But this may be an advantage also: our estimations are isolated from effects attributable to investments in the state’s general military capability, so the transmission mechanism for our findings relating conflict vs. state capacity has to be found elsewhere.

Before moving on, it is important to point at the complexity of the Colombian internal struggle. The Colombian conflict cannot be simply characterized as a confrontation between the government and an opposition force. Over the last three decades it has rather involved the struggle of different forces (rebel guerrillas, paramilitary forces, narco cartels) fighting each other and fighting the government. While all of these non-governmental forces are illegal and repudiated by most of the population, which in general supports the government’s fight against them, investigations have proven that all of those forces have had some degree of closeness with

specific state agents. The so-called paramilitary forces had, for several years, influence over specific local officials and Congressmen, who were elected thanks to the violent pressure those forces exercised over voters⁴; narco money corrupted a number of government officials; guerrillas have at times exerted great influence over local governments in the areas where they have strongest military power. In this sense, general repulse of these groups may simultaneously bring society to surround the government to fight them, and create distrust about part of the political establishment. The relationship between conflict and the capacity of the state is thus more an empirical than theoretical question.

3. Data

We use tax revenues as a % of total revenue, and expenditure in roads as a % of total expenditures, to measure fiscal capacity at the level of the municipal government. Tax revenue is a plausible measure of state capacity at the municipal level to the extent that local governments have legal authority to raise their own taxes, which is the case for municipalities in Colombia. Taxes on production and sales, and on property, are the two major sources of municipal tax revenue.

The second measure of state capacity is local public spending on roads, which we believe captures the ability to provide services and promote development. While the effective ability to provide public goods is a natural measure of state capacity, perhaps much more natural than measures of tax revenue which blend capacity and “rapacity” together, actual empirical work is much less focused on the actual provision of goods than on revenues. This likely reflects the difficulty to find readily available measures of provision of public goods that are comparable

⁴ As an example, several Congressmen have been convicted for maintaining close ties to paramilitary forces

across a wide enough set of countries. Our focus on municipalities across the same country, following similar practices to both fund public goods and report their finances, allows us to zoom into that dimension.

The construction and maintenance of roads corresponds closely to the textbook concept of public good provision. In the specific case of Colombia, regional governments decide how much to spend on roads out of their own resources with a high degree of autonomy. This comes in contrast to spending on other types of public services, such as education and health, as regional governments receive earmarked resources from the central government that cover much of their spending on these areas. This is not the case when it comes to infrastructure. Moreover, since we are interested in the effect of conflict on state capacity, and the destruction of productive capital is characteristic of internal conflicts (see Blattman and Miguel, 2009), focusing on one type of such capital (public roads) seems natural. In particular, we examine whether active governments engage in expanded investments to counteract this effect, or on the contrary the state's provision of these services is also negatively affected by conflict. Finally, from a measurement standpoint, spending on roads is clearly separated in the municipality fiscal accounts. We must note, however, that even though local expenditures on road construction are decided with a relatively high degree of autonomy, the fraction of total public road funding that comes from local sources is relatively small for many municipalities, compared to national sources.

Data on the two measures of fiscal capacity (tax revenues and expenditure in roads) come from Drazen and Eslava (2010) and are available annually from 1984 until 2002.⁵ Income revenues and expenditures in roads are measured in constant 1998 pesos deflated with the national CPI.

⁵Drazen and Eslava (2010), in turn, use data from the office of the Comptroller General (*Contraloría General de la República*). The data correspond to the figures in the financial report each municipality files annually.

Data on internal conflict measures come from various sources. Because of the intensity and pervasiveness of conflict in Colombia, conflict-related events have been well measured and registered. A key aspect of this is the availability of data at the municipal level for various manifestations of conflict since the 1990s. We use a database constructed by the Human Rights Observatory of the Office of the Vice President of Colombia. It contains data on internal conflict measures per year for more than 1,100 municipalities throughout the period 1993-2008. We construct our own five conflict-intensity measures based on the information available from this source. First, total offensive actions undertaken by the guerrilla and paramilitary organized groups: FARC, ELN and AUC. There are different types of such actions, including attacks on military objectives, on infrastructure, on towns. Second, total massacres perpetrated by these groups, where a massacre is defined as a mass homicide involving four or more deaths. Third, total number of kidnappings perpetrated by FARC, ELN or AUC: kidnappings of civilians, political kidnappings and kidnappings of members of the army. Finally, total number of deaths in each municipality caused by FARC, ELN and AUC in a specific year. The sources of deaths are civil homicide, political homicide and a homicide of a member of the army.⁶

Also, from *Acción Social* (Executive Office of the President of Colombia) we have counts of numbers of people forced into exile from the municipality (expulsion) for the period 1997-2009. This is a fifth separate measure of conflict we use. Finally, we also construct a conflict dummy, taking the value of one when some of the previous five measures has a positive value, and zero otherwise. That is, the conflict dummy flags municipalities which had at least one conflict-related event in the current year.

Unfortunately, we cannot extend our sample beyond 2002 both because the Contraloría's data is not fully comparable before and after this year, and because something similar occurs with statistics about conflict.

⁶ The military have been also accused of killings of civilians. These deaths are not recorded in the dataset we use.

