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Outside control, internal mismanagement, and poor institutional arrangements drove Côte d'Ivoire from economic miracle to violent nightmare, and unless drastic shifts are made in its incentive structures, it is unlikely to wake up any time soon.

From Miracle to Nightmare: An Institutional Analysis of Development Failures in Côte d'Ivoire

Brian Klaas

Once touted as the “Ivorian miracle,” Côte d'Ivoire has become a development nightmare. For two decades after obtaining independence, its economic growth and unwavering political stability baffled economists and inspired other fledgling African states to imitate its development model. Now, almost fifty years later, Côte d'Ivoire is a model of failed development. Recently emerging from a civil war, its economy stands in shambles, and an ongoing political stalemate threatens to reignite the violence. This article couples Elinor Ostrom's institutional analysis-and-development framework with Claude Ake's development paradigm to highlight the institutional roots of the crisis and suggest how institutional transformation may be used to prod the nation to wake up and again become the “Ivorian miracle.”

Introduction

In the heart of French West Africa, Côte d'Ivoire is the poster-child for successful development gone awry. Gradually after 1960, when the country attained independence from France, Félix Houphouët-Boigny and the Democratic Party of Côte d'Ivoire (PDCI) consolidated power gradually, eventually creating a one-party government that would last thirty-three years, until Houphouët-Boigny's death (in 1993). Under him, the Ivorian government developed an extensive bureaucracy with many far-reaching tentacles, which grounded and stabilized the country through an advanced network of political patronage (Bonjean 2001). At the same time, it set out to modernize by developing an ambitious economic-growth program. Using cheap labor from Burkina Faso, Mali, and Liberia and technocrats from Europe and Lebanon, Côte d'Ivoire built a stable domestic environment, ripe for foreign investment alongside a booming agricultural industry powered by cocoa exports (Maddox Toungara 2001). Soon, its economy flourished, earning renown worldwide as “the Ivorian miracle.” International development institutions

placed it on a pedestal and directed other developing countries to follow its economic recipe. Sadly, after a brief economic crisis in the late 1970s, the same international development institutions, especially the International Monetary Fund (IMF), became heavily involved in Côte d'Ivoire and quickly led the country astray. After more than two decades of economic restructuring led by the IMF and exacerbated by local mismanagement, the "Ivorian miracle" has become the Ivorian nightmare. Peace and growth have been replaced by violent conflict and stagnation. Today, the country is *de facto* splintered into two autonomous zones, with the north independently controlled by New Forces, a rebel coalition.

This paper seeks to explain why a paragon of development derailed into civil war, and then to offer an institutional roadmap back to the Ivorian miracle. After analyzing all involved agents and uncovering perverse incentive structures, it shows that local mismanagement, severely flawed structural-adjustment programs (instituted by the IMF), and a premature transition to democracy inevitably turned a miracle into a nightmare.

Theoretical Underpinnings: The IAD Framework and Claude Ake

This paper traces the incentive structures of agents involved in Côte d'Ivoire's political and economic development, looking through the lens of the institutional analysis-and-development framework, coupled with analysis drawn from the incentive-structure deficiencies embedded in African states as outlined by Claude Ake in *Democracy and Development in Africa* (1996). The goal is to draw broad conclusions about the nature of development and the best ways to preclude the degeneration of successful development into political, ethnic, and economic devastation.

The institutional analysis-and-development (IAD) framework serves as a filter to condense the Ivorian case into a manageable context, so that it may be fruitfully analyzed. This framework relies on several fundamental assumptions. First, it operates with the presumption that actors exhibit bounded rationality: under the information available to them (seldom perfect), they generally act in accordance with some form of self-interest (Gibson, Andersson, Ostrom, and Shivakumar 2005); however, unlike pure rational choice, bounded rational choice assumes "thick rationality," in that it does not assume utility maximization, nor does it allow for pure monetization of all variables (Ostrom 1998).

With these assumptions operating in the background, the IAD framework looks specifically at institutions, defined as sets of rules, and breaks them down into three levels of policymaking: constitutional, collective-choice, and operational. On the constitutional level, macroinstitutions set the parameters of interaction at the lower levels. At the collective-choice level, the policy level, decisions are made primarily about distribution of resources and adopting other problem-solving measures. At the operational level, day-to-day interactions are analyzed, looking specifically at

the pragmatic and logistical problems, which in turn create barriers at the collective-choice level. All three levels are linked, as successes and failures at each level affect the other two levels (Gibson, Andersson, Ostrom, and Shivakumar 2005; Ostrom 2007).

At all levels, institutions govern the interactions between actors in any given action situation. By studying how institutional arrangements change outcomes, we can use the IAD framework to deduce institutional shortcomings and find appropriate adjustments. This framework enables the examination of existing incentive structures and may reveal how institutional manipulation can change the rules of the game and improve outcomes.

