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SANTA BARBARA

Banking on Independence or Insecurity: Understanding Rebel Monetary Governance

by

Annjolie Vester

A dissertation submitted in partial satisfaction
of the requirements for the degree

Doctor of Philosophy

in

Political Science

Committee in charge:

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June 2026

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Banking on Independence or Insecurity: Understanding Rebel Monetary Governance

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by

Annjulie Vester

Für Sonja

Acknowledgements

The journey truly was the destination. Instead of just relief, I also feel sadness as I type these last pages of my dissertation. I entered graduate school hoping to become a scholar. Along the way, I also became a teacher, mentor, leader, and friend.

First, I must thank my committee from the bottom of my heart for showing me the kindness, mentorship, professionalism, and friendship with which I hope to treat my own students one day. Bridget Coggins was right there from the start. She was always encouraging me to take more time, patiently repeating things twice or thrice, and fostering the intellectual curiosity needed to find out why in the world rebel groups would try to engage in the politics of money. Her support extended far beyond the classroom, giving me a literal and intellectual home. Julia Morse is the mentor and friend I only ever dreamed of finding in graduate school. Every time I walked into her office, I left with more enthusiasm and confidence than when I had entered. She listened to every idea, soothed every worry, and instilled in me the belief that kindness drives academia just as much as brilliance does. Last, but not least, Kai Thaler guided me patiently through the dissertation and publication process, encouraging me to pursue a project about rebels and emerging technologies alongside him, which has made me a better writer, thinker, and colleague in the process.

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ness of people who had seen it all early on in life. *Mach die Augen zu, dann weißt du, was dir gehört.*

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Abstract

Banking on Independence or Insecurity: Understanding Rebel Monetary Governance

by

Annjolie Vester

Why do some rebel groups attempt to create their own currencies and monetary institutions during armed conflict, before gaining formal statehood? This dissertation confronts a striking puzzle: since 1945, at least 38 rebel groups have engaged in governing money, building central banks, issuing currencies, or manipulating the state's monetary system, despite operating under economically destructive conditions of war. This phenomenon is puzzling on several dimensions. Rebels who govern money divert scarce resources away from fighting, assume that civilians will accept a monetary system backed by an actor without meaningful assets, and compete against the existing monetary system of the state. Scholarship on central banking and currency typically characterizes sovereign states and international organizations as the sole actors capable of conducting monetary affairs and views monetary institutions as tools for credible commitment and access to credit. Separately, scholarship on rebel governance associates institutions with legitimacy and capacity building, and often focuses on the relationship between rebels and the constituents they rule. As a result, there are few cross-national data on rebels and monetary governance, and no systematic theory explaining why some groups attempt it while most do not. This dissertation addresses this gap through a multi-method research design combining original data collection, quantitative analysis, and qualitative case studies. First, the dissertation introduces a new conceptual framework and dataset covering rebel monetary governance from 1945 to the present, coding three rebel strategies: Innovation, Challenge, and Linkage. Second, logistic regression analysis tests the conditions associated with the emergence of rebel monetary governance. The analysis finds that war aim, mean-

ing whether a group seeks systemic transformation of a country, as well as rebel strength are robust predictors to explain the emergence of rebel monetary governance. Third, the dissertation identifies four ideal types of rebel monetary governance: Institutionally-Endowed groups, Patronage-Enabled groups, Order-Transforming groups, and Monetary-Kleptocratic groups. Case studies of the Forces of the House of Representatives in Libya, the Serbian Republic of Krajina, the Islamic State, and the National Patriotic Front of Liberia illustrate how distinct combinations of organizational capacity, external patronage, and ideological motivation shape whether and how rebels govern money.

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Chapter 1: Introduction

During its reign over parts of Iraq and Syria (2014-2017), the Islamic State took the extraordinary step to announce the creation of its own trimetallic currency, minting gold, silver, and copper coins in the style of the 6th Umayyad Caliphate. Accompanied by its own treasury, "Bayt al-Mal," the group appeared to engage in monetary policy like a state during a time of intense armed conflict. The choice to mint high-value metallic currency is particularly unusual given today's prevalence of paper money and the high cost of production.

In the same decade four more rebel groups made such attempts at monetary governance, albeit using different strategies. Ansar Allah, commonly known as the Houthis, captured the Sana'a based Central Bank of Yemen and banned the utilization of newer banknotes issued by the government (Al-Batati, 2021). The capture of the central bank and banning of banknotes seriously disrupted the government's ability to conduct monetary policy and control inflation. During the Second Libyan Civil War (2014-2020), rebels in the East of the country announced the creation of their own central banking system to contest the internationally recognized government's claim on currency and monetary institutions. Over the next few years, the same rebels managed to contract the printing of billions of Dinar bank notes by a Russian high-security printer. At the same time they appeared to use institutions and policies akin to that of the state to govern the new money supply: building their own central bank and treasury, issuing bonds and letters of credit, and even their own interest rate (International Crisis Group,

2019a). In 2018, the "Federal Republic of Ambazonia," a separatist rebel group in Cameroon, publicized the creation and sale of its cryptocurrency, the "AmbaCoin" (Atabong, 2018). On its platforms the group claimed that the AmbaCoin was designed to support the rebels' political, economic, and social causes and is backed by the "rich natural resources" of the future Ambazonian state (Ambacoin.io, 2024). Finally, in Myanmar, the National Unity Government (NUG) turned to digital and cryptocurrency alongside financial governance institutions to fund the fight against the military junta, which took control of the country in a 2021 coup d'état (Vester, Thaler and Htut, 2025). The latter two groups took advantage of new financial technologies: they are decentralized, virtually accessible to any supporter in the world, and hugely helpful in circumventing conventional methods to disrupt rebel funding.

How should we think about these rebels' attempts to govern money? At first glance, governments seem to be facing a momentous shift in how rebels fund armed conflict against the state as challenging the monetary sovereignty of the state appears to be a novel technology of rebellion. Yet rebel efforts to create and govern money during armed conflict are not at all a new occurrence. Rebels as far back as the American Confederacy have used this strategy to fund their war effort. Confederate leaders engaged in a large scale operation to create and maintain their own monetary system including their own currency, the Confederate Dollar. In addition, they began issuing debt, primarily selling unsecured cotton bonds and seeking loans on European financial markets (Weidenmier, 2000). With relatively unsuccessful debt financing and despite several legislative attempts to control the value and supply of the new Dollar, the Confederacy struggled with hyperinflation until its eventual demise (Nielsen, 2005).

The aforementioned cases represent an intriguing and under-explored, but not novel, way to fight against the state. Despite being separated by over 150 years and having technological differences, they share puzzling commonalities: All groups attempted to regulate monetary

affairs during armed conflict, often failing to consolidate their monetary governance and to achieve formal statehood. Rebel monetary governance is, therefore, puzzling on several dimensions. First, rebels attempt a relatively complex and potentially costly form of governance during the least opportune time, diverting scarce resources away from fighting and other forms of governance. In addition, armed conflict is generally an inflationary time with significant economic disruption. This hampers macroeconomic stability and therefore should not provide a healthy breeding ground for a new monetary system. While actively engaged in fighting, rebels also fight an uphill battle to challenge and displace the incumbent's monetary system. Without significant assets or legitimacy, rebels should not expect a new monetary system to be accepted or utilized by the population or economic actors, or for them to abandon the use of state institutions. Yet, despite the significant barriers and risks rebels face, I find that rebel monetary governance emerges in 38 cases since 1945.

With notable exceptions, it is undisputed that sovereign states are understood as the major players in monetary governance today. Monetary institutions were cemented as core functions of the sovereign state in the late 19th century when paper currency increasingly replaced coinage as legal tender and nation-states began creating territorial currencies (Holtfrerich, Reis and Toniolo, 1999; Helleiner, 2003). Over the past 200 years, the authority to print and mint currency, as well as to manipulate the money supply, has been consolidated in sovereign states' central banks, treasuries, or ministries of finance. Scholarly work on the creation of such governance institutions views them as credible commitment devices for state consolidation or as one of the few tools to finance war-making (Broz, 1998; Helleiner, 2003; Poast, 2014; Garriga, 2022). Yet, even for sovereign states, regulating monetary policy is challenging, in part due to the complexities and changes in the international financial and political economy of the last decades. These may have also increasingly led countries to cede their monetary sovereignty to international organizations or foreign states.

At the same time, armed conflict and civil war increasingly take place in low-income countries with weak institutional structures. In the absence of strong centralized state authority we might expect the adaptation of alternative systems of exchange and payment, as is the with the substitution of currency with the US Dollar in war-stricken economies. Yet, the conditions of rebellion still should deter the development of and engagement with monetary systems by new actors. After all, with some exceptions, rebellions are often led by civilians with little experience in state governance, let alone with specialized macroeconomic expertise. While the literature on rebellion has made important contributions to the study of how governance emerges under rebel rule, such work typically focuses on political and social aspects of governance, such as the construction of political or judicial institutions, health care, or education for legitimacy purposes (Mampilly and Stewart, 2021; Loyle, 2021; Martinez and Eng, 2018; Stewart, 2018; Huang and Sullivan, 2020). Additional work has considered taxation, as well as the illicit economies of rebel rule to understand the financial aspects of rebel governance (Mampilly, 2021; Kubota, 2016). Yet, in the presence of alternatives to provide governance to civilians and signal capacity to rule, the emergence of monetary governance stands as an outlier of puzzling character.

1.1 The Puzzle

This project engages with the puzzle of why some rebels, who operate under economically destructive conditions of armed conflict, attempt to build their own currencies and monetary institutions before gaining formal statehood. Admittedly, rivaling the monetary sovereignty of the state, while also contesting its monopoly on the use of force, seems an unusual tactic. Rebel governance literature has now documented a fascinating range of rebel governing strate-

gies, but governing money seems an extreme outlier because of the technological, logistical, macroeconomic, and symbolic complexities necessary for success. To begin with, why would rebels invest in the creation of currencies and institutions during a time when the economy is likely disrupted, sometimes even in shambles? Rebel monetary governance also includes high opportunity costs as rebels typically have finance and governance alternatives to achieve their goals. Similarly, why would a rebel group assume that citizens and economic stakeholders will accept and utilize the new monetary system of an actor who has little-to-no meaningful assets to back it? Particularly when that system has to out compete the existing one of the state. After all, the authority to print and mint currencies and the creation of institutions to govern them are legally understood as core elements of monetary sovereignty, held exclusively by states or international organizations (Gianviti, 2004; Zimmermann, 2013). Thus, during armed conflict, the odds seem highly stacked against rebels. Yet, we see rebel monetary governance emerge across a range of continents and time periods.

1.2 Dissertation Structure

The dissertation's chapters are structured around three research questions. In Chapter 2, I ask *which rebel groups* engage in governing money and *how does their governance of money vary?* If the benefits outweigh the risks, *what forms and functions will currencies and monetary institutions take for groups to reach their goals?* Further, I offer a conceptualization of rebel monetary governance, including three strategies rebels utilize: Innovation, Challenge, and Linkage. Additionally, I present new data about the universe of cases and take a first snapshot of the conditions that may necessary to engage in this type of governance.

Rebel monetary governance presents a relatively rare occurrence since only about 7.5% of

rebel groups have engaged in it since 1945. This begs the question of *what conditions* might enable certain rebel groups to clear the barriers to entry. In Chapter 3, I hypothesize that a particular war aim, that is whether or not a group seeks systematic change in a country, in addition to rebel strength and external state patronage are associated with the emergence of rebel monetary governance among groups. I test these hypotheses using logistic regression analysis.

Chapter 4 brings together elements from the previous chapters to examine four analytical sets of rebel groups, defined by shared characteristics and the type of monetary governance they built. For each set I study an ideal case, specifically the Forces of the House of Representatives in Libya (2014-date), the Serbian Republic of Krajina (1991-1995), the Islamic State of Iraq and Syria (2014-2017), and the National Patriotic Front of Liberia (1989-1997). Each case is structured around how the explanatory variables proposed in the previous chapter might work in practice to produce monetary governance.

In the conclusion, I summarize the dissertation's findings and offer new avenues for research. I identify open questions this project had to leave unanswered and discuss new topics that go beyond its scope. These include constituency and state-level explanations for rebel monetary governance, the role of external state patrons and high-security printing companies, the effect of this type of governance on rebels' prospect for victory, and the legacies of rebel monetary governance. I close by situating the dissertation between the literature on state-building and rebel governance, and reflect on the changes rebels face in the global economic and technological landscape.

Chapter 2: The Concept & Case Universe

This chapter introduces the concept of rebel monetary governance and establishes the universe of cases in which rebel groups have attempted to regulate monetary affairs in territory under their control. It does so by first defining what monetary governance is more broadly, including the role of national currencies, central banks, and monetary policy in modern states, before turning to the particular barriers and motivations that shape rebel engagement with monetary politics. The chapter then develops a three-part typology of rebel monetary governance strategies: innovation, challenge, and linkage, each of which captures a distinct way in which rebels seek to assert control over, or disrupt, the monetary system of the opposing state. Drawing on a new cross-national dataset of 38 rebel groups active since 1945, the chapter concludes with a descriptive overview of the case universe, showing that groups engaged in monetary governance tend to be stronger, better resourced, and more institutionalized than their counterparts.

2.1 What Is Monetary Governance?

2.1.1 National Currencies, Central Banks, and Monetary Policy

Monetary governance is an umbrella term that typically refers to centralized authority over the amount, value, and flow of money in a given territory. Although human societies used different types of money for transactional purposes long before the first metal coins were minted in Mesopotamia and the first banknotes printed in China, the first state governments did not

begin to centralize control over money until the 16th century and most had not established national currencies and formal monetary and fiscal institutions until much later (Herger, 2019; Helleiner, 2003). The origin of monetary governance is tightly interwoven with the need of early modern states to fund wars, monopolize authority within their territory, and develop state institutions. Today, most modern states maintain a national currency, as well as monetary and fiscal institutions entrusted with authority over the money supply.

2.1.1.1 National Currencies

Currency is most profoundly a medium of exchange which replaced the barter system as the most dominant way to exchange goods and services. Currency is a standardized place holder for the value of a good or service and quintessentially a relational concept whereas two or more individuals determine its value by some measure. The most common measure until well in the 19th century were precious metals, in particular gold, silver, and copper, however, a host of other materials, like cowrie shells, grains, clay or pelts were used as currencies long before (Johnson, 1970). With the spread of metal-based commodity money and the expansion of banking and trade, currency also began functioning as a storage of value, unit of account, and standard of deferred payment. Commodity money was eventually replaced by paper currency as the dominant form of money across the world. Paper money is intrinsically different as its value is determined by individuals' trust in the issuer. Before the end of the gold standard, governments still backed their currencies by the promise of convertibility to gold; however, today most paper money is fiat money, meaning it is only backed by the creditworthiness of the state.

Interestingly, most states did not claim a monopoly on issuing currencies until the 18th and 19th centuries (Helleiner, 2003). Before that, currencies, in particular paper money, were issued by all kinds of entities, for instance commercial banks or private individuals. States also

moved to enshrine their authority to print and mint currency to criminalize counterfeiting over time. In some states there was considerable resistance to a state monopoly on issuing currency as it was perceived as a threat to free markets and enterprise (Herger, 2019). Indeed, a large reason to monopolize currency was the government's ability to use the printing press as an effective short-term funding tool, often for war and as an alternative to taxation and borrowing (Herger, 2019). In addition, Eric Helleiner (1998) finds a connection between the territorialization of state currency and national identity when European states were in the process of nation-building.

2.1.1.2 Central Banks, Treasuries, and Monetary policy

Central banks, also sometimes called national banks, reserve banks, bankers' banks, or monetary authorities, are state institutions tasked with managing the money supply, broadly speaking.¹ Central banks slowly arose among European states in the 16th century, although most states did not establish one until the 19th and 20th century. The origins of central banks are typically attributed to several factors. Lawrence Broz (1998) argues that the Bank of England was established as a credible commitment mechanism to ensure that the sovereign would repay its loans for war financing and that disgruntled bankers would still be willing to provide them. At the same time, the growth of commercial banks, credit and bond markets, and international trade required some regulations and control over private markets to avoid default in times of crisis and thus central banks became known as lenders of last resort (Herger, 2019).

In the contemporary world, central banks still fill that role, however, their mandates have much expanded to additionally include overseeing price stability, interest rates, and even un-

¹The money supply refers to the total amount of money held by the public, which includes circulating cash and deposits that can be liquidated. In the United States, the money supply is further broken down in M0, M1, M2, and M3. M0 refers to cash in circulation. M1 refers to cash and checking deposits, M2 consists of M0 + M1 + savings deposits, and M3 consists of M0 + M1 + M2 + long-time deposits

employment. Their specific statutes are typically determined by domestic law or by directive from the government. Most central banks vary in their level of independence from the executive, however, there has been an overall trend towards greater central bank independence at least until the 2008 financial crisis (Fernández-Albertos, 2015; Garriga, 2016).² Central banks operate alongside a treasury or ministry of finance which executes the government's fiscal policy. Such institutions typically oversee the state's finances, budget, and tax collection, however, they may also be charged with managing public debt, issuing bonds, monitoring commercial banking, and printing currency.

2.1.2 What Are Barriers to Governing Money?

Of those rebel groups engaged in rebel governance generally, only a fraction engage in governing money. This lack of engagement owes itself foremost to the technological complexities of creating currency and monetary institutions, as well as attempting to supplant the state's money supply. Engaging in monetary politics in a state-like fashion requires (1) long-term planning of logistics, expertise, and resources, (2) a high degree of control and legitimacy, and (3) calculable risks to the long-term survivability of the group.

First, the creation and circulation of currency and the creation of institutions with a policy mandate requires a high degree of economic and logistical expertise that is typically found only in people with advanced degrees in economics or finance. A group has to consider the initial value, amount, and design of currency, the location, materials and mode of printing or minting, a circulation and exchange scheme, and a policy to displace other currencies in circulation and monitor inflation. Unless captured from the previous administration, rebels will have a hard time finding a location to print or mint or be able to contract out to a foreign distributor of

²Central Bank Independence is a concept describing to which degree the institution conducts monetary policy free of political interference.

currency, even if they have people with expertise in their ranks. In addition, a group needs to consider the institutionalization of its currency and monetary policy in a centralized command that oversees and legitimizes its value. States typically do so by creating central banks or some other monetary authority that oversees the money supply and the commercial banking system.