Data on the control variables comes from different sources. In some specifications we also consider the general homicide rate as an additional independent variable, to control for common crime. Data on this variable comes from the National Police. GDP per capita at the department level (available for the period 1984-2005), and municipal population are taken from DANE data. Royalties and cash transfers from the central government to the municipal governments are taken from the National Planning Department-DNP.

Table 1 shows descriptive statistics of our state-capacity measures, subject to regression samples. Tax revenue and expenditure in roads average around 12 and 9 percent of total revenue and total expenditure, respectively, and show standard deviations of similar magnitude. It is interesting to note that conflict-related events are quite rare, even though the country is typically regarded as violent and our data covers the most violent period in recent decades. The number of events that affect municipalities is typically zero. Out of our five measures of conflict, three of them show no conflict events per municipality per year for over 75 percent of the observations (massacres, kidnappings per 100,000 inhabitants and deaths per 100,000 inhabitants). The two exceptions are not much different: even in the top quartile of total attacks, and displacement (forced expulsion), the numbers do not go above one attack per municipality per year, and three displaced individuals per 1,000 inhabitants per municipality per year, respectively.

Table 1. Descriptive statistics

Table 1. Descriptive statistics								
	Obs.	Number of municipalities	Mean	Standard deviation	Percentile			Years Covered
					Minimum	Maximum	25 50 75	
State Capacity								
Tax revenue as a % of total revenue	2,579	472	11.52	11.23	0.01	100.00	3.46 7.51 16.49	1994-2002
Expenditure in roads as a % of total expenditure	2,013	449	8.98	6.75	0.01	82.21	4.52 7.42 11.57	1994-2002
Conflict								
Attacks by guerrilla and paramilitaries	2,579	472	1.07	3.10	0.00	60.00	0.00 0.00 1.00	1994-2002
Massacres	2,579	472	0.05	0.29	0.00	5.00	0.00 0.00 0.00	1994-2002
Kidnappings per 100,000 inhabitants	2,579	472	1.17	4.05	0.00	48.92	0.00 0.00 0.00	1994-2002
Conflict-related deaths per 100,000 inhabitants	2,579	472	1.37	4.62	0.00	62.26	0.00 0.00 0.00	1994-2002
Exiled individuals per 1,000 inhabitants	1,355	415	7.80	40.39	0.00	896.20	0.00 0.53 2.74	1997-2002
Other regressors								
Homicides per 1,000 inhabitants	2,579	472	0.70	0.82	0.00	15.47	0.24 0.52 0.89	1994-2002
GDP per capita in constant 1994 pesos (department)*	2,579	472	1,703,068	912,198	461,145	7,482,864	1,327,747 1,484,365 2,068,972	1994-2002
Population	2,579	472	63,010	197,719	1,109	2,264,256	9,964 19,557 39,648	1994-2002
Royalties in constant 1998 thousands of millions of pesos	2,579	472	0.50	2.19	0.00	31.56	0.00 0.00 0.03	1994-2002
Royalties dummy	2,579	472	0.53	0.50	0.00	1.00	0.00 1.00 1.00	1994-2002
Cash transfers in constant 1998 thousands of millions of pesos	2,579	472	3.91	10.52	0.18	146.60	1.07 1.77 3.00	1994-2002

4. Empirical strategy and results

4.1. Empirical Strategy

Cárdenas et al. (2010) made the point that controlling for initial conditions and the persistence of state capacity is important in the current context. This approach deals with a major source of endogeneity when estimating the effect of conflict on state capacity: the fact that both current state capacity and the probability of conflict arising can be related to an underlying time-invariant institutional capacity of the state. Following that insight, our analysis of evidence from Colombian municipalities takes both factors into account. On the other hand, we openly acknowledge that we cannot argue that we cleanly identify the causal effect of conflict on state capacity, as it is not unlikely that there are sources of reverse causality and simultaneity not captured by either fixed effects or the lagged dependent variable, and also not included in our set of controls. Even with this limitation, however, our strategy remains valid in the specific sense of identifying the types of events most related to the negative relationship between conflict and state capacity, as estimates of that negative relationship in previous literature are subject to the same concerns regarding endogeneity that limit our approach.

Our baseline strategy estimates the following equation:

$$SC_{jt} = \beta_0 + \varsigma_j + SC_{jt-1} + \lambda' \text{conflict}_{jt} + \sigma' X_{jt} + k' D_t + v_{jt} \quad (1)$$

where j and t are used to index municipalities and years, respectively; the ς_j are municipality fixed effects; conflict_{jt} is either a measure of conflict or a vector of such measures (which were described above); X_{jt} is a vector of controls; and D_t denotes a vector of time dummies. We

consider both contemporaneous and lagged conflict regressors. In terms of state capacity measures, we first estimate equation (1) using tax revenue as a percentage of total revenue as a dependent variable, and then re-estimate it changing our dependent variable to spending in roads as a percentage of total spending.

As controls, we include the log of GDP per capita at the state (“departamento”) level, the log of population, royalties and cash transfers from the national to the municipal government. Time dummies are also included, to control for shocks that are common to all municipalities. Per capita income and population capture the possibility that larger and more developed municipalities may face greater incentives to organize complex local governments, with the ability to raise taxes and begin large infrastructure projects. In turn royalties and transfers from the national government are two main sources of income for municipal governments. Major recipients of these resources may face lower incentives to raise taxes. There is also some correlation between receipts of royalties or transfers and the presence of conflict-related events, as illegal groups fight particularly strongly for exercising power over localities that are major rent recipients, where they seek to appropriate those resources. To that extent, royalty revenue would be an important source of omitted variable bias if not controlled for. It is important to mention that our data on royalties is only available for a little over 40% of the municipalities, so the inclusion of this control reduces considerably the number of observations in the regression analysis.⁷

⁷ Our results are robust to using a dummy variable that takes the value of 1 when royalties are above zero, rather than our continuous baseline measure of royalties. Interestingly, eliminating the control for royalties altogether does lead to different results for some of the conflict variables, supporting the need for including this control to eliminate biases coming from the simultaneous correlation of royalties with local government spending and with the intensity of conflict.