In Côte d'Ivoire, five institutional arrangements merit close study, largely because they control the distribution of the country's most contested resources: political power and social welfare. First, boundary institutions delimit who can participate in politics. Second, position institutions determine which individuals or groups in society hold positions of authority. Third, aggregation institutions establish control when two or more actors are vying for ownership of a particular policy. Fourth, choice institutions restrict the set of possible alternative actions. Fifth, and most importantly, payoff institutions control the costs and benefits associated with different actions (Ostrom 2007). Together, these five institutions hold the secret to Côte d'Ivoire's nightmare—as well as the key to reviving the Ivorian miracle.

The IAD framework offers a starting-point that can be tailored to examine Côte d'Ivoire when put side-by-side with Ake's theoretical paradigm. Focusing on African political climates and their tendency to derail development, Ake argues that "African politics has been constituted to prevent the pursuit of development and the emergence of relevant and effective development paradigms and programs" (Ake 1996:1). In his view, while Africa was making the transition from colonialism to self-governance, political structures were not evolving enough to dismantle the problems inherent in colonized states. Using a system incompatible with successful development, African states became home to coercive, one-party states. Their authoritarianism may have often been effective in providing stability at first, as in Côte d'Ivoire, but the eventual and inevitable opening of the political realm usually spelled disaster. Lacking the strong institutions necessary to sustain democratic rule, African elites had to revert to traditional methods of accumulating power, causing both an increase of political violence and a movement toward "appealing to national, ethnic, communal, and even religious loyalties" as a means of finding a niche among specific segments of the population (Ake 1996:5). In addition to wedging a cohesive nation into disparate parts to gain political capital, elites exploited political leverage for personal financial gain.

In such a violent and self-interest-driven climate, African politics entrenched institutions that churned out perverse economic and political structures, where elites preyed on the welfare of the masses. In the jockeying for power, even the best internal environments succumbed to political violence. As Ake explains, "the rash of military coups that came

later essentially formalized a reality that was already firmly established. It was not the military that caused military rule in Africa by intervening in politics; rather, it was the character of politics that engendered military rule by degenerating into warfare, inevitably propelling the specialists of warfare to the lead role" (1996:6). In other words, Ake argues that without strong institutions, African states all too often degenerate into self-interested strongman politics, making conflict an inevitable reality. By placing Ake's assumptions alongside the IAD framework, we may analyze Ivorian institutions at several levels, giving special emphasis to the structure of politics, the actions of elites, and the negative outcomes resulting from perverse incentives. For Côte d'Ivoire, the two frameworks fit the case perfectly: together, they provide a compelling angle for the deconstruction and analysis of Côte d'Ivoire's failed development.

This study tests three main hypotheses, each of which predicts the effects of poorly designed institutional arrangements. Côte d'Ivoire's political and economic development serves as a test case for each hypothesis. The main hypotheses are as follows.

First, *ceteris paribus*, economic abundance can placate social grievances, while scarcity will cause those grievances to manifest. Autocracy offers little incentive to magnify those grievances, as divisions can lead to unrest and calls for reform. Conversely, in a competitive political system, highlighting divisions can become politically expedient in the demonization of an unpopular group. Hence, the first hypothesis is: *Because abundance may soothe tensions, while scarcity can exacerbate divisions, the combination of scarcity with political pluralism will create incentives to exploit and expand divisions within the electorate.*

Second, rational individuals are likelier to accept and participate in a system that grants them equal footing *vis-à-vis* other groups in society. Violence arises largely as an alternative to "legitimate" avenues of social change, when individuals feel that they are not on an equal footing. Again, Ake's discussion of the propensity for coups in African politics underlines this point. Therefore, the second hypothesis is: *If aggregation and boundary institutions are arranged so that certain groups are shut out of politics, the propensity for violence and civil strife is much greater.*

Third, because rational actors seek to maximize benefits while minimizing costs (an underlying assumption of the IAD framework), and because retaining political power is the primary goal of political elites (under Ake's model), the third and final hypothesis is: *If payoff institutions are arranged so that the costs of breaching democratic procedures are lower than the benefits of illegitimately clinging to power, elites will consistently choose the latter and democracy will fail.*

The Ivorian Miracle Builds, then Crumbles

Between 1960 and 1978, Côte d'Ivoire enjoyed an economic miracle. After emerging from French colonialism, it became the fastest-growing economy in the world. Its unprecedented expansion was powered by two main pillars: agricultural production and government spending. Its agricultural sector was devoted to coffee, cotton, and above all cocoa; in fact, Côte d'Ivoire quickly became the world's leading cocoa producer, comprising 40 percent of the global market (Crook 1990). This agricultural boom was made possible by state spending: the government not only shielded the agricultural sector with subsidies, but invested heavily in education and healthcare (Woods 1994). Between these major functions, for two decades after independence, the Ivorian state employed around 40 percent of the workforce and led the economy to impressive rates of GDP growth (Crook 1989).