Second, rebel groups will also need a high degree of legitimacy and territorial control to assert control over monetary politics. The determining factors here are the value of money and the financial calculations of relevant economic actors. Since the proliferation of fiat money, individuals can no longer determine the value of money by its intrinsic features (e.g. gold, silver, and copper coins). Fiat money instead derives value from individuals' trust in the issuer, meaning the issuer's creditworthiness and longevity. Rebels are disadvantaged vis-a-vis the government on this point, having likely no assets or meaningful access to credit while the outcome of the conflict is yet to be determined. Additionally, rebels have to ensure that the population, businesses, and banks accept and utilize the currency and abandon any current ones. We have to assume that economic actors will only do so if they view the new currency's value as more advantageous than existing alternatives, or if rebels have enough control to coerce them. A high degree of territorial control is also important in this regard, as the incumbent government will undoubtedly deem a challenge to its own money supply as illegal and discourage or combat the distribution of a new currency.

Clearly, rebel groups face high material and reputational barriers to entry that should prevent most groups from engaging in monetary politics in the first place. However, once those barriers are surpassed, rebels still face relatively high risks of failure. Time, money, and resources invested in creating a currency or new institutions represent a large sunk cost to the group which cannot be recovered if the project fails or is mismanaged, for instance by causing hyperinflation. Rebels also risk damaging their reputation this way, potentially signaling their

inability and recklessness to provide advanced governance in a time of peril.

2.1.3 Why Govern Money in the First Place?

What goals do rebels achieve by engaging with monetary politics if the barriers and risks seem overwhelming? I propose that four motivations can move rebels to engage in monetary governance: funding, symbolism, sovereignty, and destabilization. Rebels are motivated to make finance a priority given their need to pay for fighters, materials, and other organizational or governance obligations. Monetary governance is without a doubt an opportunity for revenue generation when rebels choose to create their own currency. This can happen through seignorage, by abusing the printing press, or via currency exchange programs. Seignorage refers to the difference between the face value of a currency and its production cost, meaning that an issuer makes a profit so long as the latter remains lower than the former. This is particularly relevant if groups abuse the printing press, essentially creating a brand new money supply out of thin air.³ For instance, the House of Representatives in Libya brought into circulation hundreds of billions of Libyan Dinar, allowing it to pay for its operating expenses (International Crisis Group, 2019a). In addition, rebels can potentially profit when requiring that individuals exchange the state's currency for their own, perhaps at a favored exchange rate, creating a stockpile of old money that may still have value elsewhere.⁴

Second, rebel monetary governance inhibits a symbolic logic, by which rebel groups can communicate particular messaging and symbols to their supporters. For instance, the Islamic State chose to mint trimetallic coins rather than paper money to draw parallels to its ideological and religious foundations (Oxnevad, 2016). Money passes through our hands daily and for hundreds of years has played a role in generating a sense of national identity. Widespread rebel

³This is of course contingent on actual utilization and acceptance of the currency in the economy.

⁴The Biafran leadership acted in this manner, forcing civilians to turn in their Nigerian Pounds for the rebel Biafran Pound, while selling the old currency abroad before the state introduced new bills.

currency usage could therefore be viewed as an investment in the future of the cause, rejecting the old state. The Islamic State is an interesting case to illustrate this line of argument as its trimetallic currency was made from gold, silver, and copper representing extremely scarce materials that could have been used for expenses instead.

Third, related to the previous point, rebels might also want to signal to domestic and international audiences their ability to engage in advanced state-like governance. Although monetary sovereignty is an illusive concept, at a minimum rebels challenge the state's authority to print and mint and the policy sovereignty of its monetary institutions by creating their own. This might be particularly relevant in state contexts where monetary policy, a struggling state currency, or the state's monetary institutions have become a point of contention more generally.

Lastly, rebels might also use monetary governance to create or worsen economic instability. States are said to have used currency warfare in the past to undermine an opponent, in particular through counterfeiting (Crespo, 2020). By creating new currency, counterfeiting the old, or issuing monetary directives to a population, businesses, and banks, rebels can do serious damage to the existing money supply and undermine the incumbent state central bank from controlling inflation. The intention being that the macroeconomic chaos might hurt the opponent more than the rebel group itself. The currency ban of the Houthis is a good example to illustrate this point, with the group banning new versions of the Yemeni Rial in their territories which were printed by the government to finance its own expenses. This undermined the government's ability to extract seigniorage from the population controlled by the Houthis and meant that a larger money supply was available to purchase a smaller amount of goods and services.

2.1.4 Better Alternatives?

Recall the puzzle of rebel of monetary governance. Rebel groups should not attempt to govern money during armed conflict, when macroeconomic conditions are dire and resources are scarce. When considering the previous discussion about rebel goals, the puzzle becomes more intriguing. If rebels engage in monetary governance financial, symbolic, and strategic purposes, why not utilize other methods that are less costly to initiate and less risky to maintain? Rebel groups have been found to use a host of different strategies to fund rebellion or generate legitimacy from domestic and international audiences. Although the choice of funding is likely more constrained, rebels provide all sorts of services and governance, some of which are accessible even by non-members of the group. They build schools and hospitals, provide judicial processes and security to name a few (Stewart, 2018; Loyle, 2021; Albert, 2022). Groups also invest in symbolic communication, for example by creating flags, emblems, and hymns to increase identification of the rebel cause with the civilian population (Mampilly, 2015).

2.2 Definition: What Is Rebel Monetary Governance?

While rebel governance may evoke comparisons to modern-day state governance in terms of nomenclature, the institutions and bureaucracy of sovereign states should not be used as a benchmark. Rebel governance can be difficult to conceptualize, in part due to the fluidity of violence, territory, and rebel capacity during war, making it radically different from group to group. Generally, rebel governance is recognized when involving “encouragement of civilian participation, formation of civilian administration, and regulation or taxation of commercial production of high-value goods and services” (Arjona, Kasfir and Mampilly, 2015, 32). The diversity of governance can vary along several dimensions, for instance to what extent power is shared with civilians, how much rebels regulate civilian life, how much they build on or engage with pre-existing governance structures or abandon them entirely for new ones (Mampilly and

Stewart, 2021). The supply of rebel governance can be inclusive and exclusive, participation can be voluntary or coerced. Given the relational nature of money we should expect that a certain level of civilian participation, whether voluntary or coerced, is necessary when rebels attempt to govern money. And, given the technologically complex nature of monetary policy, we should expect rebels to use pre-existing institutions where they can.

Figure 2.1 visualizes how we might begin conceptualizing rebel monetary governance. This approach to rebel monetary governance extends beyond a narrow definition focused solely on the creation of new currency or institutions, and rather considers them as one of several strategies. Therefore, I define this phenomenon as *"the attempt of a rebel group to regulate monetary affairs in a given territory by (1) innovating a new monetary system, and/or (2) challenging the monetary system of the state, and/or (3) linking with the monetary system of a patron state."* Below, I describe the three broad strategies by which rebels can govern money in their territory. These strategies are not mutually exclusive. In fact, most rebel groups employ a combination of them.

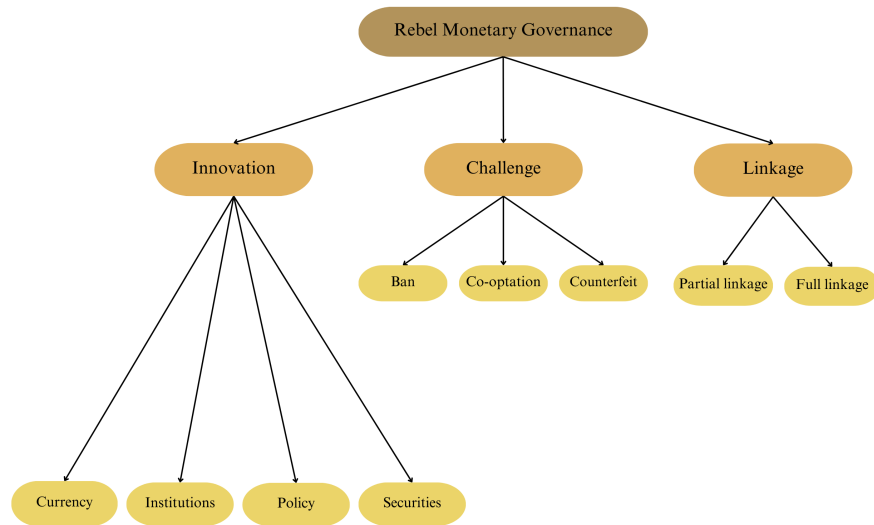


Figure 2.1: Defining rebel monetary governance

2.2.1 Innovation

I view rebel monetary governance as innovation when it is specifically intended to be a separate, autonomous entity from that of the opposing state. Such monetary governance can be built along a spectrum, from entirely new governance structures created from scratch by rebels to institutions that mirror or are developed from pre-existing ones. All in all, however, innovated monetary governance is used to create a separation from the monetary control of the incumbent state, and to a certain extent, from other external influence. New currencies, institutions, policies, or debt instruments are designed to allow rebels to create and regulate money in the economy of their territories, such that they eliminate the control that the incumbent government still has over currency, banks, and businesses. Rebels innovate in different ways but often use a combination of new and pre-existing institutions. Unless they are interested in radically restructuring the very foundation of monetary politics in their territory, utilizing pre-existing institutions, for instance the regional branch of a central bank, allows rebels to take advantage

of what was left behind by the incumbent state.⁵

To illustrate the range of innovative governance, the Houthis in Yemen are an interesting example. Although they build on the existing Yemeni central bank to establish monetary authority, only in 2024 did the Houthis announce the issuing of their own coins, albeit still under the name of the Yemeni Rial (Thamer, 2024). In addition, the group designated a part of the existing paper money supply as legitimate in their territory, while banning certain other banknotes. Related, they also attempted to offer an electronic version of the Rial to increase liquidity, although rather unsuccessfully (Mogielnicki, 2020). The use of electronic and cryptocurrency is not yet widespread among armed non-state actors, even among the rebel groups examined here, yet they do perhaps represent the most novel innovative strategy rebels could employ. Only two other examples, the Republic of Ambazonia in Cameroon and the National Unity Government in Myanmar have attempted to create their own digital and cryptocurrencies (Vester, Thaler and Htut, 2025).

2.2.2 Challenge

If rebels are unable to innovate their own monetary governance, they might decide to target the system of the incumbent government to challenge its monetary authority and policy independence. When monetary politics becomes the focus of rebel tactics, it can be prompted by the state's inflationary tactics to fund war against them. For instance, the military junta in Myanmar is frequently accused of over-printing the Myanmar Kyat which has worsened inflation considerably since the military coup in 2021 and rebels there have sought to insulate themselves by utilizing digital and cryptocurrencies (Turnell, 2024; Vester, Thaler and Htut, 2025). Rebels might therefore decide to target the government's ability to print more currency and

⁵Such was the case in Eastern Libya, where rebels associated with the House of Representatives and the Libyan National Army under Khalifa Haftar utilized the regional monetary infrastructure of the Libyan state to create a parallel monetary system under their control (International Crisis Group, 2019b).

profit from it. This was the case in the 2010s, when Houthi rebels in Yemen designated certain older issues of the Yemeni Rial as the only valid ones in their territories and banning new, larger denomination issues printed by the Yemeni government (Al-Batati, 2021). By using existing infrastructure and enforcing the ban on new notes, the Houthis were able to challenge the government's control over the money supply. Subsequently, rebels can potentially hinder the government's ability to profit from printing more currency, but also hurt them with increased inflation.

In addition, rebels might also ban the state's currency in their territory entirely, or encourage the use of foreign currencies. The former should be particularly true for rebels who issue their own native currency to avoid competition with the old one as the population might decide to hang on to it. In such a case, rebels must somehow enforce the ban of the old currency, perhaps by allowing people a window of time to exchange old for new banknotes. Sometimes rebels ban the use of currencies also for ideological reasons. For instance, the use of the US Dollar and Afghan Afghani were explicitly banned by the Taliban (Terpstra, 2020). In addition, foreign currencies are sometimes outlawed by states to prevent competition against the domestic currency. For instance, the military junta in Myanmar has tightly controlled the use of any kind of foreign currency (Turnell, 2024), even though the Chinese Yuan and Thai Baht circulate quite frequently in its border regions under the control of armed groups (Kobayashi and King, 2022, 1021). Rebels might encourage the use of a foreign currency in their territory, or, because the foreign currency is simply stronger than the domestic one, utilize it for economic reasons.

2.2.3 Linkage

Some rebel groups forgo the choice to create their own monetary system or challenge that of the state by choosing linkage with the monetary system of a patron state.⁶ Such linkage might manifest for instance in the adoption of the patron's currency as legal tender in rebel territory, the pegging of a native rebel currency to that of the patron state, or an institutional link between central banks and commercial banks of the rebels and the patron state. Although rebels relinquish institutional and policy independence when linking to the system of the patron state, they ultimately gain several advantages by doing so. First, the patron likely has more expertise, resources, and institutional capacity to carry out monetary policy on their behalf. Second, rebels have to invest little in currency or institutions, and, in fact, will be exposed to a lot less currency volatility if they peg to or adopt the currency of the patron instead of going at it alone. Third, utilizing the currency of the patron state and linking institutions might allow them to access international markets in ways that would otherwise be prohibitive due to lack of international recognition or the existence of sanctions. This might allow them to transfer and receive funds more easily, using the patron state as a third party.

Such linkages are not common among the universe of cases, most likely because there are few patron states willing to commit to such an endeavor. Patrons who do integrate rebels into their monetary system are likely already deeply invested in the rebel cause, including through military and financial assistance. Second, such patrons must be sufficiently economically stable to integrate rebels into their monetary system, in particular when rebels adopt the patron's currency and drive up demand for it. Third, a patron will likely border rebel territory in order to ensure the flow of cash, goods, and people. And lastly, engaging in the linkage of monetary systems, including the spread of a patron's currency in a foreign territory, even if under rebel

⁶This is not a unilateral choice, but rather the product of negotiations between the two parties, such that a link is beneficial to the patron as well.

control, would be seen as illegal under international law. This can expose patron states to international scrutiny and potentially sanctions.

Interestingly, monetary linkage is most common among rebellions in the post-Yugoslav and post-Soviet areas. The Russian Federation in particular seems to have made it common practice to collaborate monetarily with some of the rebels it supports. For instance, rebels of the "Donetsk People's Republic" (DPR) and "Luhansk People's Republic" (LPR), both breakaway enclaves in Eastern Ukraine, first announced that they would abandon the Ukrainian Hryvnia for a multi-currency zone, and later adopted the Russian Ruble as their official currency in 2015 (Marandici and Lesanu, 2021). At the same time, the DPR created an institution, called the Republican Central Bank, intended to create permanent structures to carry out monetary policy. However, according to Marandici and Lesanu (2021), the DPR's attempt to regulate monetary affairs is entirely dependent on Russia's central bank. Furthermore, other rebels in South Ossetia, Abkhazia, and Transnistria have linked to Russia's monetary system in similar ways. During the Yugoslav wars, Serbian rebels in Croatia and Bosnia & Herzegovina, namely the breakaway republics of Krajina and Srpska, engaged in similar activities alongside their patron state the Federal Republic of Yugoslavia, now Serbia. Both Krajina and Srpska printed several issues of their own currency, established institutions, and enacted monetary policy; however, the majority of printing and policy was done by, directed, or in collaboration with authorities in Serbia (Human Rights Watch, 2006).

2.2.4 Currency Counterfeiting

Counterfeiting is marked separately in Figure 2.1 because it appears more as a tool to target the economic viability of the state than to govern monetary affairs. Counterfeiting also has a distinctly financial dimension, often more associated with profit-seeking criminal enterprise than warfare. It is also difficult to prove involvement in counterfeiting, given that rebels typically do

not announce their activities in the same manner that they announce the creation of currencies or institutions. In literature on interstate warfare currency counterfeiting has received scant attention, although some recent work has identified it as a practice among some states, like the United States, Great Britain, and Iran, as part of their larger strategy of warfare (Crespo, 2020).⁷ These states used currency counterfeiting to target the "preferred value of a currency by creating inflation, deflation, and even [...] causing a balance of payment crisis" (Crespo, 2020, 418). Warfare through currency counterfeiting can have both financial and psychological effects on the target.

Rebel groups should generally have an interest in counterfeiting currency, however, probably more so for its revenue raising ability than to seriously damage the incumbent government. Rebels will generally have a tougher time counterfeiting a state's currency in a meaningful way because of lack of technology and printing facilities. Instead, they might collaborate with an external state who has a common interest in counterfeiting the currency of the shared opponent. Such incidents have been reported concerning the alleged counterfeiting of the Indian Rupee by the Pakistani ISI, which funneled counterfeit banknotes to India via the group CPI-Maoist, also known as the Naxalities (Prakash, 2015). Some other groups, for instance Chechen secessionist or Hezbollah, have also been found to engage in large-scale counterfeiting of the US Dollar, however, such activities are potentially not targeting the US economy rather than being a way to fundraise (Besenyő, Gulyas and Trifunovic, 2023). Thus, while counterfeiting is included in the concept of rebel monetary governance for its relevance to manipulation of monetary politics, it is kept separate in data collection.

⁷States generally have stringent domestic anti-counterfeiting law as the state assumes its role as the sole authority to print and mint currency. Internationally, currency counterfeiting was recognized as international crime by the 1929 Convention for the Suppression of Counterfeiting Currency, mainly due to the so-called "Franc Affair" during which Hungarian nationalists counterfeited tens of thousands of French Franc 1,000 banknotes with the target to damage the French economy (Petrucelli, 2016).