Equation (1) is a standard dynamic panel data model, subject to the well-known problem of endogeneity of the lagged dependent variable that emerges when it is included simultaneously with fixed effects. We estimate the model using GMM techniques. In particular, we instrument the lagged state capacity regressor with its first lag in the differenced equation and with its first difference in the levels equation. Of course, the GMM approach just described only addresses problems in the identification of the coefficient that corresponds to the lagged dependent variable. It does not deal with biases induced by potential reverse causality and simultaneity in the relationship between state capacity and conflict. These concerns, more important and interesting in the present context, are (partially) addressed in our strategy through the inclusion of municipality fixed effects and the explicit consideration of persistence in state capacity. While we argue that these controls deal with the most obvious sources of endogeneity in the relationship of interest, as stated we also acknowledge that other sources of concern may remain, and as a result abstain from stating that the effects we estimate identify a purely causal effect from internal conflict on state capacity.

4.2. Results on Tax Revenue

We start by reporting results from the regression where the dependent variable is tax revenue as a % of total revenue and the conflict measure is simply a dummy indicating the presence of a conflict-related event. This is analogous to estimations in the previous literature, which focuses on the relationship between presence of conflict and state capacity, measured precisely in terms of tax revenue (Besley and Persson, 2009; Cárdenas et al. 2013). Results are presented in Table 2, columns 1 and 2. Also analogous to previous findings, we obtain a negative, large, and statistically significant coefficient for the internal conflict dummy. It

suggests that a municipality that ceases to directly suffer conflict more than doubles its tax revenue in the current year, and increases it even further in the following one. Controlling for the homicide rate does not affect these estimates, implying that the coefficient estimated for conflict is not simply proxying for violence in general.⁸

⁸ Introducing the lagged homicide ratio in addition to the current one does not lead to significant changes in Table 2 results. These robustness tests are available from the authors upon request.

Table 2- Tax revenue (as a % of total revenue) and conflict in Colombian municipalities: GMM estimations ^c

	1	2	3	4	5	6	7	8
Conflict dummy	-1.805*** (0.520)	-1.633*** (0.506)	-1.770*** (0.519)	-1.962*** (0.497)				
Conflict dummy (t-1)		-2.205*** (0.632)		-2.686*** (0.749)				
Attacks by guerrilla and paramilitaries					0.037 (0.131)	0.007 (0.105)	0.038 (0.131)	0.007 (0.105)
Attacks by guerrilla and paramilitaries (t-1)								0.068 (0.119)
Massacres					-0.636 (0.494)	-0.799* (0.433)	-0.632 (0.506)	-0.803* (0.436)
Massacres (t-1)						-0.241 (0.611)		-0.245 (0.613)
Kidnappings per 100,000 inhabitants					-0.011 (0.030)	-0.011 (0.035)	-0.011 (0.030)	-0.011 (0.035)
Kidnappings per 100,000 inhabitants (t-1)						0.051 (0.070)		0.051 (0.070)
Conflict-related deaths per 100,000 inhabitants					-0.124*** (0.031)	-0.091*** (0.034)	-0.123*** (0.033)	-0.092*** (0.037)
Conflict-related deaths per 100,000 inhabitants (t-1)						-0.115* (0.061)		-0.115* (0.061)
Exiled individuals per 1,000 inhabitants					-0.006 (0.004)	-0.009 (0.007)	-0.006 (0.004)	-0.009 (0.007)
Exiled individuals per 1,000 inhabitants(t-1)						-0.013*** (0.005)		-0.013*** (0.005)
Homicides per 1,000 inhabitants			-0.222 (0.169)	-1.043 (0.651)			-0.007 (0.208)	0.016 (0.272)
Dependent variable (t-1)	0.381*** (0.090)	0.372*** (0.089)	0.381*** (0.090)	0.332*** (0.080)	0.410*** (0.130)	0.412*** (0.140)	0.410*** (0.130)	0.412*** (0.140)
Log of population	3.668*** (0.546)	3.826*** (0.553)	3.671*** (0.546)	3.845*** (0.538)	3.924*** (0.891)	4.137*** (1.006)	3.923*** (0.891)	4.136*** (1.006)
Log of real GDP per capita ⁷	4.357*** (0.823)	4.527*** (0.823)	4.467*** (0.825)	5.253*** (0.969)	4.136*** (1.056)	3.857*** (1.103)	4.138*** (1.046)	3.847*** (1.075)
Royalties	-0.418*** (0.087)	-0.408*** (0.088)	-0.420*** (0.087)	-0.428*** (0.119)	-0.405*** (0.100)	-0.413*** (0.110)	-0.405*** (0.100)	-0.412*** (0.109)
Cash transfers	0.003 (0.020)	0.002 (0.020)	0.003 (0.020)	-0.026 (0.036)	-0.023 (0.018)	-0.035* (0.019)	-0.023 (0.018)	-0.034* (0.019)
AR(2) test		[0.644]	[0.849]	[0.740]	[0.618]	[0.430]	[0.618]	[0.430]
Hansen J test	[0.130]	[0.157]	[0.130]	[0.187]	[0.143]	[0.332]	[0.144]	[0.332]
Observations	2,579	2,579	2,579	2,579	1355	1051	1355	1051