In 1978, the miracle hit a bump. Global cocoa prices dipped slightly, sending tremors through the Ivorian economy. That a minor price fluctuation was enough to plunge the country into an economic crisis reveals the instability endemic to state-led systems that rely upon a small number of agricultural products. In 1981, faced with a severely jostled economy and lacking a viable alternative, the Ivorian government grudgingly turned to the IMF and signed its first structural-adjustment agreement (Ridler 1993).

The design and implementation of structural-adjustment programs had many fatal flaws. One was particularly damaging. In pursuit of "healthy" macroeconomic indicators, the IMF emphasized extensive cuts in "inefficient" allocations of resources, such as social spending, while insisting that developing nations embrace the gospel of free-market economics (Logan and Mengisteab 1993). In Côte d'Ivoire, these reforms had particularly strong impacts because state spending on social and agricultural investments undergirded the Ivorian economy.

To conform to the IMF conditions attached to the loans, the Ivorian state withered fast. Education spending shriveled to the verge of disappearing. Healthcare spending was slashed (International Monetary Fund 2004). Thousands of newly unemployed government workers turned to support services that were themselves the victims of the IMF-induced cuts.

At the same time, the IMF ordered heavier investment in cocoa, following the hallowed principle of comparative advantage. Cocoa production then rose considerably, eventually comprising a whopping 39.8 percent of the Ivorian GDP, but cocoa prices continued to fall, plunging from an average of \$3,000 per metric ton in the late 1970s to as low as \$1,100 in the early 1990s (International Monetary Fund 2007). To compound these woes, the combination of taking on massive loans under the weight of a floundering economy meant that Ivorian debt skyrocketed. By 1994, Côte d'Ivoire held debts that amounted to 231 percent of the national GNP (World Bank 2007). As if unmanageable debt, unemployment, slashed social services, and plummeting cocoa prices were not enough to smother growth, the ensuing economic destabilization resulted in a great exodus of capital as foreign investors fled

(World Bank 2007).¹ With such devastating ingredients added to the Ivorian economic recipe, it is unsurprising that per capita GDP, which increased by an average annual rate of 3.9 percent between 1960 and 1978, fell by an average annual rate of 3.7 percent between 1978 and 1993 (Mesplé-Somps and Cogneau 1999). Structural adjustment, meant as a temporary solution to an economic crisis, was instituted as long-term policy.

The added stressors on the economic health of the country and on the welfare of the population were severe enough to create widespread stirrings of social discontent. Generally, shortages and constriction of resources heighten the propensity for unrest to emerge. In Côte d'Ivoire, this propensity was exacerbated by festering tensions long kept dormant by President Houphouët-Boigny's policy of catering to important constituencies, placating ethnic, religious, and regional tensions, and using patronage to disperse dissent (Woods 1994); however, structural adjustment introduced new problems and aggravated old ones, to the extent that even the most masterful manipulator could not manipulate the nation indefinitely. With the 1980s drawing to a close, rising dissent made it clear that President Houphouët-Boigny was going to have to open up the Ivorian political system. By that point, the IMF and other financial donors were increasingly emphasizing political reform, putting considerable pressure on the Ivorian government to democratize (Fauré 1993). With the regime's power threatened by internal and external forces, Houphouët-Boigny recognized that he would have to erect at least a façade of democracy.

Ethnic Politics Creep In under a Façade of Democratic Reform

Exactly that happened, and nothing beyond a façade was erected. Failed economic liberalization brought demands for political liberalization, but without the institutional overhaul necessary to sustain it, political liberalization would fail. In 1990, Côte d'Ivoire held its first multiparty elections since gaining independence (Fauré 1993); however, a political culture conducive to democracy did not grow out of a superficial reform intended to allay social unrest. Instead, the Ivorian political scene exploded, as President Houphouët-Boigny's death sent the government reeling and pushed the country closer to crisis. Stability had been tied to Houphouët-Boigny, the charismatic master, crucial to the functioning of the patronage system. Virtually all ambitious members of the political elite saw his death as an opportunity to cast themselves as his successor—a natural impulse for self-interested elites in a system that gave tremendous latitude to its leaders. Of the candidates vying for power, Henry Konan Bedié became the victor (Crook 1997),² but his succession was far from smooth; the transition illuminates the failings of Ivorian democracy and affirms that democratic government without appropriate underpinnings can actually stunt progress, fuel tensions, and incite conflict.