2.3 How Do Rebels Innovate, Challenge, and Link?

2.3.1 Currencies

Possibly the most direct form of innovation is to print or mint a native rebel currency. In the economist's view, money retains four functions: store of value, unit of account, medium of exchange, and standard of deferred payment. Most rebel currencies will likely not fulfill all of these functions and in some cases they will not fulfill any of them. How well a new currency performs depends on the form, quality, and design of banknotes. Virtually any rebel group will choose to create paper currency, rather than choose commodity money or coins.⁸ For one, paper currency and low value metal coins have been the predominate choice of states since at least the beginning of the 20th century. Another consideration is that rebels are unlikely to want to sink expensive metals or other materials into making coinage, when they can use them to finance the group instead. We should therefore expect that rebels converge to the trend of paper and fiat currencies.

The largest obstacle to creating currency is access to a printing or minting facility. If rebels are serious about currency, not as a symbolic measure, but as a monetary tool of statecraft that takes on economic value, we should expect them to invest in higher quality currency, and at least comparable to that of the state. With the lacking material value of paper money, distinguishable and higher quality banknotes will go a long way to encourage utilization by the population, and should prevent counterfeiting, something that states and rebels alike should have a vested interest in preventing.⁹ Currency printing and minting has become quite high-

⁸The exception here is the Islamic State, which used gold, silver, and copper to make coins, rather than banknotes. This could stem from the group's ideological preferences, and its rejection of Western banking - which has an association with fiat currencies (Oxnevad, 2016).

⁹The SPLM's banknotes, for example, were of such low quality that the ink ran off when the notes became wet (Beaubien, 2005). They also had inconsistent coloring and writing.

tech in the last decades, in part to make counterfeiting more difficult. Banknotes now include several security features to ensure authenticity, such as watermarks, security threads, or certain paper types and inks. Unless rebels capture a domestic facility of the state or a private business with such printing capacities, they will have to look abroad to secure banknotes. While some states have their own state-run printing company, a lot of states today actually outsource their high-security printing orders to multinational corporations such as British company De La Rue, or French company Oberthur because they have specialized in other high-security printing products, like passports or ID cards as well. Such companies operate like any other businesses, however it is unclear what kind of laws and regulations exist that might prohibit currency printing and minting for non-state actors. Hypothetically, rebels would have to secure a contract with one of those companies or via a patron state to access high-quality currency if they cannot produce it themselves.

Although the design of rebel currencies matters much for the symbolic gain of a group, it is rather the different denominations and the preferred value of the currency that matters for the implementation of a group's monetary policy. Rebels will have to choose if the new currency is introduced at par with an existing currency, potentially even be pegged to it, or if it is introduced at an independent measure of value. This will be significant for the actual implementation and circulation of banknotes and coins. When states introduce new currency or new banknote issues they typically implement them via timed exchange programs during which citizens and businesses exchange old cash for new at a set rate. Rebels similarly should roll out new notes or coins in exchange for other currency, in particular to remove the opposing state's or other foreign currency from circulation in their territory. Using such an exchange scheme has several advantages: Competing currencies are removed from circulation, the population is incentivized, rather than coerced, to take up new currency, and the collected old banknotes might still covertly be used for transactions outside of the rebel territories.

2.3.1.1 Cryptocurrencies

With the meteoric rise of Bitcoin, Tether, Ethereum and Co. since 2008, the use of cryptocurrencies across the globe has skyrocketed, challenging state governments to regulate this new technology. Work on the nexus of cryptocurrency and terrorism has already established its potential impact on the fundraising and operation of terrorist groups. The technology's advantages lay in its "promise of anonymity, decentralization, usability, liquidity, lucrative investment prospects, and potential for undetectability" (Akcinaroglu and Shi, 2023, 2). Groups can circumvent monitoring and scrutiny by governments fairly easily to move and receive money from virtually any user in the world. Although convertibility to hard currency can be a barrier to full crypto utilization, its value to non-state actors will only increase as the demand for crypto-related infrastructure and payment systems grows across the world.

Much like terrorists, rebel groups might take advantage of existing cryptocurrency systems to raise funds from constituencies and evade anti-rebel financing efforts from the government. However, this form of fundraising, although novel, has little to do with the governing of money per se. Even if the use of cryptocurrency potentially undermines the state's currency, cryptocurrency is only relevant to the study of rebel monetary governance when rebels innovate a cryptocurrency themselves or designate existing ones as their sole legal tender. Even as such, rebel cryptocurrencies defy the expectation of monetary authority. Cryptocurrencies are designed to operate in a decentralized manner based on demand and supply, without any regulatory control. Thus, when rebels use or create their own cryptocurrencies they theoretically relinquish control over their value and should not be able to use them as a policy instrument in the traditional sense. Yet, moving away from traditional currency still exhibits an intention to shape monetary politics in rebel territory and therefore should be examined as another form of rebel monetary governance.

Two rebel groups, the *Republic of Ambazonia* in northern Cameroon, and the *National Unity Government* (NUG) in Myanmar, have engaged with cryptocurrency as part of fighting the government. Ambazonian rebels announced the creation and sale of their own cryptocurrency, called the *AmbaCoin*, in 2018 (Atabong, 2018). On their website and on their YouTube Channel, the group claimed that the currency was designed build the financial foundation for an independent Ambazonian state and would allow supporters to invest in its realization (Ambacoin.io, 2024; AMBACOIN, 2018). In Myanmar, the NUG has been utilizing *Tether* to raise and transfer funds from the diaspora and has declared the cryptocurrency as its official legal tender (Abuza, 2023). In addition, the group has launched its own quasi central bank, an online commercial bank called *Spring Development Bank*, and a digital wallet which includes its own digital currency, the Digital Myanmar Kyat (DMMK) (Frontier, 2023; Vester, Thaler and Htut, 2025).

2.3.2 Rebel Monetary and Fiscal Institutions

It is not unusual for rebel groups to announce the creation of institutions to project quasi-state capacity. To substantiate their claim to monetary governance, rebel groups should invest in creating monetary institutions for two reasons. First, to assert the seriousness of their claim to domestic and international audiences; that is to signal an intent to actually manage monetary policy, rather than abusing it for short-term goals. Second, to at least match the state's institutional structure to lay claim over rebels' capacity to challenge its monetary authority. For legitimization purposes the mere existence of institutions by name might be enough, however, for the purpose of actually managing monetary policy, rebels will find it difficult to garner enough staff, expertise, and technological infrastructure to parallel institutions of the state, like central banks or treasuries. It can be difficult to assess whether individual rebel monetary institutions truly demonstrate functional capacity or merely exist in name with little substance

behind them. A comparative evaluation of institutions across rebel groups would therefore probably struggle to find a consistent measure, in part because of the lack of documentation and qualitative evidence.

Monetary and fiscal institutions more generally do not compare well to other rebel institutions either because, even among states, they typically engage little with the everyday person. Rather, their inclusiveness of the public is directed at private interests in the financial or business sectors of the economy. For instance, central banks are also called "banker's banks", indicating central banks' additional role as lender of last resort, as well as their special relationship to the commercial banking sector. In addition, while most treasuries and ministries of finance stand directly under government control, there has been a trend to partial or full central bank independence across the world (Fernández-Alberto, 2015), such that institutions have policy independence from the executive of the government.¹⁰ Although we might expect in some cases that rebels receive input from private interests, perhaps even financial and material support for their institutions, wartime conditions and the particular organizational structure of rebel groups during war might simply not allow institutions to exist outside of the direct power structures of the leadership. It is therefore plausible that the macroeconomic expertise of those leading rebel institutions is fairly limited or non-existent. Rebels might get around the lack of expertise by forcing or convincing the staff of captured institutions to remain with the institution under their control, as was the case with the Sana'a Central Bank in Yemen or the regional branches of the Bank of Libya. In more extreme instances, rebel groups might even have members with the necessary educational background, for instance the central bank governor of the Republic of Biafra, Dr. Sylvester Ugoh, a Harvard trained economist.

¹⁰It is important to note here that central banks are commonly seen as monetary institutions and treasuries as fiscal institutions. While central banks influence and manage the money supply, the treasury is typically the institution charged with printing money.

2.3.3 Rebel Policies to Govern Money

Modern states use a combination of fiscal and monetary policies to manage the state's money supply, and indirectly the economy. Fiscally, the printing of money typically falls under the purview of a treasury or ministry of finance, while central banks use interest rates and reserve requirements to contract or expand the money supply. Either might also be in charge of setting exchange rates for the currency if it is not freely floating. Rebel policies to govern money in part depend on whether rebels decide to innovate, challenge, or link. If they choose the latter, some or any policy control over money can be outsourced to the patron state's institutions, which likely have more capacity and expertise to manage the money supply. This is particularly relevant to consider when examining whether rebels actually have such competencies. In some cases where rebels have them, we might observe them using the printing press more aggressively, as was the case in the Republics of Krajina and Srpska, which issued ever higher denominations and larger quantities of currency until the end of the war. Furthermore, it is questionable if rebels can use interest rates as a policy tool to influence the money supply in the same way that states do because their territory might lack a commercial banking sector or banking has generally come to a halt because of armed conflict. In some cases, rebels might decree a change in banking rules because of ideological reasons, for instance they might abandon interest rates all together as some Islamic groups have done, like the Taliban. Another important way rebels can use to influence monetary politics in their territory is by declaring a legal tender and/or banning other currencies as such. By doing so they can affect demand for their own currency and potentially disrupt the value of the state's currency.

Another policy tool available to states is to create, sell, and buy securities. Typically, a state's treasury sells securities, like bonds, to the public to raise money for government spending. Thereby, the government raises funds directly from the public and promises to repay debt

with interest at a later time. A central bank can purchase and sell such securities in the open market to influence the money supply. During war, states sometimes turn to securities to offset increasing military expenditures. For instance, the US aggressively advertised to sale of war bonds during World War I & II both for financing and propaganda purposes (Kang and Rockoff, 2015). To use such debt instruments successfully, buyers have to have a certain level of trust in the legitimacy and longevity of the issuer. For some rebels with already strong support among the population or a diaspora, such a strategy might yield both financial and symbolic returns. One example is the National Unity Government in Myanmar, which began selling "Spring Revolution Bonds" through its "Spring Development Bank" in 2021 and has reportedly raised tens of millions of dollars, despite not offering interest on the bonds (Vester, Thaler and Htut, 2025). Another example is the American Confederacy, which sold cotton bonds on London and Amsterdam markets (Weidenmier, 2000). Although securities and other debt instruments can dramatically increase rebels' access to cash, they present a dangerous investment for the public. Generally, there is no guarantee such securities will be honored if the rebel cause falters and the incumbent government prevails.

2.4 The State and Rebel Monetary Governance

2.4.1 How Does Rebel Governance Differ From State Governance?

Some rebel institutions are built on existing civilian and state structures, while others emerge during wartime in short periods of time, without pre-existing structures. Rebel governance institutions lack the time and resource input through which state institutions are usually developed. Though some literature predicts that interstate war can be formative for state-building more generally (Tilly, 1975), institutions typically develop and transform over longer stretches of time. This is particularly true for monetary and fiscal institutions, the former of which entail more complex technocratic planning. The origins of early central banks, for instance, are

traced back to the sovereign's need for war finance and creditors' need for a credible commitment device to force the sovereign to repay its debt (Broz, 1998). Institutions therefore arose out of private-public negotiations over debt and banking. Post-1945, many newly independent states also began receiving external state-building assistance, in particular from the IMF. Such assistance is typically not available to rebels, unless it comes from a patron state.

As for using monetary and fiscal tools to finance war, states have many more options than rebel groups to access resources, although those options are still constrained by their political costs and the state's capacity to extract them (Zielinski, 2016, 5-6). States use taxation, the printing press, borrowing from domestic or international creditors, or the sale of bonds to finance war, each associated with different economic and political constraints. During civil war, states with independent central banks show a higher likelihood of victory, in part because central bank independence acts as a credible commitment tool to continue accessing capital markets (Garriga, 2022). Thus, certain state institutions and policies typically can withstand more financial and economic stress during war, whereas rebel institutions lack legal and political standing to do so.

Regarding currency, rebels are severely limited in their ability to issue fiat currency: first, because they have little to no assets or the recognition of a state to back its value, and second, because they will find it difficult to produce or order higher quality currency. Rebels are thus disadvantaged when gathering expertise, resources, or taking the time to build governance institutions. Another important difference between most rebels and modern state governments is that rebels should anticipate some kind of a counter-response to governing money. While early nation-states in the 18th and 19th century faced regional and private competition to gain policy independence and authority over currency and monetary policy (Helleiner, 2003), modern states face little such counterpoints domestically. While it is debatable if modern states

are truly policy independent when it comes to monetary affairs, they are at least without direct competition in the domestic arena, having sovereign authority over currency creation and monetary institutions by law. When considering monetary governance in a rational-actor scenario, rebels, contrary to state governments, are instead involved in a two-player game. They not only have to out compete an existing policy-maker on monetary policy, they should expect direct counter-moves which target their new institutions and policies.

2.4.2 State Responses to Rebel Monetary Governance

We should expect that rebel monetary governance has the potential to affect the incumbent government more severely than most other types of rebel governance, for instance when rebels provide social services or education. Thus, the state should have a vested interest in disrupting or discrediting rebel efforts to govern money. It is important to note that in some exceptional cases there may not be an incumbent government left to challenge the rebels in an effective manner. For instance, the Republic of Somaliland has in part thrived because the state it was seceding from had lacked any kind of central government for the first decade of the enclave's existence. It is also possible that some incumbent states do not view rebel monetary governance as a larger issue that affects their ability to win the war.

At the very least, the state can criminalize and sanction rebels' efforts to govern money. For instance, the monetary policies of rebels in Libya, including currency and institutions, were targeted by UN sanctions internationally (UNSC, 2011). Therefore, it was impossible for the rebel central bank to conduct business abroad, at least officially. This can constrain rebel plans to access trade or sell natural resources in foreign markets. The state may also sanction any use of rebel currency or association with rebel monetary institutions with penalties. This might deter some citizens and individuals from engaging with them, ultimately affecting rebel control over money. The incumbent government might also cut any services administered via mone-

tary institutions in rebel territories. That could include any services to the commercial banking sector, or the use of state revenue to pay for government services, salaries, or infrastructure. For instance, the Tripoli government in Libya cut off the rebel central bank and commercial financial institutions in the East of the country from its clearing system, which is necessary to process financial transactions between institutions (International Crisis Group, 2019a).

Incumbent states might also find themselves forced to make more direct changes to their monetary policy. For instance, the Nigerian state had to issue new banknotes after Biafran rebels seceded from the country in 1967, since the rebels had captured large quantities of the Nigerian currency in cash reserves from regional banks. To undermine them, the government decreed the old banknotes invalid, and issued the Nigerian Pound in new colors and denominations (Uche, 2002, 34). Citizens were given a month to exchange new for old, yet, because the rebels were mostly unable to do so, much of their cash reserves and those of people in their territories became valueless. States might also invalidate only parts of their existing money supply. For instance, the government of India has used demonetization in 2016 to target both corruption and counterfeiting in the country, as well as fight the informal cash economy (Lahiri, 2020). By removing a large part of banknotes in circulation and then accounting for people's formal exchanges into the new currency, the policy threatened the stockpiles of cash and counterfeit cash of criminal and armed groups. A study on the policy's effect on India's Maoist armed group, the Naxalities, suggests that it may have had a positive effect on surrenders of members of the group, at least in the short-term (Chiarotti and Monnet, 2019). Lastly, states might also try to disrupt physical rebel infrastructure to prevent them from gaining access or using existing institutions. For instance, after civil war broke out between rival factions and the government in Sudan in 2023, the army bombed infrastructure of Sudan's central bank, including its currency printing press, to prevent the Rapid Support Forces from printing more cash (*Sudan's warring parties attack central bank and currency printers*, 2023).

2.5 Case Universe

2.5.1 Operationalization of the Concept

With the exception of studies by Albert (2022) and Florea (2020), there are few cross-national data on rebels and monetary governance. Therefore, I conducted a comprehensive search for incidences of rebel monetary governance, leaning on the above-described conceptualization of strategies as a coding scheme. This new dataset has six binary outcome variables:

1. **Currency:** Equal to 1 if a rebel group has created its own currency, which is different from that of the state it opposes. This variable does not distinguish the design, quality, or form of currency, although they are typically banknotes rather than coins. 0 if otherwise.
2. **Monetary institution:** Equal to 1 if a rebel group has announced the creation of a banking institution to oversee monetary affairs, particularly a currency. They often take the form of central banks or treasuries. 0 if otherwise.
3. **Innovation:** Equal to 1 if a rebel group has created a currency or institution independent of those of the state it opposes. 0 if otherwise.
4. **Challenge:** Equal to 1 if a rebel group has interfered with the state's currency or monetary institutions, for instance, by issuing a ban on currency, issuing its own interest rates, or co-opting the state's monetary system. 0 if otherwise.
5. **Linkage:** Equal to 1 if a rebel group received assistance from a patron state either resulting in using the patron's currency and banking institutions or creating their own with the patron's support. 0 if otherwise.

6. Monetary governance: Equal to 1 if any of the other five variables are equal to 1 and 0 if otherwise

I started with the most recent version of Gleditsch et al. (2002)'s UCDP/PRIO Armed Conflict Dataset (Version 23.1). The data set includes armed conflict dyads between two opposing actors, where at least one party must be the state government and where the conflict has caused at least 25 battle-related deaths in a calendar year.¹¹ Because of the large number of rebel groups covered in the dataset, I restricted my search to three search engines: Google, Google Scholar, and Lexis Nexis. I relied on secondary sources, such as scholarly books or articles, news reports, reports by think tanks and NGOs, government reports, and tribunals. For each rebel group in the data, I typically used three specific keywords and their synonyms for my search. I always began a search with the word "currency" (coins, banknotes), followed by "monetary institution" (bank, central bank, treasury), and "monetary policy" (interest rate, exchange rate). I only coded a rebel group as 1 if I found at least 2 separate sources that confirmed the existence of some form of governance. Table 2.1 shows a descriptive overview of each variable, and Table 2.6 in the appendix shows individual coding values for each group.