^c Note: All regressions include time dummies. All regressions are estimated using the Arellano & Bover (1995)/Blundell & Bond (1998) one step system GMM estimator. The state capacity variables are always instrumented with their own first lags in the differenced equation and with their first differences in the levels equation. The conflict, log of population, log of real GDP per capita, royalties and cash transfers variables are always considered exogenous. P-values are reported for the AR(2) test and the Hansen J test, in square brackets. A constant is included but not reported. Robust standard errors in parentheses. ⁷ Log of the real GDP per capita for the department to which the municipality belongs. ***p<0.01, **p<0.05, *p<0.1.

We now move to the specification that considers all of the conflict variables simultaneously (Table 2, columns 5 and 6), attempting to uncover which specific aspects of conflict explain this negative relationship. As discussed in greater detail below, we find significant negative estimates for coefficients associated to conflict-related deaths, exile, and massacres. We are unable to uncover a statistically significant relationship between tax collections and the other conflict variables: kidnappings and attacks.

The number of conflict-related deaths in a given municipality is negatively related to the municipality's tax collection, after controlling for fixed effects and persistent effects. Though a statistically significant coefficient is estimated both if only contemporaneous effects are considered and if we expand this specification to allow for one-period lagged effects (columns 1 and 2, respectively), it is the latter specification that shows a larger and more precisely estimate. In particular, a one standard deviation increase in the number of deaths per 100,000 inhabitants in year $t-1$ (close to 5 deaths per 100,000 inhabitants) is associated with a 0.6 percentage point reduction in the share of tax collections out of total revenue (e.g. a reduction from the mean of 11.5% to 10.9%). We also find that forced exile is negatively related to a municipality's tax collections, though we are only able to estimate precisely the one-period lagged coefficient (column 2). A one standard deviation increase in the number of forced expulsions per 1,000 inhabitants in year $t-1$ (about 40 expulsions) is associated with a reduction of tax collections as a % of total revenue by 0.52 percentage points in the following year. A significant lagged effect is also found for the number of massacres perpetrated. A one standard deviation increase in the number of massacres (0.3 massacres) is associated to a 0.24 percentage point decrease in tax collection as a % of total revenue in the following year.

How to interpret these findings? Conflict-related deaths, forced exile, and massacres, by comparison to large scale attacks, are events that more directly affect civilians. They are also likely to make them feel personally targeted, rather than simply victims of collateral damage. Some of the reported deaths, for instance, correspond to civilians presumed by one of the sides to support the other; to activists seeking compensation for conflict victims; to journalists, politicians, or other civilians who have openly opposed the use of violence or the mere presence of irregular armed forces.⁹ In turn, frequently the exiled correspond to individuals and families who have been forced to leave their homes by threats targeted at them. And massacres involve brutal violence towards civilians, usually targeted at specific individuals accused by the perpetrators of supporting rival armed groups. By creating the perception that the state is unable to protect its citizens from becoming targeted victims of conflict, these events may make citizens question the viability and legitimacy of the state in its current form. Therefore, one plausible interpretation of these findings is that events of this type create distrust of the state, making individuals unwilling to pay taxes. If this were the case, our findings would be pointing at internal conflict weakening people's willingness to pay taxes as a key mechanism by which internal conflict affects the state's fiscal capacity as traditionally measured in the literature.

There are, of course, weaknesses in this interpretation of our findings, as well as alternative ways to interpret them. One possible such alternative interpretation is that the effects of deaths, massacres and, to a lesser extent, forced exile, capture the negative impact on tax collections of violent crime in general, not necessarily only conflict-related violence. To explore this question, we include the rate of homicides per 1,000 inhabitants as an additional regressor

⁹ Others correspond to combatants, so the variable does not simply refer to civilians, but does capture a phenomenon that affects also, and perhaps mainly, civilians

(Table 2, columns 3 to 6). This variable captures all homicides, related or not to the conflict. As was the case for the conflict dummy, the estimated negative coefficients for conflict-related deaths, exile, and massacres are not affected by the inclusion of this additional control. Moreover, we are unable to uncover any significant relationship, either contemporaneous or lagged, of tax revenue with the homicide rate itself. There is thus no indication that the coefficients associated with conflict related deaths and massacres are simply picking up a more general negative influence of crime on state capacity. If anything, it is the targeted and visible violence associated with conflict that has this effect. These findings are particularly interesting when noting that it is common-crime homicides that represent the more massive problem: conflict-related deaths are only close to 2% of all homicides in the average municipality (Table 1).