The delicate ethnic balance, already threatened by Houphouët-Boigny's death, ruptured into an open divide. Again showing the fluidity of the line between economic and political problems, as educated youths attempted to enter an economy unable to support anything above primary production, they returned home to rural areas to help with family farming and agricultural production, yet according to an analyst with the International Crisis Group (ICG), "when they [the returning youth] come back to their villages, they often see that their old fathers are poor while the foreigners are rich" (2004:17). Unable to find employment, Ivorians began to blame foreigners for the country's economic woes. This type of scarcity-induced xenophobia would signal a growing problem—a problem soon to be exploited by political elites in their quests to accumulate and retain power.

When the political system opened up, twenty-six new parties were formed. Unlike Bedié and the PDCI, these parties had trouble gaining influence. Richard C. Crook, in an essay on ethnoregional politics in Côte d'Ivoire, explains how the new parties could appeal only to small segments of the population, and contrasts that failing with the ruling party's ability to offer a broader message and subsequently transform that edge into electoral success:

A party cannot exist without mobilizing itself a power base derived from one of the social segments. But it cannot achieve power, certainly not in an electoral system, by using an exclusionary segmental appeal, that is[,] by appearing as the representative of a particular ethnic or other cultural or regional grouping, hostile to other groups. It must play a positive version of segmental politics, by offering itself as the only plausible agent for securing benefits to a number of the different segments. In other words[,] it must put together a winning coalition of, in this case, communal and ethnic interests. . . . An existing ruling party already enjoys this enormous advantage. Challengers must seek their social bases, but can easily be trapped in those bases. (1997:241–242)

Thus, while Bedié was taking advantage of his position as a national officeholder to garner widespread support, opposition parties were forced to the fringes. In such a crowded field, the new parties could establish a solid base only by tying their platforms to narrow social niches—a strategy that transformed itself into a feeble and ethno-regionally based opposition. This trend was intensified by a conscious political strategy employed by the PDCI to drive a wedge between itself and the opposition: catering to the resident foreigners' wants and needs. In addition to working to gain more than a quarter of the electorate, this strategy put opposition parties in a position where it seemed that they could make up the most ground by adopting a xenophobic and antiforeigner message, in the hopes that they could disqualify foreigners

from voting—a classic example of a struggle over boundary institutions at the collective-choice level (defining who can participate in making decisions). The opposition parties responded with precisely that strategy—a misstep that backfired and reinforced the perception that the opposition groups represented only ethnic interests. This divisive electoral engineering was made possible by distorted payoff institutions: for the ruling coalition (which would presumably benefit from a unified country), splintering the country and reintroducing long-dormant ethnic divisions became an imperative, as the pursuit of power overshadowed rational action.

These experiences confirm the first hypothesis: that the combination of scarcity and political pluralism will create incentives for candidates to garner votes by exploiting internal divisions. Unable to find broad support against the entrenched political elite, candidates could make inroads only by engaging in divisive politics. The institutional imbalance between elites and newcomers spelled disaster when applied to a fragile and underdeveloped pluralist framework. Thus, the fact that Côte d'Ivoire's institutional arrangements prompted candidates to exploit internal ethnic and regional divisions for electoral gains substantiates the first hypothesis.

The Politics of Exclusion: The Concept of *Ivrité*

While most of the opposition was busy undermining their prospects for electoral success, one candidate was steadily stringing together a broad enough coalition to threaten Bedié's chances: Alassane Ouattara, an economist who had served with the IMF and the West African Central Bank, and as Côte d'Ivoire's prime minister, was gaining ground. Along with his party, the Rassemblement des Républicains (RDR), he was popular in the northern portion of the country, a heavily Muslim region, where people were eager to elect a politician who embodied their own heritage; but Bedié, aware that his politics were working as planned and blinded by his goal of retaining power, went one step further to ensure that Ouattara would not threaten his chances. Again using the wedge issue of ethnicity, Bedié coined the concept of *ivorité*—the characteristic of being truly Ivorian (Daddieh 2001). This concept was codified into law as a stipulation that candidates be born of two native Ivorian parents. Conveniently, Ouattara's mother was Burkinabé, and as a result, the judiciary disqualified him from the 1995 contest (International Crisis Group 2004).³ The RDR responded by boycotting the election and thus deflating voter turnout, but the result was foreordained, and Bedié retained control. His tactic of exploiting xenophobia for political ends was thereby rewarded and reinforced. Such divisive strategies would become emblematic of a trend that would plague Ivorian politics for the next decade.