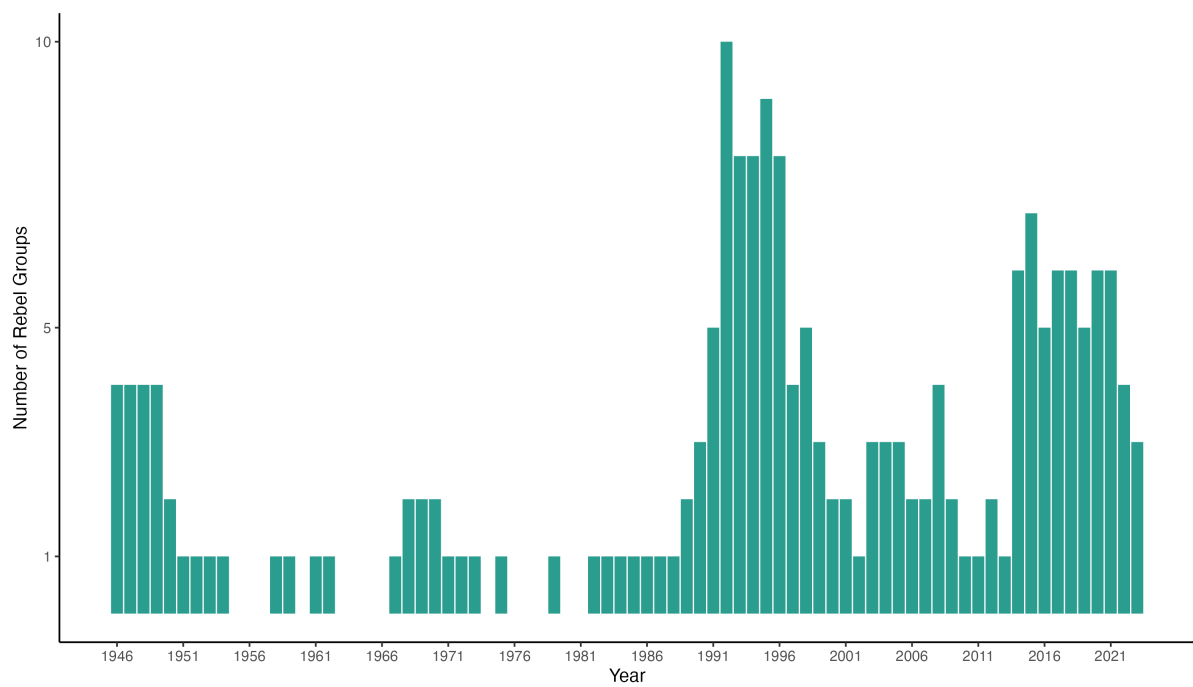
Variable	MonGov (all groups)	Currency	Institution	Innovate	Challenge	Linkage
Number of groups	38	29	24	28	19	10

Table 2.1: Descriptive Statistics

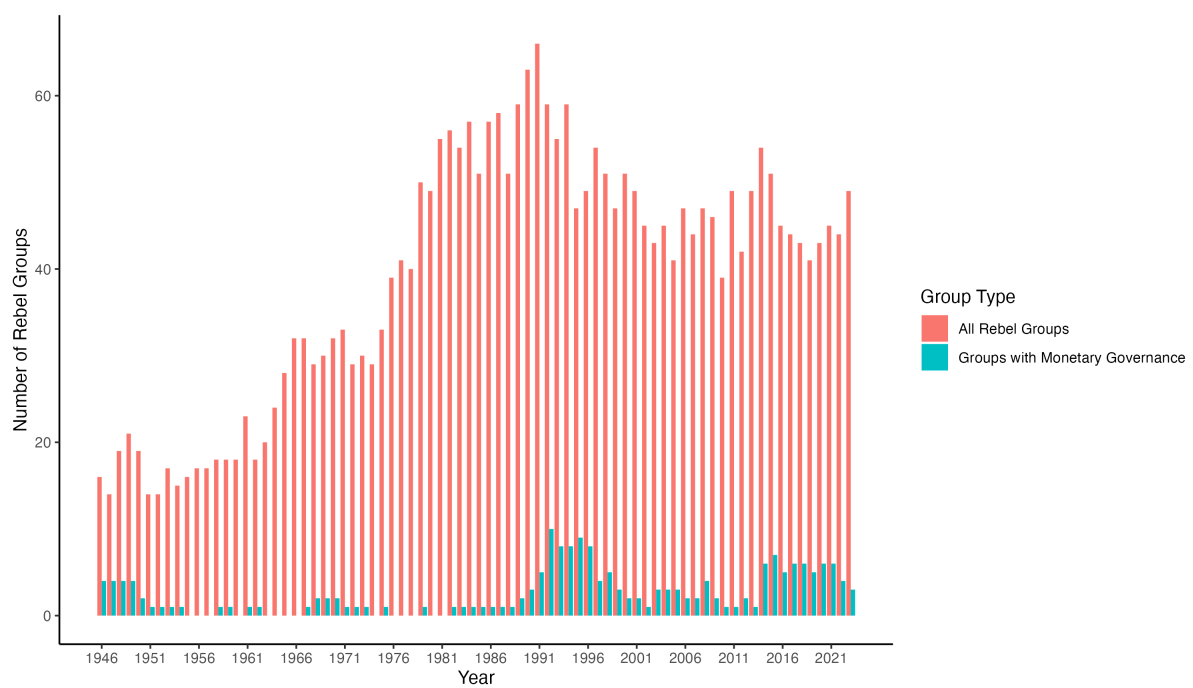
Since 1945, there have been 38 rebel groups engaged in governing money. Of those 38, a subset of 29 groups create their own native currency which differs from the currency of the opposing state or a potential foreign patron. Figure 2.2 shows the temporal variation of governing and non-governing rebel groups over time. The figure on the left-hand side shows three notable temporal clusters: post-World War II, the breakup of the Soviet Union and Yugoslavia, and a

¹¹I excluded any government-government dyads from the search and any rebel groups denoted as military factions.

larger increase during the first two decades of the 21st century. The figure on the right-hand side compares the number of rebel groups engaged in governing money to the total number of rebel groups. Although their trends are somewhat similar, there is a notable discrepancy between the upward trend of the total number of rebel groups and a fairly stagnant trend of governing groups between the 1950s and 1980s.



(a) Governing groups over time



(b) Comparison: all groups over time

Figure 2.2: Temporal variation

2.5.2 Exploring Descriptive Variation Among Groups

To explore the broader universe of cases, descriptive statistics on select group- and country-level variables that may be linked to the emergence of monetary governance among rebel groups were compiled. Table 2.2 shows the values for each group in regard to their war aim, conflict outcome, duration of conflict (in years), whether or not the group eventually achieved statehood, and whether or not it received external state patronage. In Chapter 3, I will argue that a particular war aim, specifically secessionist and social revolutionary aims, are associated with the emergence of rebel monetary governance.¹² Additionally, I will argue that external state sponsorship allows rebels to overcome complex hurdles to engage in governing money.¹³ Conflict outcome and achieved statehood are important indicators of the success of rebel groups and the role that monetary governance may play during rebellion.¹⁴

¹²I consult a number of sources, including datasets by Cunningham et al. (2009).

¹³To determine external state support, I consult Meier et al. (2023)'s UCDP dataset on external state support (only confirmed sources). I consult qualitative sources to determine cases that fall outside of that dataset's time frame and I only include external support for years during which armed conflict is active.

¹⁴To determine conflict outcome and duration, I consult Kreutz (2010)'s dataset on conflict termination.

Table 2.2: Case universe: Descriptive Statistics

Rebel Group	War Aim	Conflict Outcome	Duration	In Power	External Support
Ambazonia insurgents	secessionist	Ongoing	8	NA	NA
Ansarallah	center-seeking, islamic state	rebel victory	2	No	Iran
Chechen Republic of Ichkeria	secessionist	ceased to exist	12	No	None
Croatian Republic of B-	secessionist	peace agreement	3	Yes	Croatia
H DPR	secessionist/irrendentist	ceased to exist (annexation)	8	No	Russia
Forces of the HoR	center-seeking	ongoing, cease- fire	5	NA	Russia, UAE, Israel, Egypt, France
Islamic State	secessionist, state	ongoing, major defeat	21	No	None

(continued on next page)

Rebel Group	People's	War Aim	Conflict Outcome	Duration	In Power	External Support
Indonesian Army		anti-colonial	peace agreement, independence	4	Yes	None
Junbish-i Milli-yi Islami	Is-	center-seeking	ceasefire agreement, low activity	3	No	Iran, Uzbekistan, Pakistan
KR (1970-1975)		center-seeking, social-revolutionary	rebel victory	9	Yes	
KR (1979-1999)		center-seeking, social-revolutionary	government victory	20	No	North Vietnam, China, Thailand
LPR		secessionist/irredentist	ceased to exist/annexation	7	No	Russia
LTTE (2004-2009)		secessionist	government victory	18, 1, 5 (24)	No	None
NPFL		center-seeking	peace agreement	2	Yes	Ivory Coast, Burkina Faso, Libya
NUG		center-seeking	ongoing	5	NA	NA

(continued on next page)

Rebel Group	War Aim	Conflict Outcome	Duration	In Power	External Support
PLA	center-seeking, social revolutionary	rebel victory	4	Yes	Soviet Union
PMR	secessionist/irredentist	ceasefire, frozen	1	defacto	Russia
PRRI	center-seeking/revolutionary	government victory	4	No	NA
PUK	self-determination/autonomy	low activity	10	defacto	Syria, Iran
Pathet Lao	center-seeking, social-revolutionary	peace agreement	11	Yes	North Vietnam, Soviet Union
Republic of Abkhazia	secessionist	peace agreement, frozen	2	defacto	Russia
Republic of Artsakh	secessionist	government victory	4, 2, 1, 1, 1, 4, 4 (17)	No	Armenia
Republic of Biafra	secessionist	government victory	4	No	France
Republic of Croatia	anti-colonial	ceased to exist (recognition)	2	Yes	Soviet Union

(continued on next page)

Rebel Group	War Aim	Conflict Outcome	Duration	In Power	External Support
Republic of Slovenia	anti-colonial	ceasefire (recognition)	1	Yes	None
SNM/Republic of Somalia	secessionist	low-activity, frozen	1	defacto	Ethiopia
Republic of South Ossetia	secessionist	ceasefire, frozen	3	defacto	Russia
Sendero Luminoso	center-seeking, social-revolutionary	low activity, ceasefire	22	No	None
SPLM/A	multiple	22	No/Yes	None	
Serbian Republic of Bosnia (Srpska)	secessionist	peace agreement (incorporation)	4	No/Yes	Yugoslavia
Serbian Republic of Krajina	secessionist	peace agreement (incorporation)	4	No/Yes	Yugoslavia
State of Katanga	secessionist	government victory	2	No	Belgium

(continued on next page)

Rebel Group	War Aim	Conflict Outcome	Duration	In Power	External Support
Taleban	center-seeking, islamist	rebel victory	19	Yes	Saudi Arabia, Bahrain, Qatar, Uzbekistan, Pakistan, Iran, Russia
UIFSA	center-seeking	rebel victory	6	No	Russia, Iran, Uzbekistan, India, Tajikistan, Turkey, United States
UPA	anti-colonial	low-activity	5	No	None
USC/SNA	center-seeking	ceases to exist	6	No	Libya
UTO	center-seeking	peace agreement, rebel victory	6	Yes	None
Viet Minh	anti-colonial, social-revolutionary	peace agreement, state	9	Yes	Soviet Union, China

To explore group-level characteristics of the case universe, I consult two other datasets. First, I consider Cunningham et al. (2009)’s Non-State Actor Dataset (NSA) which provides coverage from 1945 to 2011 and includes a large number of group-specific variables.¹⁵ Because the data are time invariant, I can only compare governing groups to non-governing groups cross-sectionally. Table 2.3 and 2.4 show that groups engaged in governing money are on average more likely to receive external state support and are far more likely to control territory. In addition, governing groups tend to have a higher fighting capacity and mobilization capacity on average, are more than six times as large in size by number of troops, and compare more favorably to the government strength-wise (see Appendix 2.6). Overall, this indicates that the groups in this sample have a higher capacity on some of the conventional standards when comparing to their counterparts.

Table 2.3: External State Support for Rebel Groups (NSA Dataset)

Rebel Support	MonGov	Non-MonGov
Explicit Support	20 (60.6%)	180 (38.1%)
No Support	8 (24.2%)	219 (46.3%)
Alleged Support	3 (9.1%)	39 (8.3%)
NA	2 (6.1%)	35 (7.4%)

Table 2.4: Territorial Control (NSA Dataset)

Territorial Control	MonGov	Non-MonGov
Yes	27 (81.8%)	179 (37.8%)
No	6 (18.2%)	286 (60.5%)
NA	–	8 (1.7%)

I also investigate how my sample compares to other groups in terms of general institution building. I consider Albert (2022)’s Quasi-State Institutions dataset (QSI) which provides coverage of 25 different rebel institutions from 1945-2011.¹⁶ On average, groups in my sample

¹⁵Because of the shorter time frame, this part of the analysis does not include the following groups: Forces of the HoR, Ansarallah, LPR, DPR, NUG, Ambazonia, Somaliland, Islamic State.

¹⁶Because of the shorter time frame and exclusion of anti-colonial groups, this part of the analysis does not

build twice as many institutions as compared to their counterparts, even when subsetting to political, economic, and social institutions.

Table 2.5: Average Institution Count by Type

Group Type	Avg. Institutions	Avg. Pol. Institutions	Avg. Econ. Institutions	Avg. Soc. Institutions	N groups
MonGov	10.60	4.77	1.69	4.12	26
Non-MonGov	5.16	2.68	0.76	2.03	157
No institutions	0.00	0.00	0.00	0.00	48

2.5.3 Limitations of this Research

The limitations of the conceptualization and data collection of this research are three-fold. First, a cross-group comparison requires simplification of the measures to binaries, which beget important details about the differences in strategies and institutions that rebels build. Information about the quality, material, and design of currencies, or the structure and organization of monetary institutions can be found in the coding notes for each group, however, they cannot be meaningfully disaggregated for a quantitative analysis. Most other rebel governance research suffers from similar problems as scholars negotiate between the details of each case and their usefulness to test hypotheses cross-sectionally. Furthermore, data and information availability are somewhat restricted because of the secretive nature of rebel finance. Under most domestic and international laws, non-state actor issued money is considered counterfeiting and therefore illegal. Some groups may have an incentive to misrepresent their efforts, making detection difficult. On the contrary, others might overstate their monetary operations intentionally through propaganda, when in actuality their currencies or institutions exist on paper only. Lastly, I have limited data collection to armed conflicts between two actors that resulted in at least 25 battle deaths for theoretical reasons. However, conflict intensity varies substantially across

include the following groups: Ansarallah, Ambazonia, DPR, LPR, Forces of the HoR, Indonesian People's Army, Islamic State, NUG, Republic of Slovenia, South Ossetia, Viet Minh.

groups, with the same conflict dyads sometimes meeting, and at other times falling below, the UCDP/PRIO threshold for inclusion, often multiple times. For instance, the Republic of Somaliland has existed since the early 1990s, but it only appears in the ACD dataset in 2018, because fighting between the government and the de facto rebel state produced over 25 battle deaths only in that year. It is valid to assume that rebel institutions exist beyond the heights of armed conflict and do not necessarily disappear as conflict between the government and the group subsides or stalemates. In other cases, monetary governance begins in the years before armed conflict, as was the case with the People's Liberation Army in China, which began issuing currencies and building regional banks during the Japanese occupation in the 1930s and carried this practice forward during the Chinese Civil War against the KMT (1945-1949).

2.6 Conclusion

In this chapter, I have defined the concept "rebel monetary governance" and I have introduced a universe of rebel groups that performs complex institution-building during armed conflict, something that has previously received scant attention in academic literature. The conceptualization of this type of rebel governance focuses not on the design of specific rebel institutions, but rather on the different strategies rebels employ to engage in monetary politics. Rebels innovate, challenge, and link in different ways to undermine the opposing state's monetary system. This chapter also offers a first investigation of the characteristics of rebel groups engaged in governing money. Overall, they tend to be stronger, more institutionalized, higher in capacity, and have more external state patronage. This concurs at least initially with what the puzzle of this phenomenon poses: The complexity of monetary governance deters or prevents many groups from attempting it in the first place. Chapter 3 will dive deeper into investigating why only certain rebel groups ever attempt to govern money and tests quantitatively under which conditions it emerges.

Appendix

Appendix 1A: Overview of Rebel Groups by Strategy

Appendix 1B: Descriptive Statistics

Table 2.6: Descriptive overview of each group

Rebel Group	Currency	Institution	Innovate	Challenge	Link
Ambazonia insurgents	1	1	1	1	0
Ansarallah	1	1	1	0	0
Chechen Republic of Ichkeria	1	1	1	0	0
Croatian Republic of B-H	0	0	0	0	1
DPR	0	1	1	1	1
Forces of the HoR	1	1	1	1	0
IS	1	1	1	0	0
Indonesian People's Army	1	0	1	0	0
Junbish-i Milli-yi Islami	1	0	1	1	0
KR	1	1	1	1	0
LPR	0	1	1	1	1
LTTE	0	1	0	0	0
NPFL	1	1	1	0	0
NUG	1	1	1	1	0
PLA	1	1	1	1	0
PMR	1	1	1	1	1
PRRI	1	0	1	0	0
PUK	0	0	0	1	0
Pathet Lao	1	0	1	0	0
Republic of Abkhazia	0	0	0	0	1
Republic of Artsakh	1	1	1	0	1
Republic of Biafra	1	1	1	1	0
Republic of Croatia	1	0	1	0	0
Republic of Slovenia	1	1	1	0	0
Republic of Somaliland	1	1	1	0	0
Republic of South Ossetia	0	1	0	1	1
Sendero Luminoso	0	0	0	1	0
SPLM/A	1	1	1	1	0
Serbian Republic of B-H	1	1	1	0	1
Serbian Republic of Krajina	1	1	1	0	1
State of Katanga	1	1	1	0	0
Taleban	0	0	0	1	0
UIFSA	1	0	0	1	0
UPA	1	0	1	0	0
USC/SNA	1	0	0	1	0
UTO	0	0	0	1	1
Viet Minh	1	1	1	0	0

Table 2.7: Fighting Capacity (NSA Dataset)

Fighting Capacity	MonGov	Non-MonGov
Moderate	19 (57.6%)	123 (26.0%)
Low	12 (36.4%)	326 (68.9%)
High	2 (6.1%)	4 (0.8%)
No	–	1 (0.2%)
NA	–	19 (4.0%)

Table 2.8: Rebel Strength Relative to the Government (NSA Dataset)

Rebel Strength	MonGov	Non-MonGov
Weaker	19 (57.6%)	231 (48.8%)
Parity	10 (30.3%)	31 (6.6%)
Much Weaker	3 (9.1%)	200 (42.3%)
Much Stronger	1 (3.0%)	1 (0.2%)
Stronger	–	9 (1.9%)
NA	–	1 (0.2%)

Table 2.9: Average Estimated Rebel Size (Best Estimate) (NSA Dataset)

Monetary Governance	Average Rebel Size	N
Yes	68,438	32
No	10,187	338

Table 2.10: Mobilization Capacity (NSA Dataset)

Mobilization Capacity	MonGov	Non-MonGov
Low	6 (18.2%)	263 (55.6%)
Moderate	22 (66.7%)	155 (32.8%)
High	5 (15.2%)	35 (7.4%)
No	–	1 (0.2%)
NA	–	19 (4.0%)

Table 2.11: Conflict Types by Groups (NSA Dataset)

Conflict Type	MonGov	Non-MonGov
Civil War	12 (36.4%)	227 (48.0%)
Secessionist Conflict	14 (42.4%)	118 (24.9%)
Ethnic Conflict	–	36 (7.6%)
Communist Rebellion	3 (9.1%)	29 (6.1%)
Anti-Colonial	3 (9.1%)	25 (5.3%)
Autonomy Conflict	1 (3.0%)	17 (3.6%)
Islamist	–	7 (1.5%)
NA	–	14 (3.0%)

Chapter 3: Under What Conditions Do Rebels Govern Money?