Another potential concern with interpreting the results in Table 2 as we have—i.e. reflecting a negative impact of conflict on people’s trust in the state’s ability to protect them from becoming targeted victims of conflict—is that we do not find a similar negative and significant coefficient for another event that also threatens people’s security in a targeted way, namely, kidnappings. In fact, for the average taxpayer (an urban individual with some wealth), the fear of being singled out as a potential victim for kidnapping is much more clearly present than that of being killed as a result of conflict, an event they perceived as less likely. The probability this individual perceived of being kidnapped around the end of the nineties (the middle of our sample) was in fact non-negligible—even if the actual probability was indeed close to zero—and quite sensitive to the arrival of news about other civilians being kidnapped. The same was not the case for this particular type of individual regarding the probability of being killed as a result of conflict, except as a result of being kidnapped or an attempt to be kidnapped.

Why then, are we unable to identify a negative coefficient for kidnappings similar to that of deaths, massacres, and forced exile? One possibility is that kidnappings in fact have an effect that is similar to that of deaths in conflict, but difficult to pinpoint in our fully saturated specification, where all of the event types are considered simultaneously. After all, it is well known that specific regions in the country have been particularly affected by the conflict, so high occurrence of one of these events may actually capture high occurrence of all of them, making the identification of separate effects difficult. This fact is reflected in positive correlation between some of our conflict measures, particularly high, precisely, between kidnappings and conflict-related deaths (Table 3).

To address this concern, we re-estimate equation (1) considering one type of event at a time, recognizing that the advantages of this approach in terms of increasing identification power come at the cost of potentially mixing in one estimate the effects of different events. Results are presented in Table 4. Each horizontal panel of the table corresponds to a different regression, where the regressions differ in the conflict variable considered as a regressor. We do not report results for the control variables to keep the presentation simple, but remark that population, income per capita, royalties, and cash transfers from the central government continue to be controlled for in these regressions. The homicide rate is included in columns 3 and 4.

Negative and significant coefficients for conflict-related deaths, massacres and forced exile continue to be estimated with this, segmented, approach. The statistical significance of the coefficient associated with contemporaneous massacres is not robust to the inclusion of homicides in this specification, but its magnitude remains mostly unaffected and lagged massacres continue to be significantly related to tax collections in a statistical sense. The other messages are also robust to controlling for homicides.

Table 3- Municipality conflict correlation matrix^d

	Attacks by guerrilla and paramilitaries	Massacres	Kidnappings per 100,000 inhabitants	Conflict-related deaths per 100,000 inhabitants	Exiled individuals per 100,000 inhabitants
Attacks by guerrilla and paramilitaries	1.00 (0.000)				
Massacres	0.22 (0.000)	1.00 (0.000)			
Kidnappings per 100,000 inhabitants	0.13 (0.000)	0.03 (0.246)	1.00 (0.000)		
Conflict-related deaths per 100,000 inhabitants	0.11 (0.000)	0.19 (0.000)	0.40 (0.000)	1.00 (0.000)	
Exiled individuals per 1,000 inhabitants	0.05 (0.047)	0.07 (0.008)	0.13 (0.000)	0.15 (0.000)	1.00 (0.000)

^d Note: P-values in parentheses

As for the conflict variables that were not significant in Table 2, attacks and kidnappings, the first interesting finding is that we now estimate consistently negative signs for the coefficients associated with both of them, which was not the case in Table 2. However, not all of these coefficients are estimated with precision. We continue to not find a statistically significant coefficient for attacks. On the other hand, we now find a negative and statistically significant relationship between kidnappings and municipal tax collections, suggesting that its lack of significance in the estimations of Table 2 could in fact reflect low identification power when including all conflict variables at the same time. Overall, we see the evidence in tables 2 and 4 as most consistent with the story that tax collections depend on people's willingness to pay to support and/or build the state's capacity, and that the negative personal consequences of internal conflict may undermine people's trust in that state, and consequently their willingness to pay taxes.

Table 4- Tax revenue (as a % of total revenue) and conflict in Colombian municipalities: GMM estimations, one conflict variable per regression ^e

