

## Market development and macroeconomic policy – row summary

Market development and macroeconomic policies show mostly small and variable effects on violence and social cohesion. They may result in a large improvement in diplomatic relations and peaceful dispute resolution, but this is a finding from just one study.

Market development and macroeconomic policy interventions aim to stimulate sectoral or economy-wide performance through changes in fiscal or monetary policy, market rules, and investment environments.

In the included studies, interventions clustered into: macroeconomic reform packages linked to international financial institutions; changes in aid volumes as peace incentives after agreements; trade and economic liberalization; donor-financed development projects (including World Bank and Chinese-funded projects); and community-level market institutions such as agricultural cooperatives.

These interventions are expected to reduce conflict risks by improving livelihoods and economic opportunities, stabilizing prices and public finances, and reducing economic grievances. They may also shift incentives toward maintaining peace and enable more diplomatic engagement. However, reforms and aid can also increase inequalities, create economic dislocation, foster dependency, or become contestable resources. Community-level market institutions can strengthen trust among participants while increasing visible divisions between participants and non-participants.

Evidence of effects:

- **Diplomatic relations and peaceful dispute resolution:** Large positive effect ( $g = 0.37$ ). Two quantitative studies link (i) higher economic aid after peace agreements and (ii) IMF loan program participation to improved peace process durability or lower ethnic tensions. The IMF evidence also suggests potential adverse effects where large excluded minority groups are present.
- **Nature and scale of violence or atrocities:** Small overall effect ( $g = 0.02$ ) across a larger and diverse evidence base. Findings vary: some studies associate aid or openness with reduced violence or fewer interstate disputes, while others find localized increases in battle intensity near aid projects or higher short-term civil war risks during liberalization.
- **Economic security (GDP growth):** Little or no overall effect ( $g = 0.01$ ) from one panel study of bundled nation-building packages combining economic aid and military assistance. Economic aid is associated with higher growth during conflict but slower post-conflict recovery, while military assistance shows the opposite pattern. Because effects come from a bundle, they cannot be attributed to macroeconomic policy alone.
- **Intermediate social cohesion (awareness of inequalities):** Small effect ( $g = 0.02$ ) from one study of agricultural cooperatives in rural Burundi, increasing recognition of land inequality without clear improvements in acceptance of disparities.

- **Feelings of trust and acceptance of diversity:** Small harmful effect ( $g = -0.08$ ) from the same Burundi cooperative study. Trust appears higher within cooperative members but lower among non-members, reducing overall community-wide trust.

Confidence in findings is mixed. Confidence is medium for violence outcomes because the evidence base is larger, but results are inconsistent across settings, policy types, and timing (during conflict versus post-conflict). Confidence is low for other outcomes because each is supported by only one or two quantitative studies, and effects often depend on context (for example, exclusionary ethnic politics) or on bundled interventions that cannot be disaggregated.

### Effect sizes for market development and macroeconomic policy interventions

| Outcome  | Effect size (g) | Effect interpretation | Evidence base       |
|--|-----------------|-----------------------|---------------------|
| Diplomatic relations and peaceful dispute resolution     | 0.37            | Large positive        | 2 studies; 2 ES     |
| Nature and scale of violence or atrocities               | 0.02            | Small                 | 8 studies; 73 ES    |
| Intermediate social cohesion (awareness of inequalities) | 0.02            | Small                 | 1 study; 4 ES       |
| Economic security (GDP growth)                           | 0.01            | Little or no          | 1 study; 9 ES       |
| Feelings of trust and acceptance of diversity            | -0.08           | Small harmful         | 1 study; 4 ES       |
| Diplomatic relations and peaceful dispute resolution     | NA              | Qualitative           | 1 qualitative study |
| Nature and scale of violence or atrocities               | NA              | Qualitative           | 1 qualitative study |