3.1 Introduction

Why do some rebel groups attempt to create their own currencies and monetary institutions during armed conflict, while most others do not? In the previous chapter, I offered new data on rebel groups that engage in this form of governance. According to those data, only 38 rebel groups have engaged in governing money since 1945, mainly located in Europe, Africa, and Asia. At 13.4%, this accounts for only a small share of the groups included in the most recent version of Gleditsch et al. (2002)'s UCDP/PRIO Armed Conflict Dataset. In the last decade alone, five rebel groups, including those in Libya, Yemen, Cameroon, Myanmar, and Iraq, have created their own currencies and monetary institutions, including digital and crypto currencies, or challenged the states existing monetary system. What appears as a contemporary phenomenon, however, has been used as a rebel strategy at least as far back as the American Confederacy. This rare though intriguing and underexplored way to fight the state thwarts questions about what conditions are associated with its emergence.

With notable exceptions, it is undisputed that sovereign states are understood as the major players in monetary governance today. Monetary institutions were cemented as core func-

tions of the sovereign state in the late 19th century when paper currency increasingly replaced coinage as legal tender and nation-states began creating territorial currencies (Holtfrerich, Reis and Toniolo, 1999; Helleiner, 2003). During the past 200 years, the authority to print and mint currency, as well as to manipulate the money supply, has been consolidated in sovereign states' central banks, treasuries, or ministries of finance. Scholarly work on the creation of such governance institutions views them as credible commitment devices for state consolidation or as one of the few tools to finance war-making (Broz, 1998; Helleiner, 1998; Poast, 2014; Garriga, 2022). Due in part to today's complexities of the international economic and financial system, the regulation of monetary policy is a highly technical undertaking and sometimes is challenging even for modern states. That may also be the reason why some countries have ceded their monetary sovereignty to international organizations or partner states.

At the same time, many armed conflicts take place in low-income countries with weak institutional structures. In the absence of strong centralized state authority, we might expect the adaptation of alternative systems of exchange and payment, as is the case with the increasing substitution of native currencies with the US Dollar in war-stricken economies. Yet, the conditions of rebellion should still deter the development of and engagement with monetary systems by non-state actors. After all, with some exceptions, rebellions are often led by civilians with little experience in state governance, let alone with specialized macroeconomic expertise.¹ Although scholars have found that rebel groups provide a plethora of different institutions and services across the world, for instance political and judicial processes, security, health care, or education, many of them focus on governing social and political life (Mampilly and Stewart, 2021; Loyle, 2021; Martinez and Eng, 2018; Stewart, 2018; Huang and Sullivan, 2020).

¹For instance, Shesterinina and Livesey (2024) distinguish between the different origins of rebel groups, pointing out that those groups splintering from the state have members with previous government experience. Only some 25% of rebel groups in Braithwaite and Cunningham (2020)'s FORGE data are state splinter groups.

In this chapter, I explore the conditions under which rebel monetary governance has emerged among rebel groups from 1945-2011. I argue that this form of governance is particularly common among rebel groups that seek systemic change of a country, for instance, social revolutionaries or secessionists. In addition, the technological and macroeconomic complexities of this type of governance require that rebel groups have a set of characteristics that allow them to overcome its high barriers to entry. I posit that external state patronage, through technological and expert support, allows certain rebels to engage in governing money. In addition, rebel groups with an already strong and more institutionalized organization structure should be in a more viable position to clear barriers to entry.

This chapter proceeds as follows. First, I review the literature on state and rebel governance as it pertains to monetary policy, currencies, and finance. Then I discuss the logic of rebel monetary governance which characterizes this form of governance as having high barriers to entry but potentially large financial, symbolic, and strategic benefits. I hypothesize that rebels' war aim, specifically their seeking of systemic changes to a country, external patronage and rebel strength are conditions associated with its emergence among rebel groups. To test my hypotheses I use logistic regression on a cross-sectional dataset that covers all rebel groups from 1945 to 2011.

3.2 Literature Review

3.2.1 Contesting the Monopoly on the Use of Money

By fighting armed conflict against the state, rebels primarily contest the state's monopoly on the use of force. By extension, then, when rebels attempt to govern money during armed conflict they contest the state's monopoly on the use of money. However, the monopoly on the use of money, or monetary sovereignty, is a difficult concept to engage theoretically, even in

the context of sovereign states. Thereby, states should be able to conduct monetary policy free from external interference and independent of their commitments to other countries, also referred to as legal and policy sovereignty (Mundell, 2002). In a domestic setting, sovereign states have legally monopolized the authority to print and mint currency to prevent counterfeiting. Most states render currency printing illegal outside of a designated government agency and clearly delineate which branches of the government may issue and carry out policy. Externally however, monetary sovereignty is not a marker of recognition, even though common discourse treats it as a derivative of state sovereignty (Zimmermann, 2013). This is due to a lack of an international legal framework in this area of governance. The 1929 Convention for the Suppression of Counterfeiting Currency is the only legal cooperation to recognize a country's right to regulate its own currency from interference. This leaves little to suggest that monetary sovereignty is an integral part of what makes a sovereign state today. Grant (2011) argues that even in cases of state successions, arrangements are typically made on an *ad hoc* basis between successor and predecessor government, because no blueprint exists to guide the succession of monetary institutions and currency (p. 375). Thus, a successor government, even by the means of rebellion, inherits monetary sovereignty, currency, and institutions by default, and may decide to modify them as they see fit.

Monetary sovereignty is a challenging concept to observe, both empirically and theoretically, and therefore may not be useful to explain the emergence of rebel monetary governance. Although rebels might perceive monetary sovereignty as a procedural marker to attain, its empirical value is questionable. Generally, monetary sovereignty encompasses a state's ability to issue currency, the regulation of credit and capital, and the conduct of monetary and exchange rate policies (Zimmermann, 2013, 7). Yet, by such standards, a large portion of sovereign states in the international system do not hold monetary sovereignty today. States regularly struggle to maintain the value of their currencies, even during longer times of peace. Many states have

either partly or fully relinquished monetary sovereignty to international organizations, monetary unions, or other states. The European Central Bank (ECB), Bank of Central African States (BEAC) or Central Bank of West African States (BCEAO) manage monetary affairs for over 35 countries combined. The US Dollar is now the official and quasi-official currency of several countries, like El Salvador or Ecuador, and frequently serves as substitution in fragile economies. In addition, globalization and international financial markets have complicated the state's ability to conduct monetary policy independently, questioning the concept of monetary sovereignty as a given (Cohen, 1999; Murau and Klooster, 2022).

3.2.2 War, national currencies, and institutions

Despite the conceptual ambiguity of monetary sovereignty, scholarship on the emergence of state monetary institutions and currencies is still useful to consider in order to explore why rebels might try to govern money before reaching formal statehood. The presence of a centralized actor, such as a sovereign state, is not a necessary condition for the emergence of a monetary system. For instance, before national currencies became the norm in the international system, sub-national and foreign money issued by banks, traders, communities, and foreign governments frequently circulated simultaneously in pre-19th century Europe (Helleiner, 2003). Thus, states begun making use of territorial currencies during the process of their own state development, in order to construct national identities, increase their fiscal capacity, regulate domestic markets, and displace other currencies in circulation (Helleiner, 1998, 2003). In the post-World War II era, it may be that we observe rebel monetary governance as a phenomenon only in the contexts of fragile or failed states, where the government's institutions, currency and ability to conduct monetary policy has already diminished, or is not able to penetrate specific regions.

Currency is a quintessentially relational concept, because it passes through people's hands

daily to reaffirm its value. The link between the symbolic nature of currency and the identity construction of the issuer is crucial to examine, in particular in the context of the increasing move from commodity money to fiat money. When issuing fiat money, pre-modern states had to generate legitimacy and trust amongst the population to maintain the viability of fiat currency because it lacked physical value (Helleiner, 1998, 2003). At the same time, technological advances allowed for higher quality and larger quantity currency production, which increased the state's ability to identify and discourage counterfeiting. Fiat currency is prescribed political, social, and cultural meaning which transcends traditional materialistic measures of value (Zelizer, 1989). The design of currency often suggests and engraves historical, cultural, ideological, or political symbols of a particular state, or in case of the European Union, a supranational state and identity building project. Much like pre-modern states, rebels are still in the process of identity construction, although they may draw on the histories and cultures of their regions. Hence, Mampilly (2015) argues that creating rebel currencies, much like creating emblems and flags, can serve symbolic purposes for the rebellion (Mampilly, 2015). Despite their lack of material value, rebel currency might inspire confidence in the longevity of a particular rebel cause. For instance, Owen (2009) has found that Biafran Pound notes were re-circulated by MASSOB, a non-violent secessionist groups in the same region as the Biafran rebellion. Although not widely in circulation, these notes were accepted by some traders in Nigeria, even decades after the demise of the Biafran secession.

At the intersection of war and political economy, earlier literature on monetary institutions generally characterized them as credible commitment devices to raise more war funds. During wartime, states use central banks to enhance their ability to finance the war effort by borrowing more instead of having to resort to taxation or the printing press which can both stress citizens and the economy (Zielinski, 2016). These institutions are viewed as mutually beneficial for the state and financial stakeholders because they constrain the government's interest to default on

loans while increasing its access to credit (Broz, 1998). When independent of the executive, these institutions also serve as important signaling devices to improve access to international financial markets, which in turn may affect their ability to control inflation and sustain the government's war effort (Garriga, 2022). While rebel groups typically have no access to international financial markets, constructing quasi-state institutions may be useful to signal to domestic and international audiences.

3.2.3 Where Governance Meets Finance

Rebel monetary governance stands at the nexus of governance, finance, and legitimacy, and walks a fine line between elements of provision and extortion. Literature on rebel governance generally posits a positive link between rebel governance provision and legitimacy generation. Rebel institutions and services are assumed to be a signaling mechanism to demonstrate an alternative to the state, possibly resulting in more civilian and foreign support. Scholarship has now documented dozens of social, economic, judicial, and political institutions by which rebels are said to generate support and govern their subjects (Huang, 2016; Albert, 2022; Florea, 2020). Yet, some research has found adverse effects of rebel governance, which can actually cause resistance to rebel rule and even reducing rebel strength (Arjona, 2015; Terpstra and Frerks, 2017; Stewart, 2020). Rebel governance as a theoretical concept necessitates civilian participation, but not all institutions are inclusive, and some are even coercive (Arjona, Kasfir and Mampilly, 2015; Mampilly and Stewart, 2021). Theorizing about rebel monetary governance can draw on such insights; however, it does not quite fit the underlying assumptions civilian participation in rebel governance. Rebel currencies and monetary institutions are both legitimacy-seeking and legitimacy-generating. Civilians are unlikely to get much input on this form of governance given its technological complexities and, in fact, initial utilization of a new currency may even have to be coerced, as was the case in Biafra in the late 1960s (Uche, 2002). Particularly the value and survivability of fiat currency is determined by the willingness

of economic stakeholders, including citizens, to utilize it.

Similar to literature on rebel taxation, theorizing about rebel monetary governance grapples with assumptions about the criminal or extractive nature of rebellion itself. Earlier literature had depicted rebellion as a criminal enterprise, driving an understanding of rebel groups that expects extortion, predation, and greed (Collier and Hoeffler, 1998; Collier, 2000). By default then, rebel taxation and other economic activity could impossibly be anything other than theft. Indeed, some rebel groups exhibit markers of criminality, resorting to theft, kidnapping, looting, and trafficking, some of which have been associated with violence against civilians (Weinstein, 2006; Walsh et al., 2018). In the meantime, scholarship on rebel taxation has argued that such an economically driven framework ignores important social and political dimensions of how rebels govern. Rebels can surely profit from taxation, but other benefits are present as well. For instance, rebel tax collection can be motivated by ideological reasons, provide political and institutional order during conflict, and generally exhibits characteristics as a technology of governance (Breslawski and Tucker, 2021; Revkin, 2020; Mampilly, 2021; Mampilly and Thakur, 2024). Governance around currencies and monetary institutions follows a related logic, although the production of public goods in return materializes in less pronounced ways. States profit from currency production through seignorage, ideally returning this profit through investment or maintaining macroeconomic stability.²

Admittedly, rebel monetary governance might just be an alternative strategy to raise funds, albeit a very complex one. The literature has identified several rebel strategies to raise funds, which are contingent upon domestic and external support, resource endowment, and local licit and illicit economies. In the absence of such alternatives, rebels might be incentivized to create

²According to the Bank of Canada, “seignorage refers to the interest [central banks] earn, minus the cost of producing, distributing and replacing banknotes”. Typically, central banks sell banknotes to financial institutions, and due to the difference in production costs to face value, make a profit which can in turn be invested.

or govern money to sustain their cause. During the Cold War, rebels were often funded by the ideological competition of the two super powers, but external state sponsorship remains an important variable in civil wars and armed conflict today (Saleyhan, Gleditsch and Cunningham, 2011; Saleyhan, Siroky and Wood, 2014). The role of external patrons is also relevant in cases of monetary governance, but less so as a material source, and rather as one of technocratic and logistic support. A long line of scholarship has studied the link between the presence of and rebel access to natural resources and outcomes on violence against civilians, terrorism, conflict termination and recurrence, and rebel governance (Weinstein, 2006; Fortna, Lotito and Rubin, 2018; Fearon, 2004; Ross, 2006; Lujala, Gleditsch and Gilmore, 2005; Koenemann, 2019). Consequently, rebel monetary governance might be connected to armed conflict in resource-rich states where disputes over revenue distribution or resource rents arise in connection to state institutions like central banks or national oil companies, as was the case in Libya and Yemen during the last decade (Ahram, 2023). Rebels exhibit a wide range of governing behaviors when it comes to regulating economies in their territories (Kubota, 2020). Therefore, it is conceivable that they might also consider creating or manipulating the medium of exchange utilized within these economies.

3.2.4 Beyond Existing Scholarship

Previous scholarship on rebel monetary governance is relatively rare, either conceptualizing rebel currencies and institutions as one of many other forms of governance, studying it as a tangential subject, or analyzing it in a single case. For example, Albert (2022) and Florea (2020) provide coded binary variables for rebel *currency* and rebel de facto state *central banking system*. These measures are crucial as a starting point to ascertain cases, but hide all of the important variation that rebel monetary governance exhibits across groups, leaving little opportunity to theorize. Furthermore, Owen (2009) documents the re-emergence and circulation of decades-old Biafran Pound notes in West Africa, centering the analysis on the symbolic

value of the currency to Igbo communities. Uche (2002) and Confidence (2020) detail the Biafran monetary governance experiment, suggesting the potential for currency and monetary warfare between rebels and the state. Further, Oxnevard (2016) illuminates the Islamic State's creation and usage of gold, silver, and copper coins starting in 2014. And, Ahram (2022a) and Ahram (2023) study rebel oil regimes intersection with monetary institutions, for instance during armed conflicts in Yemen and Libya. Although they provide interesting insights into single cases, these studies miss theorizing beyond the initial attributes of the specific groups. Particularly single case studies lack a generalizable theoretical foundation which can be used to understand rebel monetary governance as a larger trend. Explanations of such cases usually take into consideration the innate characteristics of those groups, for instance the Islamic State's choice to utilize coins from metal because of its rejection of fiat money or the coins' design which is intended to resemble coins from the historic 6th century Umayyad Caliphate (661–750 CE). Such attributes are unlikely to be found among other groups.

Although this scholarship sheds light on part of the picture, many puzzling questions remain. Where single case studies provide fascinating detail about the why, how, and when of a group's monetary governance, we know little about what conditions support the emergence of this phenomenon, and why only a small subset of rebel groups ever attempt it. Governing money seems comparatively more complex than building schools or holding criminal trials. Given the financial and technological constraints of the rebels we know little about how rebel material and intellectual capacity affect the types of rebel institutions that arise in a given conflict context. For example, (Vester, Thaler and Htut, 2025) find that little territorial control and past government and technological expertise contributed to the creation of digital governance and finance infrastructure by the National Unity Government in Myanmar's current civil war. In the reverse, rebel monetary governance has the potential to diminish rebel capacity, both in terms of material and reputational costs to the cause. This is particularly crucial to con-

sider given the high risks for both the rebel groups and, in case of failure, the surviving state and population. The legacy of rebel governance is often studied in the context of rebel victory and subsequent post-conflict social, security, and political order (Huang, 2016; Liu, 2023; Voyvodic, 2021). Very few studies focus on the post-war economic consequences of rebel rule, for instance that by Ibáñez et al. (2023). Yet, rebel monetary governance has the potential to wreck the post-conflict order. When rebels create un-backed currencies or manipulate the monetary policy of the incumbent, the potential for inflation increases and existing assets and wealth can be erased.