		Contemporaneous effect	Contemporaneous and lagged effects	Contemporaneous effect plus homicides	Contemporaneous and lagged effects plus homicides
		1	2	3	4
Regression 1. Conflict regressor: Attacks by guerrilla and paramilitaries	Attacks by guerrilla and paramilitaries	-0.016 (0.134)	-0.053 (0.093)	-0.009 (0.133)	-0.048 (0.092)
	Attacks by guerrilla and paramilitaries (t-1)		0.055 (0.126)		0.060 (0.126)
	Homicides per 1,000 inhabitants			-0.269 (0.184)	-0.277 (0.190)
	Dependent variable (t-1)		0.390*** (0.088)	0.389*** (0.088)	0.389*** (0.087)
	AR(2) test	[0.708]	[0.693]	[0.709]	[0.693]
	Hansen J test	[0.122]	[0.094]	[0.121]	[0.094]
	Observations	2579	2579	2579	2579
Regression 2. Conflict regressor: massacres	Massacres	-0.837* (0.451)	-0.784* (0.453)	-0.733 (0.458)	-0.694 (0.461)
	Massacres (t-1)		-1.022** (0.469)		-0.970** (0.473)
	Homicides per 1,000 inhabitants			-0.220 (0.176)	-0.195 (0.175)
	Dependent variable (t-1)		0.390*** (0.091)	0.391*** (0.090)	0.389*** (0.091)
	AR(2) test	[0.681]	[0.729]	[0.685]	[0.730]
	Hansen J test	[0.119]	[0.130]	[0.118]	[0.129]
	Observations	2579	2579	2579	2579
Regression 3. Conflict regressor: kidnappings	Kidnappings per 100,000 inhabitants	-0.053* (0.029)	-0.047* (0.028)	-0.050* (0.029)	-0.045 (0.028)
	Kidnappings per 100,000 inhabitants (t-1)		-0.028 (0.043)		-0.025 (0.043)
	Homicides per 1,000 inhabitants			-0.257 (0.179)	-0.247 (0.177)
	Dependent variable (t-1)		0.387*** (0.089)	0.389*** (0.090)	0.386*** (0.089)
	AR(2) test	[0.709]	[0.710]	[0.710]	[0.711]
	Hansen J test	[0.123]	[0.102]	[0.123]	[0.102]
	Observations	2579	2576	2579	2576
Regression 4. Conflict regressor: conflict-related deaths	Conflict-related deaths per 100,000 inhabitants	-0.130*** (0.022)	-0.118*** (0.022)	-0.126*** (0.023)	-0.115*** (0.022)
	Conflict-related deaths per 100,000 inhabitants (t-1)		-0.087*** (0.028)		-0.086*** (0.028)
	Homicides per 1,000 inhabitants			-0.124 (0.168)	-0.102 (0.170)
	Dependent variable (t-1)		0.377*** (0.089)	0.384*** (0.089)	0.377*** (0.089)
	AR(2) test	[0.719]	[0.689]	[0.720]	[0.689]
	Hansen J test	[0.151]	[0.137]	[0.151]	[0.137]
	Observations	2579	2576	2579	2576
Regression 5. Conflict regressor: exile	Exiled individuals per 1,000 inhabitants	-0.008* (0.005)	-0.013* (0.007)	-0.007 (0.005)	-0.011 (0.007)
	Exiled individuals per 1,000 inhabitants (t-1)		-0.015*** (0.005)		-0.015*** (0.005)
	Homicides per 1,000 inhabitants			-0.229 (0.196)	-0.253 (0.223)
	Dependent variable (t-1)		0.423*** (0.143)	0.417*** (0.131)	0.423*** (0.143)
	AR(2) test	[0.651]	[0.534]	[0.657]	[0.534]
	Hansen J test	[0.137]	[0.277]	[0.135]	[0.281]
	Observations	1355	1051	1355	1051

^e Note: All regressions include time dummies. All regressions are estimated using the Arellano & Bover (1995)/Blundell & Bond (1998) one step system GMM estimator. The state capacity variables are always instrumented with their own first lags in the differenced equation and with their first differences in the levels equation. The conflict, log of population, log of real GDP per capita, royalties and cash transfers variables are always considered exogenous. P-values are reported for the AR(2) test and the Hansen J test, in square brackets. A constant is included but not reported. Robust standard errors in parentheses. ^y Log of the real GDP per capita for the department to which the municipality belongs. ***p<0.01, **p<0.05, *p<0.1.

4.3. Results on Public Good Provision

What if we measured state capacity through the provision of roads, as a share of total spending? The story discussed above, where events with greatest personal impact potentially affect people's willingness to pay taxes, shouldn't be behind a similar effect of these same events on the share of spending that is allocated to providing public goods. Do we indeed find that the same conflict variables turn out significant when explaining the provision of roads?

Results for this dependent variable are presented in Tables 5 and 6, where the former reports specifications with all conflict variables considered simultaneously, and the latter reports results from separate regressions for the different conflict variables.

The first interesting finding in this table is that the conflict dummy itself is not significantly associated with the public spending on roads (columns 1 to 4). The economics literature on state capacity and conflict has measured the former through tax collections, not paying much attention to the capacity of the state to translate those collections into provision of public goods. The observation that, at least for this sample of Colombian municipalities, overall conflict presence is not associated with less roads provision, therefore calls for a more qualified view about the relationship between internal conflict and state capacity.

Consistent with this finding, we identify no statistically or economically significant coefficients for any of the types of events that we have characterized as having greatest targeted personal impact: conflict-related deaths, exile, massacres, and kidnappings. On the other hand, we do estimate negative and significant coefficients for attacks by the guerrilla and the paramilitary on the provision of roads across specifications. The only exception is column 4 in table 6, where excluding other conflict variables but including contemporaneous homicides and

lagged attacks the coefficient is imprecisely estimated. But even in this case the estimate is negative and similar in size to those in the remaining columns of the table. Focusing on the most complete of these specifications, where all events and homicides are included at once, and both contemporaneous and lagged coefficients are considered (table 5, column 4), our estimates indicate that a one standard deviation increase in the number of attacks (3.1 attacks in our sample), is associated with a reduction in spending dedicated to roads of 0.55% of total spending.

Overall these findings suggest that only attacks, a larger-scale phenomenon, is the only manifestation of conflict negatively correlated with the spending on public goods (at least specifically for roads). This seems consistent with our previous interpretation of findings regarding tax revenues: if those findings are explained by a negative view of the state by tax payers, this may impact tax collections and in turn overall spending, but probably not public good provision as a fraction of that spending. It is also consistent with the view that attacks by the illegal armies, or rather a perceived high probability of their occurrence, reduce incentives to invest in public infrastructure. This is a plausible implication of the fact that infrastructure is directly damaged by attacks. In fact, it is frequently the target of such attacks: the bombing of power lines or oil lines by guerrillas is a recurrent event. It is also possible that attacks by armed groups are rather proxying for strong presence of these groups: attacks are probably concentrated in regions where the illegal organizations have gained enough strength to mobilize large groups of their members against towns, military posts, and mobile military groups, and to destroy infrastructure. In this case, the finding that attacks display a negative relationship with governmental capacity to provide public goods could be a reflection of the link between local politics and conflict, in regions where armed illegal groups are particularly strong. These groups traditionally intervene in local politics in the regions where they exert most influence, frequently

capturing the local elites. The negative effect of attacks on the state's capacity to provide public goods, could thus reflect a partial capture of the state by groups whose interests differ from the more traditional conception of the state as a provider of goods and services for the population.