Bedié entrenched this calamity as he used a second edge of the blade of xenophobia by morphing his earlier position into a demonizing campaign. Cleansing himself of blame for the country's economic troubles, he accused the foreign population of destroying the Ivorian miracle (Daddieh 2001;

Maddox Toungara 2001). This accusation was expedient, because it kept pressure off the government as the citizenry turned against scapegoat groups, rather than against the policymakers truly responsible, and it ensured that Ouattara, as a “foreigner,” would remain relegated to the fringes of Ivorian politics. On the operational level, Bedié compounded this success by drawing a link between northerners and foreigners. He used xenophobic rhetoric and began punishing unpopular groups, treating them as second-class citizens while burdening them with extra costs and fees. For example, he singled out a highly qualified class of northerners in the upper echelons of the bureaucracy, purged them (because as northerners they were supposedly less likely to perform well), and replaced them with less qualified members of his own ethnicity, Baoulé (Maddox Toungara 2001). This recklessness sparked an intensification of ethnic and regional tensions, which grew as he institutionalized and codified his plan of ethnic stigmatization. Playing off the antiforeigner sentiments brewing among the populace, he realized that “fees for foreign residence permits [would] be both lucrative and politically popular with Ivorians, particularly the bureaucrats and police, given the number of foreigners in the country” (Crook 1997). Under Ake’s assumption that political elites were engaged in a combative struggle with a stake only in perpetuating their power, this strategy was genius, in that it produced both political and financial capital that could be used to tighten Bedié’s grip on power. All these actions put together, under the auspices of an entangled network of perverse incentive structures, created an atmosphere ripe for pushing xenophobic tensions into outright violent ethnic conflict.

Logically, as certain groups gained an elevation in status in Ivorian political and civil society while other groups were shut out, the prospects for instability grew. This reality set up the fulfillment of the second hypothesis: that violence would follow the adoption of elitist and exclusive aggregation and boundary institutions.

The Nightmare Begins

The unthinkable followed on 25 December 1999, as the former paragon of successful development succumbed to the trend all too common in sub-Saharan Africa and experienced its first military coup. General Robert Guei ousted President Bedié and promised to hold a referendum on the legitimacy of his coup by having elections at the end of the year 2000; however, continuing the legacy of *ivorité*, Ouattara was excluded for Guei’s political advantage. In addition to the internal raucous caused by Ouattara’s disqualification, the international community widely regarded the process as one blatantly rigged in Guei’s favor (International Crisis Group 2003). Eventually, pressure caused the general to retreat from office and allow runner-up Laurent Gbagbo, of the *Front Populaire Ivoirien*, to ascend to the presidency. The contestation over this result, viewed by many subsections of the population as illegitimate, combined with growing discontent among disaffected groups, fused together

the ingredients necessary to foster the degeneration of peace into violent ethnic conflict. Even before a failed second coup attempt in 2002 culminated in rebel forces' gaining control of the northern half of Côte d'Ivoire, violent rebel groups were forming, and their ranks were quickly swelling. One traditional hunter (*dozo*) interviewed by the International Crisis Group affirmed the direct link between the divisive and opportunistic politics practiced by power-hungry elites and the creation of violent resistance groups when he stated simply that he had "joined the rebellion because the Malinké have been here since the twelfth century, and soon they'll be giving us a foreign resident's card to be able to live here" (International Crisis Group 2003:7). Evidently, the political climate and the incentives underlying the establishment of *ivorité* politics were major impetuses in the eventual disintegration of a formerly cohesive society into one riddled with ethnic and regional divisions, violent conflict, and the prospect of all-out civil war. Ake's paradigm was again validated, and the second hypothesis was thus affirmed in bloodshed, as self-interested strongman politicians adopted exclusive aggregation and boundary institutions, pushing the country deeper into the crisis.

In early 2004, the crisis intensified as government forces opened fire on an opposition march, killing an estimated 120 civilians (International Crisis Group 2005). The conflict escalated further on 4 November, when the newly formed Ivorian Air Force bombed Bouaké. During the raid, the Air Force also bombed the French base, purportedly by accident, killing nine French soldiers. The French responded by quickly destroying all seven Ivorian aircraft and effectively eliminating the Air Force. Predictably, the French retaliation fueled anti-French sentiment among the population, and pro-government militias began harassing French nationals and inciting a return to violence (Polgreen 2006). Shortly after, the United Nations passed Security Council Resolution 1572, which applied an arms embargo to Côte d'Ivoire (United Nations Security Council 2004). There has since been a flowering of multi-party talks, agreements, and negotiations. Despite ceremonial signatures and pledges of goodwill, little progress has been made since the *de facto* partition of the country. Elections, central to any hopes of future peace and stability, were set for 30 October 2005. When that date came and went without event, the international community pressured the Ivorian government to set the elections back a year. As part of the brokered timetable, a new prime minister was selected, and President Laurent Gbagbo's term (set to end in 2005) was extended one year. Predictably, that year passed without elections. In mid 2008, the Ivorian conflict has settled deeply into stagnation—a period that Ivorians call a time of "neither peace nor war" (International Crisis Group 2006). Despite a major agreement (the Ouagadougou peace accord), which makes Guillaume Soro, the rebel leader, the new prime minister, the cracks in Côte d'Ivoire are far from being filled, and the conflict continues (Integrated Regional Information Networks 2007). Militias have made disarmament gestures, but overall little has changed, and a return to violence remains possible.