Scholars of rebel governance have made great strides collecting cross-group data on rebel institutions to allow for quantitative analysis. However, those datasets often forgo the rich detail of cases for the comparability of variables across a universe of cases. There is much variation to be documented to understand how rebels govern money. Most rebel governance does not manifest in physical and state-like structures, and instead takes different, sometimes informal, modes (Loyle et al., 2021). Likewise, the governance of money extends beyond mere currency creation. Rather, we should understand this form of governance more broadly as another strategic arena in the fight against the state, where rebels are active participants in and not just passive subjects of domestic monetary policy. Previous studies often focus on the effect of rebel governance on the population or on the group itself, while ignoring how rebel governance stands in relationship to the incumbent government. While most rebel institutions, such as schools or medical services, are unlikely to challenge the authority of the state, rebel monetary governance stands in direct contention to the policies of the state. Even when rebels find themselves unable to produce their own native currency, they might resort to different strategies of manipulation or cooptation of the incumbent's monetary system, or perhaps renounce it altogether which might have material consequences for the state.

3.3 Why Do Some Rebel Groups Attempt to Govern Money During Armed Conflict?

3.3.1 High Risks, High Rewards

The notion that any rebel group would attempt to govern money during armed conflict is puzzling because such time periods provide the least favorable conditions for the successful creation or operation of a comparatively complex area of governance. The creation and governance of money is resource and time intensive and requires a high degree of macroeconomic expertise and legitimacy to endure. We can generally assume that armed conflict is an inflationary period, when economic activity is at least in part disrupted depending on the scale of fighting. Additionally, we must assume that building currency and institutions has opportunity costs, as rebels divert time and resources to planning, implementing, and maintaining monetary governance while still engaged in fighting the state. The logistics of printing or minting currency and the development of a scheme to circulate it in the economy involves intricate planning about the right size of money supply and an exchange program. Hereby, rebels do not just have material costs at stake, but reputational ones as well. Claiming the monopoly on the use of money is a far more visible signal than other forms of rebel governance, such as providing social services or security. The failure of such an undertaking, say when economic actors do not utilize a rebel currency over the incumbent's currency, can risk the legitimacy of the rebel group's claim on statehood. This is particularly true concerning the unbacked nature of rebel currencies, which unlike those of states, cannot fall back on reserves, natural resources, or other assets to ensure the value of the currency.

The high risks and barriers of monetary governance should deter or prevent most rebel groups from attempting it in the first place; however, I argue that under certain conditions

rebels might associate high rewards with the governance of money which ultimately drive them to attempt it regardless. Currency and monetary institutions sit at the nexus of finance, symbolism, and strategy. First, sovereign states directly profit from currency by seignorage, which constitutes the difference in the face value of a currency and its production costs. Similarly, rebels can potentially profit from native currencies as an alternative funding source when their outside options are slim. Second, currency as an expression and carrier of national identity has played an important role in the consolidation of states (Helleiner, 1998). In a similar vein, rebel groups use symbolism during armed conflict through a variety of mediums, such as flags and emblems (Mampilly, 2015). Rebel groups that struggle to generate legitimacy and support for their cause domestically might find the symbolic value of currency and institutions particularly appealing. Lastly, we can view currency and monetary institutions as domestic and international sources of power for the state. During rebellion, money becomes a strategic arena of the conflict between rebels and the state, where rebels may either attempt to manipulate the existing money supply or create their own to undermine their opponent.

If the barriers to entry are high, why would rebels invest time in resources into something that has a high likelihood of failure? I posit that rebel monetary governance can provide strategic advantages vis-a-vis the incumbent state in ways that most other rebel governance cannot. These functions manifest both economically and symbolically for a group. When rebels pursue their own monetary policy or actively undermine that of the incumbent government, they take rebellion from the battlefield to a new dimension. Specifically targeting currency and institutions of the state can erode the government's ability to control inflation or use monetary policy to fund the war. Furthermore, challenging not only the monopoly on the use of force, but also the monopoly on the use of money, is a strategic signal to international audiences that the legitimacy and ownership over the state is contested. Scholarship on external audiences has found that rebels strategically adhere to international law, engage in diplomacy abroad,

and market their rebellion and governance in order to appeal to the international community and to international markets (Fazal, 2017; Coggins, 2015; Bob, 2005; Ahram, 2022*a,b*, 2023). By performing monetary politics, rebels signal capacity to rule as a state. Furthermore, given the role of central banks in the distribution of government revenue and revenue from natural resources, armed conflict over redistributive issues may feature rebel challenges to such institutions more often. Rebels may want to signal to foreign states and companies that they are open for business and utilize governance of money to signal reliability.

Perhaps the most direct benefit of the creation of a rebel currency is that, if accepted by the population and economic stakeholders, it provides rebels with an alternative line of finance.³ Much like sovereign states, rebels obviously stand to profit from creating their own money supply, in particular if it is successfully maintained. Whether coerced or voluntarily accepted, a native currency can be used as a form of payment to purchase goods and services, as well as pay salaries for fighters. When circulating a new currency, rebels may also use exchange strategies to remove existing currency out of the market and replace it with their own at a profitable rate. However, while financial dimensions may be the primary reason for creating currencies, it does not explain the emergence of institutions and the policy efforts to control the new money supply. Thus, I argue that rebel monetary governance has important strategic and economic dimensions that cannot be disregarded.

Currency today is a physical manifestation of the state by its design. Coins and banknotes frequently display symbols of cultural, social, and political value native to a country and its people, although such designs may be skewed by existing power structures. Mostly unnoticed,

³A counterargument to my argument is that the phenomenon I describe here is not governance at all, but rather a criminal enterprise through which rebels generate revenue in the short-term. I reject this view and argue that rebel currencies and monetary institutions have an innate, but not solely, financial dimension. They have been an integral part of the formation of some nation-states (Helleiner, 1998), symbolizing the territorial reach of the state, as well as embodying its connection to citizens.

currency circulates through people's hands daily, and for early states was a way to reach subjects in remote regions (Helleiner, 2003). Much like rebel symbols, which are more frequently flags, emblems or uniforms, currency may be used for identity construction of the rebellion and to generate legitimacy Mampilly (2015). With the introduction of fiat currencies, the value of currency became in part determined by the confidence of economic actors in the survival of the issuing authority. The banknotes in our hands are only worth something if we believe the issuer's economic and political power will withstand challenge and has the ability to control its value. This view of currency is particularly relevant for the rebel context, where nothing but the rebels' claim to statehood actually backs the future value of currency. Thus, when the population and other economic stakeholders voluntarily use and accept rebel currency as a form of payment, they prescribe it value and therefore indirectly confer legitimacy to the cause. If they do not, it is likely the monetary project will fall apart. Therefore, monetary governance serves strategic, economic, and symbolic functions that might entice a group to attempt this type of complex governance prematurely during conflict.

3.3.2 Hypotheses: Under What Conditions Does Rebel Monetary Governance Arise?

The particular war aim of a rebel group should be an important predictor of whether rebels will build certain governing institutions. A group's war aim should inform their decision-making when it comes to resource allocation; that is whether to invest time and resources into costly institutions. For example, (Stewart, 2018) finds that secessionists are particularly likely to provide inclusive social services compared to other groups due to international factors. Similarly, we can expect that secessionists could be more interested in creating their own monetary system as an expression of identity and state-like capacity, and because they will have to build one eventually. Likewise, social revolutionaries like Communist, Islamist, peasant revolutionary, or anti-colonial groups often intend to overhaul the state and economic system to a high degree,

which could include monetary governance.⁴ In contrast, rebel groups that plan to overthrow the existing government to take its place without seeking major societal or economic changes probably view monetary governance as something that can wait until they can take charge of existing state institutions.⁵ Another example is autonomy-seeking rebels which fight for more regional or ethnic-based rights, but autonomy agreements typically preclude national defense or monetary policy. Thus, I expect that secessionist and social revolutionary aims will be associated with the emergence of monetary governance among rebels.

H₁: Rebels that seek systemic change, such as secessionists or social revolutionaries, are more likely to engage in monetary governance.

As I have described above, the puzzle of rebel monetary governance posits that the macroeconomic and technological complexities of building monetary institutions are major inhibitors for most rebel groups. External patronage could be an important component in helping rebel groups clear such obstacles and could affect their rebel governance in two ways. First, states can potentially provide logistical support or even encourage rebels to provide services for legitimacy purposes. At the same time, the availability of additional support may also discourage rebel's incentive to engage with civilians, including providing them governance services. Huang and Sullivan (2020), for example, have found that when desegregating external sponsorship, only certain types of support increase rebels' likelihood to provide social services. In regard to governing money, external sponsors can be helpful acting as suppliers or intermediaries. Most rebels face constraints of technological nature and probably lack in macroeconomic expertise. State sponsors might therefore help rebels to get access to high quality currency and

⁴See Thaler (2025) for a discussion on how ideology drives post-conflict state-building of rebels or Stewart (2021) for a discussion of how rebel groups with transformative ideologies, like Communists, are more likely to provide complex governance.

⁵For instance, such groups include the Forces of the House of Representatives in Libya's Second Civil War or the NPFL under Charles Taylor in Liberia

share their expertise. In some cases they might even connect their banking system to that of the rebels. Thus, I expect that external state sponsorship is positively associated with the emergence of rebel monetary governance.

H₂: Rebels that enjoy external state sponsorship are more likely to engage in monetary governance.

Due to the macroeconomic and technological complexities of monetary governance, rebel groups might also need a certain level of strength or sophistication to engage. The relationship between rebel strength and rebel institution is not necessarily linear, however. For instance, Albert (2022) disaggregates her analysis by rebel institution and finds that two different measures, rebel strength relative to the government and technology of rebellion, correlate positively and negatively with different rebel institutions. Theoretically, this means that groups might build institutions for different reasons, both when they are weaker or stronger relative to the government. In terms of monetary governance, I expect that stronger rebels are more likely to govern money due to the material and technological requirements to clear barriers to entry. Similarly, I expect that the technology of rebellion, specifically whether groups fight conventional wars as opposed to irregular or symmetric non-conventional wars, is associated with the emergency of rebel monetary governance.

H₃: Rebel strength is positively associated with the emergence of rebel monetary governance.

3.3.3 Alternative Explanations

Greed-based explanations of rebellion posit that rebel groups are motivated by short-term profit seeking rather than long-term institution building or governance (Collier and Hoeffler, 2004). Such explanations frame rebel funding practices as necessarily criminal, portraying groups as inherently predatory or extortionate. It is of course a fact that rebels can profit from creating their own currencies, but so do states when they profit from the seignorage generated by issuing money. According to such arguments, we should expect rebels to engage in short-term currency printing or minting and then see an abandonment of the effort when money inflates. But, if profiting from printing banknotes is truly so simple, why do we not see far more groups attempting it? Not only is it a rare occurrence among rebels, but to successfully profit from rebel currencies, groups have to create more complex governance to validate and legitimize their value.

Skilled Leadership is another factor that could be critical to enabling groups to build monetary governance. Leaders with particular skill sets, for instance, specialized knowledge about central banking, prior government experience, or a generally very high educational attainment, might allow organizations to realize their plan for particular institutions. For instance, Huang, Silverman and Acosta (2021) find that rebel leaders with pre-leadership international experiences obtain external support much more frequently than leaders without it. And, Acosta, Huang and Silverman (2023) examine if leadership attributes condition the use of terrorism during armed conflict, finding that more educated leaders and those with combat experience are significantly less likely to engage in the use of terrorism. In terms of monetary governance, we would expect that an economist or a leader with experience in central banking can contribute critical knowledge to the organization in this regard. In the latter case, having government experience, but no specific knowledge of central banking, can still help in setting up

viable infrastructure that allows institutions to flourish. When leaders are highly educated more generally, they may have a better understanding of the net benefits of certain types of institutions.

Another alternative explanation requires a consideration of the supply and demand sides of rebel governance. Studies on rebel governance have largely focused on the motivations of rebels to provide governance, while few have considered that civilians might demand or even reject it (Florea and Malejacq, 2024; Arjona, 2015). Demand-induced governance predicts that civilians' perceptions of the state and their compatibility with the rebel group determine whether they will demand certain governance provisions from rebels (Florea and Malejacq, 2024). Arguments about civilian-demanded governance are especially relevant in the context of certain institutions, for instance, security provision, social services, or processes of justice, which directly result in potential tangible benefits to civilians. However, their logic does not compare well to that of monetary governance or taxation, for example. The average person would probably prefer not to be taxed at all during armed conflict, regardless of whether the tax is instituted by the state or by a rebel group.⁶ Similarly, monetary policy is typically not a priority in people's everyday life, unless the currency they utilize experiences hyperinflation. Even then, people might have a hard time judging whether a rebel currency would be in their best economic interest. Alternatively, it may not be the average civilian, but a particular social or economic group that demands monetary governance. This line of argumentation follows early research on central banking that viewed institution building as arising from credible commitment problems (Broz, 1998). Creditors and other economic elites have a vested interest in a stable currency, and if that of the state experiences extreme volatility, they might turn to lobbying rebels to provide a new one. This appears to have been the case in Somaliland,

⁶This logic does not extend to "voluntary taxes" which are often packaged as taxes, but in actuality are more similar to donations.

where a group of elders and businessmen provided the necessary funds to begin organizing the enclave's monetary system, including the central bank and the Somaliland Shilling (Bradbury, 2008). Although this example illustrates the theoretical potential of this alternative explanation, it was not possible to test it quantitatively due to lack of cross-sectional data.

3.4 Data and Methods

To test my hypotheses about the emergence of rebel monetary governance among rebel groups, I employ the data introduced earlier in this dissertation. Because this form of governance is rare among rebels, I choose to utilize the binary outcome variable of Monetary Governance rather than disaggregating the measure into the three strategies, Innovation, Challenge, and Linkage, which were discussed in the previous chapter. Chapter 1 features an explanation of the coding and data collection process. To identify the explanatory and control variables, I consult Cunningham et al. (2009) Non-State Actor (NSA) data. The NSA dataset is at the conflict-dyad level and identifies all insurgencies between 1945 and 2011 in accordance with Gleditsch et al. (2002)'s Uppsala/Prio Armed Conflict Data (ACD). Because it is on the conflict-dyad level, some insurgencies appear multiple times in the data, typically because conflict subsided and then restarted. It provides a number of useful group-level variables, however, all of them are time-invariant. For the purposes of this study, I exclude coups, coup attempts, and military factions from the analysis.

3.4.1 Dependent Variable

The dependent variable is *Monetary Governance*. The binary construction of the measure is a trade-off between granularity and empirical tractability. While disaggregating the three strategies would allow for more nuanced analysis, doing so would significantly exacerbate issues related to the rarity of the outcome, thereby limiting the robustness and reliability of statistical

inference. By aggregating these strategies into a binary measure, I am able to maximize the number of observable instances of the outcome, allowing cross-case comparison and ensuring sufficient variance for regression analysis.

3.4.2 Independent Variables

The key independent variables are the particular *War Aim* of a rebel group, whether or not it enjoys *External State Patronage*, and *Rebel Strength*. The NSA dataset provides information on nine different types of conflict. I subset that variable to create a new variable that includes observations coded by NSA as secessionist, Communist, Islamist, and anti-colonial which include those rebels that I view as explicitly seeking independence or systemic transformation of a country. The dataset also provides information on external support to both rebel groups and the opposing government. It includes the variable *Rebel Support* which categorizes support as explicit, alleged, or no support. I transform that variable into a binary indicator where explicit and alleged support equal to 1 and no support equals to 0. The dataset also includes an ordinal variable called *Rebel Strength* which captures the strength of the group in relation to that of the government. There are multiple rebel strength categories in the NSA data: *Much Weaker*, *Weaker*, *Parity*, and *Stronger*, and *Much Stronger*. I exclude much stronger groups because there are only a few observations and combined much weaker and weaker groups into one category for the same reason.

3.4.3 Control Variables

In the analysis, I include several insurgency-level control variables that may confound the results. All are drawn from the NSA dataset. First, I add a control variable for whether a rebel group held *Territorial Control*, which may be important, in particular, when a group circulates its own currency or bans that of the state. As a measure of institutionalization, I include the variable *Strength of Central Command* which measures the strength of a group's

central command, capturing the internal cohesiveness of a group. To ensure that *War Aim* rather than ethnicity drives the result, I include the variable *Ethnic Conflict*. Lastly, some insurgencies that last longer may be more inclined to invest in complex governance, thus I include a variable measuring *Duration*.

3.4.4 Model Specification

Because the outcome variable is binary and the NSA data are time-invariant, I first estimate the effect of the independent variables with a cross-sectional analysis on the group-level, using logistic regression.⁷ Because the outcome is a rare event (7%) and has a low events per variable ratio (4.7), I utilize Firth's penalized logistic regression which is more suitable for small-sample bias.

3.4.5 Results

Table 3.1 reports the results of the regression analysis. Models 1 & Model 2 are bivariate models that use the *War Aim* variable and *External Patronage* variable to predict the emergence of rebel monetary governance. Model 3 is a bivariate model for *Rebel Strength*. In Models 4 & 5, I add insurgency-level variables to the analysis. Model 4 includes the collapsed *Rebel Strength* variable, while Model 5 breaks down that variable into each of its component categories. In general, the analysis finds modest support for Hypothesis 1 (*War Aim*), but no support for Hypothesis 2 (*External State Patronage*). The effect of the variable *War Aim* is positive and statistically significant at the 0.01 level and remains so in all three models, suggesting that the effect is robust to the inclusion of control variables. In terms of effect size, the odds ratio for *War Aim* is approximately 2.88, suggesting that rebel groups with the relevant war aim are

⁷I also try to estimate the effects using a linear probability model. However, given the rare nature of the outcome (7%), the model returned out-of-bounds predicted probabilities, with fitted values ranging from -0.148 to 0.317. Since probabilities are by definition bounded to the interval [0,1], negative fitted values are statistically incoherent, making this model unsuitable for estimation.

almost three times more likely to engage in monetary governance than those without.