Table 5- Expenditure in roads (as a % of total expenditure) and conflict in Colombian municipalities: GMM estimations^f

	1	2	3	4	5	6	7	8
Conflict dummy	-0.240 (0.480)	-0.151 (0.486)	-0.191 (0.482)	0.103 (0.519)				
Conflict dummy (t-1)		-0.373 (0.445)		-0.077 (0.495)				
Attacks by guerrilla and paramilitaries					-0.135** (0.058)	-0.176*** (0.066)	-0.133** (0.057)	-0.176*** (0.066)
Attacks by guerrilla and paramilitaries (t-1)						-0.011 (0.083)		-0.010 (0.083)
Massacres					-0.105 (0.493)	0.192 (0.537)	-0.056 (0.508)	0.225 (0.543)
Massacres (t-1)						0.887 (0.975)		0.896 (0.979)
Kidnappings per 100,000 inhabitants					-0.024 (0.044)	0.011 (0.048)	-0.023 (0.044)	0.011 (0.048)
Kidnappings per 100,000 inhabitants (t-1)						-0.045 (0.059)		-0.045 (0.058)
Conflict-related deaths per 100,000 inhabitants					-0.052 (0.067)	-0.077 (0.068)	-0.046 (0.070)	-0.073 (0.072)
Conflict-related deaths per 100,000 inhabitants (t-1)						0.014 (0.064)		0.014 (0.064)
Exiled individuals per 1,000 inhabitants					-0.004 (0.004)	-0.008 (0.005)	-0.003 (0.004)	-0.007 (0.006)
Exiled individuals per 1,000 inhabitants (t-1)						-0.001 (0.003)		-0.001 (0.003)
Homicides per 1,000 inhabitants			-0.261 (0.213)	0.570 (0.558)			-0.114 (0.249)	-0.083 (0.317)
Dependent variable (t-1)	0.164*** (0.048)	0.164*** (0.048)	0.161*** (0.048)	0.167*** (0.050)	0.151** (0.062)	0.089 (0.075)	0.150** (0.062)	0.087 (0.075)
Log of population	-0.360* (0.198)	-0.344* (0.200)	-0.356* (0.199)	-0.227 (0.216)	-0.172 (0.213)	-0.228 (0.234)	-0.173 (0.213)	-0.227 (0.235)
Log of real GDP per capita ^y	-0.404 (0.514)	-0.385 (0.513)	-0.258 (0.510)	-0.820 (0.630)	-0.192 (0.613)	-0.100 (0.693)	-0.141 (0.606)	-0.059 (0.707)
Royalties	0.335*** (0.081)	0.336*** (0.082)	0.332*** (0.081)	0.348*** (0.079)	0.371*** (0.090)	0.309*** (0.081)	0.370*** (0.090)	0.308*** (0.081)
Cash transfers	0.006 (0.023)	0.006 (0.023)	0.006 (0.023)	0.039 (0.042)	-0.009 (0.024)	-0.009 (0.023)	-0.009 (0.024)	-0.009 (0.024)
AR(2) test	[0.263]	[0.270]	[0.266]	[0.097]	[0.807]	[0.887]	[0.797]	[0.898]
Hansen J test	[0.386]	[0.401]	[0.436]	[0.454]	[0.550]	[0.495]	[0.549]	[0.492]
Observations	2,013	2,013	2,013	2,013	1190	917	1190	917

^f Note: All regressions include time dummies. All regressions are estimated using the Arellano & Bover (1995)/Blundell & Bond (1998) one step system GMM estimator. The state capacity variables are always instrumented with their own first lags in the differenced equation and with their first differences in the levels equation. The conflict, log of population, log of real GDP per capita, royalties and cash transfers variables are always considered exogenous. P-values are reported for the AR(2) test and the Hansen J test, in square brackets. A constant is included but not reported. Robust standard errors in parentheses. ^y Log of the real GDP per capita for the department to which the municipality belongs. ***p<0.01, **p<0.05, *p<0.1.

Table 6- Expenditure in roads (as a % of total expenditure) and conflict in Colombian municipalities: GMM estimations, one conflict variable per regression ^g