These failures of procedural democracy lay the foundation for the third and final hypothesis. Because the payoff institutions were arranged so that the costs of breaching democratic procedure were overshadowed by the benefits of doing so, elites took little notice of deadlines, elections, or legitimacy, and circumvented the system by staying in power beyond their mandate—a choice that prolonged the conflict.

Future Possibilities, Prescriptions for Peace

If no drastic changes are made, it seems unlikely that the conflict will end, unless the country collapses, fragments into two distinct entities, or is invaded by a neighboring country. This situation is likely to continue, barring significant institutional change, because the conflict is extraordinarily lucrative for Ivorian elites: it provides them with tremendous economic gains or social and political capital—or more often, both. These payoffs, which reward war and penalize steps toward peace, provide a window into the underlying heart of the ongoing nightmare. The good news is that with institutional readjustment, these payoffs can easily be turned from incentives that prolong the war into incentives that end it.

To find that end, three key objectives must be met. First, ethnic tensions and feelings of political isolation must be soothed by free, fair, and transparent elections. To preclude the possibility of ethnic exclusion, these elections must be held under institutions reformed so as to establish clear and nondiscriminatory guidelines for candidate eligibility. Second, the ever-expanding sectarian militias need to be absorbed into the government military forces, and all other opposition and loyalist militias need to be disbanded. Third, a national disarmament effort must be undertaken to diminish the propensity for renewed violence.

To achieve these objectives, elite incentives need to be rearranged so that Ivorian playmakers receive greater payoffs for a return to peace than a continuation of war. Currently, there are two main perversions of institutional incentives. First, the Ivorian conflict is an enormous cash cow for Côte d'Ivoire's elites. While the plight of the Ivorian masses grows more desperate each day, Ivorian elites are prospering. Businessmen exploit their proximity to government officials to accumulate wealth. In turn, militias on both sides cater to business and government, taking money for themselves in the process. Militia checkpoints and other controls have become so profitable that many militia leaders "drive in expensive cars with numerous bodyguards and are said to receive as much as \$80,000 a month from the presidential coffers" (International Crisis Group 2004). In addition to such profiteering, the cocoa industry is fostering corruption and entrenching the conflict; it is funding secret arms transfers in violation of Security Council Resolution 1572 and is simultaneously providing massive under-the-table financial support to every side in the conflict. As a reward, the "stakeholders in the cocoa industry are

meanwhile immune from any public control procedures [a.k.a. regulation], and treat the monies allocated to them by the State as bribes"; in sum, elite profit motive has established strong incentives for Ivorian playmakers to fight hard to maintain a period of "neither peace nor war," while the Ivorian citizenry struggles to meet their basic needs (Dévérin 2005).

The second perverse incentive arises from the political and social capital that has inevitably accrued to many hitherto unknowns in Côte d'Ivoire. Guillaume Soro, for example, was simply the president of his local student union before the onset of the conflict. Today, by piloting the *Forces Nouvelles* rebels to international notoriety, he has not only garnered the attention of international media, but secured a top position in the Ivorian government—all completely due to the bargaining chips he holds as leader of the rebellion. If the conflict wanes, he will lose those bargaining chips and risk losing his influence or being replaced (Dévérin 2005). This pattern follows for almost every militia leader and opportunistic politician: they were nobodies, and the conflict has recast them as somebodies. Likewise, President Gbagbo's mandate expired in 2005. He has been granted an extension by the international community for the sake of expediency, but he is uneager to face genuine electoral competition. The opposition and government elites alike, at the collective-choice level, have a shared interest to preserve the status quo. Thus, between financial profitability and political ascendancy, Ivorian elites make decisions under an institutional configuration that makes war rational and peace irrational.

That institutional configuration is malleable. If the rules of the game are adjusted so that rational action is made to coincide with the peace process, Côte d'Ivoire may emerge from the crisis. Achieving this result will not be easy, and it will take enormous political will, but if three main institutional adjustments are made, peace is possible.