Table 3.1: Firth's Penalized Logit Results: Bivariate and Multivariate Models

	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept	-2.7753*** (0.3039)	-2.7002*** (0.3543)	-3.0457*** (0.4255)	-6.5453*** (1.0262)	-1.3108 (1.4494)
War Aim	1.2627** (0.3936)			1.0999* (0.4358)	1.0589* (0.4296)
Rebel Support		0.8267* (0.4205)		0.6664 (0.4317)	0.5378 (0.4292)
Rebel Strength (collapsed)			0.6673* (0.2731)	0.9573* (0.3455)	—
Rebel Strength: Parity				—	-3.0450 (1.5244)
Rebel Strength: Stronger				—	-3.3286 (2.0204)
Rebel Strength: Weaker				—	-4.1003* (1.5032)
Territorial Control				1.0836* (0.5287)	1.0215 (0.5259)
Strength of Central Command				0.4886 (0.2645)	0.5036 (0.2677)
Ethnic Conflict				0.8187 (0.4144)	0.7513 (0.4170)
Conflict Duration				0.0194 (0.0298)	0.0184 (0.0298)
Observations	302	302	302	276	276
LR Test (df)	10.74 (1)	4.21 (1)	5.19 (1)	36.51 (7)	38.44 (9)
p-value	0.001	0.040	0.023	<0.001	<0.001

Standard errors in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, $p < 0.1$

Model 5: reference category for Rebel Strength is "much stronger".

Confidence intervals and p-values by profile penalized log-likelihood.

The collapsed *Rebel Strength* variable shows a positive effect and statistical significance at the 0.05 level in both Model 3 and Model 4. When considering each *Rebel Strength* category in Model 5, the weaker rebel strength category is associated with a large negative effect which

is statistically significant at the 0.05 level. In terms of effect size, this means that rebel groups that are weaker or much weaker than the government face dramatically reduced odds (odds ratio = 0.017) of engaging in monetary governance.⁸ This aligns with my general argument which predicts that the high macroeconomic and technological barriers to engage in monetary governance will prevent most groups from attempting it.⁹

The variable *External Patronage* shows a positive and statistically significant effect in the bivariate model; however, that effect decreases in Models 4 & 5 and is not statistically significant. The control variables *Territorial Control*, *Strength of Central Command*, and *Ethnic Conflict* show positive effects in Model 4, with *Territorial Control* statistically significant at the 0.05 level and *Central Command* and *Ethnic Conflict* marginally significant at the 0.1 level. In Model 5, all three retain positive effects of similar magnitude but none reaches conventional levels of statistical significance.

3.5 Robustness Checks

To ensure that the findings are not an artifact of the estimation method (the penalization), I re-estimate all models using standard logistic regression. Since Firth's penalized logistic regression shrinks coefficient estimates relative to standard logistic regression, consistent results across both estimators strengthens confidence in the findings (see Table 3.2).

The substantive findings are largely unchanged. *War Aim* remains positive and statistically

⁸The original *Rebel Strength* variable contains five categories: Much Stronger, Stronger, Parity, Weaker, and Much Weaker. Due to the very small number of observations in the much "Weaker" and "Much Stronger" categories, I combine those observations with the categories "Weaker" and "Stronger" to avoid cell sparsity and unstable coefficient estimates.

⁹The large negative effect of stronger" and parity" rebel strength categories is likely due to their very small sample size. Only less than 2% of rebel groups in my sample are stronger than the government, while only about 8% are at parity.

significant across all models, and the pattern of results for *Territorial Control* and *Ethnic Conflict* is consistent in both direction and magnitude. *External Patronage* remains insignificant in all multivariate models. Notably, the collapsed *Rebel Strength* variable reaches conventional levels of statistical significance in the standard logit, while it is only marginally significant in the more conservative Firth's specification. This potentially suggests that the Firth's penalization is understating the strength of that relationship.

Table 3.2: Logit Regression Results: Bivariate and Multivariate Models

	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept	-2.8170*** (0.3104)	-2.7568*** (0.3646)	-3.0521*** (0.4359)	-6.9667*** (1.1217)	-1.4816 (1.8697)
War Aim	1.2841** (0.4004)			1.1601* (0.4668)	1.1123* (0.4623)
Rebel Support		0.8643* (0.4304)		0.7391 (0.4644)	0.6241 (0.4686)
Rebel Strength (collapsed)			0.6546* (0.2830)	0.9819** (0.3733)	—
Rebel Strength: Parity				—	-3.3225* (1.9378)
Rebel Strength: Stronger				—	-18.1637 (1363.78)
Rebel Strength: Weaker				—	-4.4042* (1.9199)
Territorial Control				1.1861* (0.5851)	1.1443* (0.5993)
Strength of Central Command				0.5363* (0.2870)	0.5762* (0.2999)
Ethnic Conflict				0.8622* (0.4423)	0.7859* (0.4469)
Conflict Duration				0.0150 (0.0336)	0.0142 (0.0337)
Observations	302	302	302	276	276
Null Deviance	195.47	195.47	195.47	189.77	189.77
Residual Deviance	184.71	191.04	190.80	151.50	148.52
AIC	188.71	195.04	194.80	167.50	168.52

Standard errors in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, $p < 0.1$

Model 5: reference category for Rebel Strength is "much stronger".

Rebel Strength: Stronger — separation detected; standard error unreliable.

The results of Firth's Model 3 & 4 suggest that Rebel Strength is an important part of explaining the outcome. I argued above that the complexity of monetary governance likely deters most rebels from engaging due to lack of expertise or resources. It logically follows that very weak rebel groups may not ever be in the position to govern money; thus, they may not be a valid point of comparison to stronger rebel groups and could skew the estimation of the results.

In addition, there are only a few rebel groups in the data that for which "Much Stronger" rebel strength is reported. I therefore subset the original sample to exclude observations counted as "Much Weaker" and "Much Stronger" in the original rebel strength variable and re-run the analysis.¹⁰ Appendix ?? shows the results of the analysis. This reduces the sample size from 33 to 29 groups. The results change little when excluding rebel groups coded as "Much Stronger" or "Much Weaker" from the sample. The effect of *War Aim* remains positive and statistically significant across all specifications, and the substantive conclusions regarding Rebel Strength are unchanged, though the collapsed variable loses some precision due to the reduced sample size.

The quantitative analysis largely fulfills my expectations by providing modest support for the *War Aim* hypothesis and strong support for the *Rebel Strength* hypothesis. An important exception is the non-effect of External State Patronage. It could be the case that the operationalization of the variable as a binary indicator hides important information about how patrons support rebels. It does not take into account what type and magnitude of support rebel groups receive. While direct material, military, and financial resources might allow groups to pay for more fighters or increase their fighting capacity, it might not be directed at the growth of institutions. Patronage might also not work in the proposed theoretical direction. Patrons may not want rebels to institutionalize like a state, for instance when they seek to incorporate them into their own state, or if they believe institutionalization is premature while conflict rages.

3.6 Conclusion

Monetary politics can be an additional battlefield in armed conflicts between states and rebel organizations. When rebels build their own currencies and monetary institutions, or manipu-

¹⁰By doing so, I lose three rebel groups that did engage in governing money and are considered as "Much Weaker" than the government (the PUK, Sendero Luminoso, and the Taleban (both time periods)).

late those of the state, they can gain financial, symbolical, and strategic benefits. Since 1945, at least 38 rebel groups have engaged in governing money, using different strategies to engage the state over currencies and institutions. Those rebels are a particular subset of groups, stronger and more institutionalized than most, and motivated to systematically change the country. Using new data on rebel groups from 1945 to 2011, I find modest support for these hypotheses.

The quantitative analysis presented here is best understood as a clearing exercise rather than the definitive test of a theory. Because the analysis and hypotheses are informed by the broader rebel governance literature, it is necessarily limited in what it can tell us about the specific workings of rebel monetary governance. The analysis establishes the conditions under which rebel monetary governance is more likely, but leaves the deeper questions, for instance why rebels engage with monetary policy in the first place and how it varies between groups, largely unanswered. Having to rely on a binary indicator to capture monetary governance in the analysis has hidden important theoretical detail that was established in the typology of rebel monetary governance in Chapter 2. As was stated before, rebels use three different strategies to govern money, and thus, they produce different outcomes. Therefore, why and how groups that link to a state patron govern money can fundamentally differ in scope and form from the governance of a group that seeks to innovate without outside interference.

The analysis is also limited by the nature of the data. Data are generally difficult to collect while conflict still rages (Barakat et al., 2002), however, they can still be difficult to access and assess when it has subsided (Salehyan, 2015). Data on financial and monetary governance are perhaps even more difficult to find as rebels have an incentive to destroy evidence in the case of state victory, such that they cannot be incriminated for fraud or counterfeiting at a later date. The supplemental rebel data used here are time-invariant approximations for the dynamic processes that shape rebel organizations. Foregoing granularity for a wider scope can be a

necessary step to clear the field on the way to developing a theoretical framework. Thus, using binary variables, for instance in the case of some of the independent variables and the outcome variable, is a defensible step considering the available data. Standard data on armed conflict and rebel governance can suffer from issues of granularity, selection bias, and temporal misalignment. Because data collection across the whole rebel universe is a significant undertaking, utilizing data from different datasets can be a hurdle due to mismatched time and geographical scopes (Chojnacki et al., 2012) or differing definitional assumptions about the measured concepts (Kauffmann, 2008).

With these data limitations in mind, I look to the following chapter to explore the variations in rebel monetary governance. I present a typology of four ideal types that map onto the sample of rebel groups in this project. Working inductively from extensive qualitative research about the 38 rebel groups and drawing on existing literature and data, I observe that they meaningfully cluster in four sets of groups: Institutionally-Endowed groups, Patronage-Enabled groups, Order-Transforming groups, and Monetary-Kleptocratic groups.

Appendix

Appendix 3A: Excluding much weaker and much stronger groups

Table 3.3: Firth's Penalized Logit Results: Subset Excluding Much Stronger and Much Weaker Groups

	Model 1	Model 2
Intercept	-6.3024*** (1.0395)	-4.3033*** (0.9341)
War Aim	1.0917* (0.4337)	1.0636* (0.4295)
Rebel Support	0.6108 (0.4329)	0.5232 (0.4330)
Rebel Strength (collapsed)	0.7847. (0.4032)	—
Rebel Strength: Stronger	—	-0.2934 (1.5218)
Rebel Strength: Weaker	—	-1.0596* (0.4702)
Territorial Control	1.0687* (0.5303)	1.0028. (0.5292)
Central Command	0.4946. (0.2699)	0.4923. (0.2707)
Ethnic Conflict	0.8447* (0.4147)	0.7535. (0.4166)
Conflict Duration	0.0189 (0.0296)	0.0182 (0.0298)
Observations	274	274
LR Test (df)	33.62 (7)	34.42 (8)
<i>p</i> -value	<0.001	<0.001

Standard errors in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, . $p < 0.1$

Reference category for Rebel Strength is "parity".

Confidence intervals and p -values by profile penalized log-likelihood.

Sample excludes groups coded as "much stronger" or "much weaker".

Table 3.4: Logit Regression Results: Subset Excluding Much Stronger and Much Weaker Groups

	Model 1	Model 2
Intercept	-6.6954*** (1.1341)	-4.6535*** (1.0262)
War Aim	1.1546* (0.4655)	1.1252* (0.4615)
Rebel Support	0.6797 (0.4662)	0.5819 (0.4689)
Rebel Strength (collapsed)	0.7854 (0.4349)	—
Rebel Strength: Stronger	—	-14.8751 (1367.57)
Rebel Strength: Weaker	—	-1.0936* (0.4989)
Territorial Control	1.1666* (0.5871)	1.0892 (0.5947)
Central Command	0.5415 (0.2929)	0.5438 (0.2997)
Ethnic Conflict	0.8954* (0.4440)	0.7926 (0.4458)
Conflict Duration	0.0145 (0.0334)	0.0136 (0.0337)
Observations	274	274
Null Deviance	185.07	185.07
Residual Deviance	149.75	147.66
AIC	165.75	165.66

Standard errors in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, $\cdot$ $p < 0.1$

Reference category for Rebel Strength is "parity".

Rebel Strength: Stronger — separation detected; standard error unreliable.

Sample excludes groups coded as "much stronger" or "much weaker".

Appendix 3B: Secessionism

Table 3.5: Logistic Regression Results

	Secessionist Aims
Intercept	-6.5640*** (0.8481)
Secessionist Aim	0.5826 (0.4448)
Rebel Support	0.6977 (0.4177)
Territorial Control	1.1419* (0.4986)
Rebel Strength (ordinal)	0.9392*** (0.2651)
Central Command	0.6383* (0.2773)
Ethnic Conflict	0.6749 (0.4282)
Observations	467
Null Deviance	238.50
Residual Deviance	188.41
AIC	202.41

Standard errors in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, $p < 0.1$

Chapter 4: Case Studies

4.1 Introduction

This chapter will illustrate the importance of four variables in shaping rebel monetary governance across the universe of cases. There is not a single explanation for why and under what conditions rebel groups engage in governing money. Rather, the chapter organizes all cases into four sets that are each defined by a combination of characteristics to explain the outcome: Institutionally-Endowed groups, Patronage-enabled groups, Order-Transforming groups, and Monetary-Kleptocratic groups (see Figure 4.1). For each set, I present an illustrative, ideal case to show how the defining characteristics of the set shape why and how monetary governance emerges. This includes the monetary governance strategies each set is expected to produce, among them "Innovation," "Challenge," and "Linkage." In a short comparison, I discuss how the particular case compares or does not compare to other members of its set. The illustrative rebel groups, the Forces of the House of Representatives in Libya (2014 to date), the Serbian Republic of Krajina (1991-1995), the Islamic State of Iraq and Syria (2014-2017), and the National Patriotic Front of Liberia (1989-1997), were selected in part because they present ideal cases on the spectrum of each set. In addition, each case is also relatively well-documented, and all four span a range of historical, modern, and geographical contexts.

The chapter proceeds as follows: Each of the four sets is introduced by a brief discussion

of its analytical components, followed by the case. The cases each feature a background explainer, an illustration of its monetary governance, and a discussion of how the case compares to other members of its set. After concluding all four cases, the chapter closes with a discussion of unassigned cases.

I. Institutionally-Endowed <i>Characteristics:</i> Pre-existing institutional infrastructure, leadership expertise and government experience <i>Outcome:</i> Innovation, Challenge, State-like institutions with high policy autonomy • Forces of the HoR • UIFSA • Republic of Biafra • Republic of Croatia • Republic of Slovenia • State of Katanga • PRRI • Indonesian People's Army • NUG (Myanmar)*	II. Monetary Patronage <i>Characteristics:</i> External patronage, co-ethnic or nationalist ties to patron, leadership expertise and government experience <i>Outcome:</i> Linkage, Innovation, State-like institutions with low policy autonomy • Croatian Republic of B-H • DPR • LPR • PMR (Dniestr Republic) • Republic of Abkhazia • Republic of South Ossetia • Serbian Republic of Krajina • Serbian Republic of Srpska • Republic of Artsakh
III. Systematic Transformation <i>Characteristics:</i> order-transforming ideology <i>Outcome:</i> Innovation, Challenge, weak institutions with high policy autonomy • PLA / CCP • Chechen Republic of Ichkeria • Islamic State • Khmer Rouge • LTTE • Pathet Lao • Sendero Luminoso • Taleban • Viet Minh	IV. Monetary-Kleptocracy <i>Characteristics:</i> Predatory leadership, weak state <i>Outcome:</i> Innovation, Challenge, facade institutions with little policy autonomy • Junbish-i Milli-yi Islami • NPFL • USC / SNA • Ambazonia Insurgents*

Unassigned: UPA PUK SPLM/A Somaliland Ansarallah (Houthis) UTO

Note: Entries denoted with * indicate tentative placements of groups engaging in digital/crypto currency related governance.

Figure 4.1: Four Analytical Sets of Monetary Governance

4.2 Set 1: Institutionally-Endowed

Rebel groups in this set are enabled to build monetary governance through institutional inheritance. Such groups enter armed conflict already possessing or having built the personnel, expertise, and infrastructure needed to engage in governing money. Their institutional endowment can take several forms. First, it might be marked by leadership with the skills, degrees, or previous government experience necessary to conduct monetary policy. For instance, the Republic of Biafra could draw on a number of individuals who had previously served in the Nigerian state, including a central banker and economist, who were then put in charge of leading the monetary project (Uche, 2002). Similarly, the National Unity Government of Myanmar has in its ranks many former members of the National League for Democracy (NLD), a political party that governed Myanmar before the 2021 coup d'état (Vester, Thaler and Htut, 2025). Second, some groups achieve endowment through the capture of critical financial infrastructure, most notably central banks and treasuries, as the Forces of the House of Representatives did when they retained control over the local branch of the Central Bank of Libya in Benghazi from where it began operating its monetary regime (International Crisis Group, 2019a, 1). Importantly, such infrastructure is not just plundered for its cash, but rather co-opted to govern. Possessing both the expertise and the infrastructure will enable such groups to signal state-like capacity in controlling monetary policy.

Monetary governance produced by such groups should resemble that of functioning states more closely, building institutions and using policies that resemble "Innovation" and "Challenge." In short, such groups understand what monetary governance should look like and how it functions and they can therefore innovate new institutions and attempt to undermine those of the state. Unlike groups that print money for financial purposes only, Institutionally-Endowed groups are likely to produce governance that includes not only currencies but also the surround-

ing institutional architecture: central banks, interest and exchange rate policies, rules governing legal tender, and mechanisms for monetary control over the commercial banking sector.