		Contemporaneous effect	Contemporaneous and lagged effects	Contemporaneous effect plus homicides	Contemporaneous and lagged effects plus homicides
		1	2	3	4
Regression 1. Conflict regressor: Attacks by guerrilla and paramilitaries	Attacks by guerrilla and paramilitaries	-0.108** (0.049)	-0.093* (0.057)	-0.102** (0.049)	-0.090 (0.057)
	Attacks by guerrilla and paramilitaries (t-1)		-0.043 (0.076)		-0.038 (0.075)
	Homicides per 1,000 inhabitants			-0.234 (0.210)	-0.228 (0.209)
	Dependent variable (t-1)	0.163*** (0.048)	0.163*** (0.048)	0.160*** (0.048)	0.160*** (0.048)
	AR(2) test	[0.257]	[0.256]	[0.260]	[0.259]
	Hansen J test	[0.382]	[0.384]	[0.432]	[0.433]
	Observations	2013	2013	2013	2013
Regression 2. Conflict regressor: massacres	Massacres	-0.293 (0.361)	-0.278 (0.381)	-0.150 (0.387)	-0.146 (0.399)
	Massacres (t-1)		0.122 (0.845)		0.212 (0.854)
	Homicides per 1,000 inhabitants			-0.253 (0.221)	-0.261 (0.221)
	Dependent variable (t-1)	0.164*** (0.048)	0.164*** (0.048)	0.161*** (0.048)	0.161*** (0.048)
	AR(2) test	[0.250]	[0.248]	[0.258]	[0.253]
	Hansen J test	[0.386]	[0.386]	[0.433]	[0.435]
	Observations	2013	2013	2013	2013
Regression 3. Conflict regressor: kidnappings	Kidnappings per 100,000 inhabitants	-0.035 (0.041)	-0.033 (0.043)	-0.032 (0.041)	-0.030 (0.043)
	Kidnappings per 100,000 inhabitants (t-1)		-0.013 (0.056)		-0.009 (0.056)
	Homicides per 1,000 inhabitants			-0.257 (0.214)	-0.257 (0.212)
	Dependent variable (t-1)	0.163*** (0.048)	0.163*** (0.048)	0.160*** (0.048)	0.160*** (0.048)
	AR(2) test	[0.257]	[0.255]	[0.261]	[0.260]
	Hansen J test	[0.391]	[0.392]	[0.440]	[0.440]
	Observations	2013	2012	2013	2012
Regression 4. Conflict regressor: conflict-related deaths	Conflict-related deaths per 100,000 inhabitants	-0.074 (0.045)	-0.069 (0.047)	-0.065 (0.048)	-0.060 (0.049)
	Conflict-related deaths per 100,000 inhabitants (t-1)		-0.004 (0.043)		-0.002 (0.043)
	Homicides per 1,000 inhabitants			-0.187 (0.221)	-0.189 (0.222)
	Dependent variable (t-1)	0.162*** (0.048)	0.163*** (0.048)	0.160*** (0.048)	0.160*** (0.048)
	AR(2) test	[0.268]	[0.267]	[0.270]	[0.270]
	Hansen J test	[0.465]	[0.453]	[0.491]	[0.478]
	Observations	2013	2012	2013	2012
Regression 5. Conflict regressor: exile	Exiled individuals per 1,000 inhabitants	-0.006 (0.004)	-0.011** (0.005)	-0.005 (0.004)	-0.010 (0.006)
	Exiled individuals per 1,000 inhabitants (t-1)		-0.001 (0.003)		-0.001 (0.004)
	Homicides per 1,000 inhabitants			-0.243 (0.234)	-0.226 (0.299)
	Dependent variable (t-1)	0.153** (0.062)	0.085 (0.075)	0.150** (0.062)	0.080 (0.075)
	AR(2) test	[0.755]	[0.977]	[0.742]	[0.992]
	Hansen J test	[0.452]	[0.421]	[0.474]	[0.442]
	Observations	1190	917	1190	917

^g Note: All regressions include time dummies. All regressions are estimated using the Arellano & Bover (1995)/Blundell & Bond (1998) one step system GMM estimator. The state capacity variables are always instrumented with their own first lags in the differenced equation and with their first differences in the levels equation. The conflict, log of population, log of real GDP per capita, royalties and cash transfers variables are always considered exogenous. P-values are reported for the AR(2) test and the Hansen J test, in square brackets. A constant is included but not reported. Robust standard errors in parentheses. ^h Log of the real GDP per capita for the department to which the municipality belongs. ***p<0.01, **p<0.05, *p<0.1.

5. Conclusions

Relying on data on different types of conflict-related events in Colombian municipalities, we have explored possible mechanisms behind a negative relationship between internal conflict and state capacity that has been previously documented. We first verify that the relationship between the mere occurrence of internal conflict and state capacity indeed holds in our data when state capacity is measured by tax collections, as in previous literature. We then show heterogeneous results for different types of conflict-related events, which are consistent with the hypothesis that the negative relationship previously documented may reflect a negative impact of conflict on citizens' willingness to pay taxes. In particular, it is events that, we argue, undermine citizen's perception of the state's ability to protect them than affect tax collections. We have also shown that larger scale events signaling the illegal armies' military strength have a negative impact of a different nature, ultimately reflected on a reduced provision of public infrastructure. Interestingly, however, no significant relationship between public good provision and the occurrence of conflict broadly defined was uncovered. This suggests that the measurement of state capacity via tax collections chosen in previous literature may not be innocuous when it comes to estimating the relationship of capacity with the occurrence of conflict.

Deepening our understanding of the consequences of conflict on the capacity of the state is important for many reasons. For one, effective actions towards the end of internal struggles are not costless, and thus frequently face fierce opposition. This is the case, for instance, of ongoing negotiations to end the confrontation with FARC in Colombia. Understanding and quantifying the costs of conflict becomes crucial to address the legitimacy of actions such as these conversations. On another equally important front, a strong state is widely recognized as a

precondition for true development. Understanding the reasons why conflict affects this capacity helps shape actions to overcome those negative effects even while conflict is ongoing.

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