First, the conflict must be made unprofitable for elites. The interconnectedness of international financial markets and banking systems makes it relatively easy for the international community to sever the tie between war and profit motive. Most bank accounts held by Ivorian elites are stationed abroad. Most of the elites' investments are in foreign holdings, or are governed by foreign companies (Dévérin 2005). These facts mean that the international community can put pressure on the banks, companies, and governments to isolate Ivorian elites financially and by doing so, undercut the economic incentive for prolonged conflict. These asset freezes can be strengthened by embargoes on luxury goods and other perks that Ivorian elites have been lavishing on themselves (Le Monde 2006). Together, both measures will realign the elites' collective-choice-level incentives by eliminating the possibilities of illegitimate war profiteering and corruption, in turn forcing them to restore legitimate financial growth and stability. By making these changes to the payoff institutions, the implementation of these changes will counteract the perverse incentives outlined in the third hypothesis.

Second, elites' uncertainty about their future political influence needs to be curbed through institutional electoral reforms. Currently, Côte d'Ivoire's legislative branch is elected under a first-past-the-post-plurality single-member-district system. If the Ivorian government is to emerge from the current crisis as a democracy, it needs to replace this process with multimember districts that use single-transferable-vote proportional representation, an election model that prompts voters to rank candidates running within a multimember district, and transfers votes from nonviable candidates to the voters' next viable preferences. Wasted votes are therefore minimized until the appropriate number of candidates reaches the quota needed for election. Such a voting system would drastically expand the heterogeneity of any given district while ensuring greater representation for minority parties. Such a constitutional-level institution change would have two main effects. First, political elites like Guillaume Soro and President Gbagbo would find themselves in a much less precarious position, as the proportional representation system would almost certainly allow them to retain their influence in policymaking; with diminished risk, the costs of genuine negotiation and peace brokering will be minimized, and the prospects for a sustainable democratic peace will rise. Second, ethnic tensions will be allayed as heterogeneous districts prompt more issue-based politics. For example, Bouaké, a heavily Baoulé area, could conceivably fall into the same multimember district as Katiola, a stronghold for ethnic Sénoufos. Such an example illustrates the simple beauty of single-transferable-vote preferential voting. Imagine that there are six seats allocated to this district. Four different ethnic parties (Baoulé, Sénoufo, Dioula, and Gouro) present four candidates each for a total of sixteen candidates. Voters are asked to rank the candidates one through sixteen. In the first iteration of elections, Baoulé candidates win two seats, Sénoufo candidates win two seats, and both ethnic minority parties each win one seat. The parties are still ethnically based, but all four parties have representation in the legislature, and even if most voters rank their own ethnicity's candidates first, they still have to choose between the other parties and select the next best option, since their votes will inevitably be transferred. Forcing this choice makes voters look beyond ethnicity to other defining factors, such as policy platforms. With voters searching for cues on who is second best to their own ethnic candidates, campaigns will have a strong incentive to find common ground with other ethnic groups and offer issue-based pleas for votes. After several iterations, it is possible that this moderating force, often called "centripetalism," will result in party mergers and the deethnicization of Ivorian politics (Reilly 2002). Here is a prime example of a constitutional-level institution reform that will quickly trickle down to other lower-level institutions. At the collective-choice level, Ivorian elites will suddenly find themselves with newfound job security. Politicians and political parties will realize that xenophobic politics have lost their political expediency, while coalition building and issue-based campaigns unlock tremendous electoral gains. Finally, at the operational level,

a new moderate politics will prompt ordinary Ivorians to mend their frayed society, find a consensus, and move forward.

Between a new electoral system and added security for political elites from all parties, the more-inclusive institutions will preclude the possibility of violence under exclusive and elitist aggregation and boundary institutions. In short, tailoring electoral rules to meet Côte d'Ivoire's needs holds a great deal of promise.

Though these institutional reforms are straightforward, it will not be easy to convince every involved party that the new rules align with their self-interest. So far, international actors have been remarkably ineffective at pushing the peace process forward. The IMF has not substantially altered its policy toward Côte d'Ivoire: it still offers loans on a basis of conditionality but lacks the backbone to enforce those conditions. At the same time, France initially tried cutting off aid to punish those in power, but after minor reforms, it went back to pumping funds into Côte d'Ivoire. Both actors are contributing to a growing moral hazard as actors are emboldened by their realization that conditionality threats are often hollow and that their irresponsible actions will be rewarded with financial support. In the end, the IMF and France remain bound to their overarching goals and respective incentives and therefore cannot sustain the policy of creating strong disincentives against sustaining the civil war; however, even if these actors hold their ground and withhold aid as a result of Ivorian failure to meet a conditionality benchmark, it may not be enough: isolated external conditionality without real internal reform has proved ineffectual in the past. To push government and opposition officials toward compromise, the United States and the international community should offer incentives by guaranteeing increased aid once a lasting peace is secured. The IMF and World Bank can pitch in by promising complete debt cancellation if peace and democracy are restored (though admittedly, the prospects for such generosity remain bleak, if history serves as a predictor of future action). If the international community finds the courage to buck precedent and depart from its current broken policies, Ivorian elites will face strong incentives to implement the institutional reforms outlined above. In turn, reestablishing peace will benefit America and the international community because a stable Côte d'Ivoire would reinforce a shaky region while providing a climate more conducive to production of goods that the United States and Western Europe import in large quantities. This is a momentous opportunity. Rarely do moral imperatives and self-interest align. It is time that members of the international community do what is right for themselves by doing what is right in Côte d'Ivoire.

These three reforms—financial, political, and economic—will tip the institutional scales and prompt Ivorian elites to scramble for peace. Without them, Côte d'Ivoire will tempt fate and see how deep the abyss of the Ivorian nightmare goes.

Though ending the conflict is the most imperative goal, it is not enough to stave off future relapses to violence and ensure long-term stability. To do that, the economic system needs to undergo a tremendous revitalization—a

feat that can be accomplished yet again through institutional reorganization. Because Côte d'Ivoire's initial woes reflected the instability of an undiversified agricultural economy, the Ivorian government needs to even out the lopsided economy by jump-starting growth in other sectors. It can do this by investing in education, industrial production, research, and commercial ventures—which will in turn counteract the homogeneity and hegemony of the cocoa sector. If these institutional reconfigurations are made, the prospect of scarcity-induced xenophobia will be swept away by a newfound abundance—thereby undercutting the perverse incentives at work in the first hypothesis.

Conclusion

Moving from economic powerhouse to economic collapse and political disaster, Côte d'Ivoire has undergone many fundamental changes during its forty-seven years of self-rule. Incentive structures show the folly of focusing on the domestic level alone, especially since Côte d'Ivoire's path was largely determined by external influences. These influences were muted before 1978, when the interests and ideologies of actors in the developed world were placated by a general contentment with the growth of the Ivorian economy, yet when cracks in the system revealed themselves, the successful command of the state was whisked away as the IMF negated the feasibility of what they deemed an antediluvian development paradigm. Instead, it condemned the level of state control, discounted input from Ivoirians, and applied an inelastic development strategy to a country unprepared for the necessary adaptations. As economic collapse became a state of existence for decades, external actors pressed the liberalization of political culture—a liberalization that, rather than solving the country's economic woes, compounded them. With the political modes of the colonial era intact, competition for political authority intensified, with individuals exploiting long-dormant ethnic tension for personal gain—exactly as Claude Ake's paradigm suggests. In a concrete sense, the notion of *ivorité* caused social cohesion to rupture as diverse groups were played off of each other, candidates were disqualified, and the state began to ostracize and exclude certain segments of the population. Blinded by the all-consuming desire to retain power, policymakers produced undesirable consequences. Today's civil war traces its roots back to two years (1978 and 1990), when liberal agents liberalized Côte d'Ivoire, first economically and then politically. Though economic and political liberalization are not uniformly negative measures, the context and implementation of these measures produced remarkably negative results. Outside control, internal mismanagement, and poor institutional arrangements drove Côte d'Ivoire from economic miracle to violent nightmare, and unless drastic shifts are made in its incentive structures, it is unlikely to wake up any time soon.

Developing nations across the globe face many of the same problems. Côte d'Ivoire illustrates that actors will respond to incentive structures in

a rational and self-interested manner. Regrettably, the structures currently operating in the developing world are not always conducive to the emergence of peaceful, democratic states. Instead of attempting to coerce the actors to work against the grain of these structures, the institutions themselves must be tweaked so that patterns of behavior can be coordinated to produce optimal outcomes. If this recognition is translated into policy changes, the challenges of development may be overcome by collective effort; if not, many countries other than Côte d'Ivoire will descend into conflict, and it may be a long time before they wake up from their own nightmares.

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NOTES

1. Foreign direct investment actually went severely negative in 1992, totaling a loss of roughly 231 million dollars (World Bank 2007).
2. A recently instituted constitutional provision sent him, as President of the National Assembly, to assume the office of president. This is a clear example of an instance in which a constitutional-level institution has controlled Ivorian political development. Had the constitution called for open and free elections rather than top-down secession, opposition leaders would not have felt that they were being put at an institutionalized disadvantage—a fear that was validated, as the election returns would later indicate. Heading into the 1995 elections with two years of experience as president, an incumbent's advantage, and Houphouët-Boigny's coattails, Bedié sailed to victory, receiving more than 96 percent of the vote (African Elections Database 2006).
3. This is a textbook example in which collective choice has affected the constitution, which was amended because Bedié and the ruling coalition had made a political calculation about a boundary institution, and the ensuing constitutional-level change in turn affected the behavior of the judicial branch of the government.
4. UN estimate. This figure is contested.

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