4.2.1 Illustrative Case: The House of Representatives and Libyan Arab Armed Forces Under Khalifa Haftar

4.2.1.1 Background

Since the fall of Muammar al-Qaddafi in 2011, Libya has remained politically and militarily fragmented, with a complex landscape of armed actors and widespread international involvement complicating efforts to build a unity government (Lacher and al Idrissi, 2018, 3). Initially, the General National Congress (GNC) was elected by popular vote to lead Libya's post-Qaddafi reconstruction, charged with transitioning the country to democracy within 18 months. Failing to reach that goal, the GNC unilaterally extended its mandate, prompting a political crisis when a new legislative body, called the "House of Representatives (HoR)," was elected by popular vote in August 2014. Meanwhile, Libyan Islamist factions and Jihadist groups had spread across the country, particularly around Tripoli and Benghazi, later also joined by a regional extension of the Islamic State. In May 2014, Khalifa Haftar, a former military general who had returned to Libya from political exile in the United States, launched Operation Dignity with the Libyan Arab Armed Forces (LAAF) in an effort to drive out Islamist groups from Eastern Libya (Lacher, 2016, 68–69). This in turn prompted a major offensive by Islamist groups targeting critical oil infrastructure across Libya's "Oil Crescent" and seizing control of Tripoli, thereby forcing the House of Representatives to relocate to the eastern cities of Tobruk and al-Bayda.

Against the backdrop of civil war in 2014 and the House of Representatives' displacement

to the east of the country, questions over its legitimacy arose among rival actors.¹ With the Libyan Supreme Court under duress from Islamist factions in Tripoli, the HoR was ruled unconstitutional in December 2014, further contributing to the political split in the country. With its legitimacy contested in Tripoli, but backed by Haftar forces in the East, the House of Representatives continued to operate within its claim to be the rightful governing body of the country. The political rift began to expand to other Libyan matters, for instance, causing disagreements over the appointment of key government positions, among them the heads of the Central Bank of Libya (CBL), the National Oil Corporation (NOC), and the Libyan Investment Authority (LIA), all headquartered in Tripoli (UNSC, 2016, 48-52).² While having gained control over the Benghazi branch of the Central Bank of Libya, the House of Representatives was initially able to access government revenues and funds to make payments through the central bank's Real-Time Gross Settlement (RTGS) system, however, the branch and all commercial banking institutions in the East were cut off from using the RTGS by the Tripoli authorities in October 2014 (International Crisis Group, 2019b, 4). Without meaningful access to state institutions and monies, the House of Representatives began creating its own parallel system in the East to mirror that in the West, effectively splitting Libya's political, economic, and monetary governance in half.

4.2.1.2 Monetary Governance

The House of Representatives' monetary governance is focused mainly on two objectives. First, the group challenges the legitimacy of the Tripoli-based government, maintaining that it is the rightfully elected legislative body of the country and should therefore have authority

¹The parliament had also been elected with an extremely slim voter turnout, partly due to heavy fighting during Operation Dignity and Libya Dawn.

²In September 2014, the HoR officially dismissed CBL Governor Sidiq Elkebir after having ordered him to appear in Tobruk. When Elkebir refused, the HoR appointed Ali al-Hibri, but without access to the Central Bank of Libya in Tripoli, he was forced to resume office from the Benghazi branch of the central bank (Lacher, 2020a, 41).

over the country's institutions. This matters not only for questions of international recognition, but also for access to Libya's vast oil and gas resources, whose production and sale are managed by the Libyan Central Bank and National Oil Corporation. Before the fall of Qaddafi, Libya produced up to 1.65 million barrels of oil a day, which accounted for virtually all of the country's government revenues (Peterson and Dunn, 2022). Second, these monetary institutions have given the group the ability to raise money, in particular by issuing its own currency, letters of credit, and receiving loans from commercial institutions. By losing access to the RTGS system, which had previously provided financial cover for the operations of the House of Representatives and Haftar's military forces, the group was left without significant funds (International Crisis Group, 2019*b*, 5).

The House of Representatives created four main institutions to meet these objectives: a central bank, a ministry of finance, a national oil corporation, and an investment authority, all replicas of existing institutions of the Libyan state. The central bank, based on infrastructure and personnel of the Benghazi branch of the Central Bank of Libya, has been operating since 2014, first in Benghazi, then in Bayda after intense fighting in the city destroyed the Benghazi office, and finally again from Benghazi after the inauguration of a new building in 2018. The central bank was initially headed by Ali Al-Hibri, a former deputy governor of the Central Bank of Libya, who had moved to the East along with three other board members of the institution (Gleave, 2023).³ The Ministry of Finance and Planning is technically housed under the interim government of Abdullah al-Thani, which the HoR endorses. It has been used to underwrite many of the HoR's fiscal and monetary policies, maintaining that it is the legitimate financial authority of Libya. The creation of the eastern National Oil Corporation followed a similar pathway to that of the central bank when disagreement over the Tripoli institution's

³Al-Hibri was eventually replaced in 2022 by the HoR, who instead appointed Maree Al-Barassi as deputy governor (Central Bank of Libya, 2025).

leadership caused the House of Representatives to create its own National Oil Corporation and appoint a chairman under its control (International Crisis Group, 2018, 3). The new institution mirrored the original one only by name, having only a handful of staff as compared to the 65,000 staff employed by the Tripoli-based NOC and no ability to make international oil sales (International Institute for Strategic Studies, 2015).⁴ The last institution created by authorities in the East is a parallel of the Libyan Investment Authority (LIA), the institution responsible for managing Libya's sovereign wealth fund holding assets close to \$68 billion, and therefore another potential point of access to claim funds (Sbouai and Dziadosz, 2023). The LIA has been subject to comprehensive sanctions stemming from international efforts to curb the Qaddafi regime's ability to crush the 2011 uprising (United Nations Security Council, 2011*a,b*). Unlike other Libyan institutions, the LIA remains on the UNSC sanctions list, in part due to the East-West institutional divide (International Crisis Group, 2025, 5-6), and is only allowed to manage some tightly controlled reinvestment of assets in 2026 (Security Council Report, 2026).

Being severely limited to access funds, the Eastern authorities began creating their own sources of cash, mainly by mirroring the work of state institutions. When the Tripoli-based central bank severed the East's access to the RTGS system, this affected commercial banks as well, causing the East-based central bank to set up its own system. Two commercial banks, the National Commercial Wahda Bank and Commerce and Development Bank, have their headquarters in the East of the country and therefore fell under the Eastern central bank's jurisdiction (International Crisis Group, 2019*b*, 9). Under the claim of legitimacy, the Eastern authorities began taking out loans from these commercial banks, also directing them to cash checks issued by the central bank (International Crisis Group, 2019*b*, 9-10).⁵ Part of this activ-

⁴Despite having allegedly signed close to 30 contracts with international companies and buyers in the oil industry, not a single shipment of oil has made it out of Libya under the auspices of the eastern authorities mainly because of comprehensive international sanctions on those institutions (Bartrop, 2019).

⁵Over the years, this has resulted in the accumulation of billions of dollars in "public debt," which is not recognized as legitimate by the internationally recognized authorities in Tripoli (International Crisis Group, 2019*b*,



Figure 4.2: Side by side comparison of the official Libyan 50 Dinar banknote (top) and those banknotes circulated by the East-based authorities (bottom) – *Source:* (Observer, 2019)

ity was also financed through issuing bonds and Treasury bills, all underwritten by the Eastern government’s Ministry of Finance (International Crisis Group, 2019b, 5). In addition to creating debt, the Eastern authorities also turned to create their own currency to fund the fight. With Libya historically contracting international companies to print its currency and the HoR’s institutions under international sanctions, the group turned abroad to realize its currency project. Specifically, Eastern authorities were able to contract with Russian high-security printer *Goznak* to print identical versions of the Libyan Dinar and ship them to Libya (International Crisis Group, 2019b, 6). Through that company, the group was able to receive and put into circulation somewhere between \$10-20 billion Libyan Dinar since 2016. The banknotes, which are indistinguishable replicas of the Libyan Dinar, only differ by the respective signatures of the central bank director placed on them (see Figure 4.2).⁶

The House of Representatives and Haftar’s military forces, the LAAF, have a triad of insti-

10).

⁶The Eastern authorities, the Russian Federation, and the company claimed that this currency printing did not constitute counterfeiting maintaining that the Eastern authorities were the internationally legitimate government (Ministry of Foreign Affairs of the Russian Federation, 2020).

tutional and leadership endowments: (1) inherited state institutions, (2) highly skilled leaders and personnel with government and subject-matter experience, and (3) seasoned military leadership. Capturing central bank infrastructure in Benghazi and al-Bayda enabled the group to co-opt existing mechanisms to institute monetary policy and raise money. Because one of the objectives of building monetary governance was to challenge the Tripoli-based government's claim on legitimate authority, the remaining institutions were modeled to match those of the Libyan state. Second, the House of Representatives, its associated government, and the LAAF had a cadre of experienced leaders and personnel with the government and banking experience necessary to run monetary institutions, with the HoR itself made up of elected lawmakers.⁷ The first governor of the East-based central bank was Ali Al-Hibri who had previously served as deputy governor of the Bank of Libya. He was joined by three other central bankers who had served on the board of directors of the Tripoli-based Central Bank of Libya (Gleave, 2023). The East-based Libyan Investment Authority was initially led by Hassan Bouhadi, who had worked in international business before taking over the leading position at the sovereign wealth fund (Sbouai and Dziadosz, 2023). The East-based National Oil Corporation had a series of chairmen, each with a background in the Libyan oil industry, for instance, Faraj Mohamed Said al-Hasi who had served as the head of the Arabian Gulf Oil Company, a major Libyan oil producer in the East (Ellawati, 2017).

Lastly, the prominence of General Khalifa Haftar in the East of the country and his ability to centralize military power over armed groups in the East of the country have contributed to the stabilization of the Eastern authorities in the fight over institutions. Haftar, who had spent two decades in the United States before the 2011 revolution, and many decades as a military officer under Qaddafi before that, managed to consolidate military control over much of Eastern Libya

⁷Just over 150 members of the HoR initially moved to Tobruk, however numbers dwindled to around 100 as members defected over time due to political conflicts (Wehrey and Lacher, 2014).

in 2014, forming alliances with local militias and anti-Islamist groups (Lacher, 2024). Haftar's military force, the LAAF, eventually became the only unified military presence with significant control over territory in the country. The relationship between General Haftar and the HoR is characterized by some mutual dependency, although Haftar dominates due to his command of the country's strongest military force, his social ties, and his foreign backers. Although the HoR cannot survive in Libya's political and security landscape without the military backing of the LAAF, Haftar relies on the HoR's political and institutional legitimacy to elevate him beyond warlordism, for instance by receiving the formal appointment of "General Commander of the Armed Forces" from the HoR in 2015 (Lacher, 2024, 1074). He also relies on the HoR to finance the LAAF, in part through the generation of revenue provided by the parliament's monetary institutions described above. Over the last decade, he has consolidated control over the East of the country, not only in the security landscape, but also politically and economically, with few serious rivals left to oppose him.⁸

4.2.1.3 Discussion and Additional Cases

Highly endowed and highly skilled rebels understand the role and design of state institutions for financial and legitimacy purposes and thus can build them more successfully during armed conflict. Other rebel groups assigned to this set had similar endowments that helped in constructing complex governance during war time. For instance, Vester, Thaler and Htut (2025) argue that the National United Government (NUG) was able to build a digital financial infrastructure, including a central bank, digital commercial bank, and currency, due to its unique membership base. The group is made up of former elected legislators and young entrepreneurs with advanced technological skills which allowed them to build the group's own app, websites,

⁸For instance, he was able to take over the oil crescent from other militias in 2016 (Lacher, 2020b, 19). In addition, he has replaced major military positions in the LAAF with members of his immediate and extended family (Lacher, 2020b, 20) and secured the assistance or backing of major foreign powers, like Russia, the UAE, and France (Lacher, 2020b; Eaton, 2021).

and transactional portals through which to route bonds, donations, currency sales, and virtual games. When fighting to secede from Yugoslavia, the Republic of Croatia and Slovenia had the advantage of extensive institutional infrastructure previously grown through their membership in the union of Yugoslavia.⁹ Therefore, many of their leaders had government experience, contributing to a quickly constructed state apparatus.

4.3 Set 2: Monetary Patronage

The monetary patronage set is analytically distinct from all other sets for a few reasons. Many of these rebellions eventually became stalemated, transforming into frozen conflicts or defacto states, in part because of the support of external states. With exception to the Croatian Republic of Bosnia and Herzegovina, which was supported by the newly independent Croatia, they all receive sponsorship from the Russian Federation or the former Federal Republic of Yugoslavia (Serbia). Russian, Yugoslav, and Croatian patronage in these cases is not just political, however. All groups share a distinct ethnic or nationalist connection to their patron. For instance, as a primarily Armenian region of Azerbaijan, the Republic of Artsakh in Nagorno-Karabakh was supported by Armenia. And, the former Republic of Yugoslavia (Serbia) backed Serbian rebel groups in Croatia and Bosnia, including the Serbian Republics of Krajina and Srpska. Groups in this set appear similar because they emerge from a European context, specifically waging rebellion during and after the breakup of the Soviet Union and the dissolution of Yugoslavia. External state patronage, therefore, is a determining factor not only in these groups' ability to construct monetary governance but also in their survival.¹⁰

Why would patron states encourage monetary institution building in these cases? Irre-

⁹Although still under the tutelage of Tito and his successors, each constituent republic had its own constitution, parliament, and executive.

¹⁰We can think of these patrons as "master patrons," which according to Biermann (2025) bring conflict-deciding resources to the table.

dentist ambitions, that is to eventually annex rebel territory into their own state, might be a long-term goal for patrons that support co-ethnic rebel groups. Institution building can also be strategic to solidify the principal-agent relationship, increasing dependence of the rebel group on the patron.¹¹ Beyond strategic and altruistic motivations, patron states may be interested in expanding their markets, raising demand for their currency by extending it into rebel territories.¹² While this move can be beneficial, it can also expose the patron to financial and monetary volatility in times of economic crisis.

Not all rebel groups, however, are equally attractive candidates for this kind of monetary patronage. Even if the patron knows they can dominate the relationship, they have to consider if investing resources will pay off if the group is not sophisticated enough to carry out its portion of the deal. Monetary governance, even when externally supported, probably requires a minimum threshold of administrative capacity, technical expertise, and organizational discipline on the rebel side. While external patronage is pretty common, for instance a little over half of rebels in the NSA data have alleged or explicit patron support, low-skill and poorly managed groups will be viewed unappealing to patrons. Patron monetary support is therefore likely given to groups that already possess some degree of institutional capacity. Credentialing those groups by supporting institution-building may therefore be an attractive step to increase their internal and external legitimacy.

Monetary governance by such groups built in connection to their patron state is similar to what has been described as "Linkage" in Chapter 2, although such governance may look innovative. The patron state either supplies its own monetary governance to the rebel group,

¹¹We have to assume some degree of autonomy on part of the rebels to define this relationship in principal-agent terms (Biermann, 2025, 12).

¹²Demand for patron money can appreciate the currency or at least stabilize it. It can also reduce transaction costs if the patron trades with the rebel territory.

including its currency, or at the very least supplies enough personnel, material, or expertise to kickstart the group's own institutional efforts. Monetary governance therefore will look a lot like that of sovereign states, however, it will leave the group with little institutional autonomy because of the patron's determinative control.

Below, I provide an illustrative case study of the Serbian Republic of Krajina which, along with its counterpart, the Serbian Republic of Srpska in Bosnia, was backed by the former Republic of Yugoslavia (Serbia) in the 1990s.

4.3.1 Illustrative Case: The Serbian Republic of Krajina

4.3.1.1 Background

The Serbian Republic of Krajina (RSK) was a self-proclaimed republic that existed from 1991 until it was reincorporated into Croatian territory in 1995, emerging from the dissolution of Yugoslavia. Yugoslavia, which had successfully united many different ethnic groups until the death of Josip Broz (Tito) in 1980, among them Slovenes, Croats, Bosnians, Serbs, Albanians, Montenegrans, and Macedonians, slowly experienced political and economic disintegration throughout the 1980s. Without clearly defined ethnic borders through which to organize republics into sovereign states, tensions between the previously dominant Serb minority and other ethnic groups began to rise in many parts of the country as elections were held in the late 1980s (Pešić, 1996, v).

In Croatia, a nationalist movement managed to displace Communist parties under Franjo Tuđman, seeking Croatian independence and a constitution to realize a Croat-centric state, which Serbs saw as a political move to displace them. The election of Slobodan Milošević in Serbia in 1987 galvanized a nationalist movement with ambitions for a "Greater Serbia." In

an effort to unify Serbs in all Yugoslav territory, Serbs across all regions took to the streets protesting for political change in favor of their ethnic group, particularly in 1990 during the tail-end of the Log Revolution.¹³ Croatian Serbs not only protested, but after holding a series of referenda to signal support for the autonomous status of Krajina and its potential unification with Serbia, announced the secession of the RSK from Croatia on April 1, 1991. Soon thereafter, Slovenia and Croatia formally declared independence from Yugoslavia causing clashes between the Croatian Army and Yugoslav People's Army (JNA) directed by Milošević. While Slovenia quickly settled its own conflict with the JNA, Croatia descended into war against the JNA, which backed Croatian Serbs and the RSK.

4.3.1.2 Monetary Governance

The RSK's monetary governance was Yugoslav in everything but name, because state patronage by the Federal Republic of Yugoslavia (FRY) in Belgrade was the determining factor in its institutional design and implementation. Integration of its monetary policy with that of the rebel territories constituted a calculated three-phase plan, beginning with the creation of institutions in Krajina and Srpska. In the words of Milan Babić, the first president of Krajina, the National Bank of the RSK "practically operated as a branch office of the National Bank of Yugoslavia (Babić, 2002, 12970)." Thus, the RSK's central bank, ministry of finance, and currency resembled the institutions of a sovereign state, yet the Republic had no real autonomy over their operations. Instead, the RSK's monetary infrastructure was a deliberate attempt by Yugoslav authorities to engineer a financial apparatus through which money could be transferred from Belgrade to Knin to pay for the RSK's financial needs and to circumvent international sanctions (Torkildsen, 2008, 12). Without access to other sources of revenue, the RSK was entirely dependent on the willingness of the FRY to finance its defense and operations. For

¹³The Log Revolution describes a period of Serb street protests that swept Serb-dominated areas in Yugoslavia starting in August 1990, following the election of pro-Croatian and pro-Slovenian forces in their respective republics.

instance, in a letter by Milan Martić to Slobodan Milošević in April 1993, the RSK's Minister of Internal Affairs requests more funds from the FRY writing that "the RSK has no real sources from which to fill its budget, as you certainly know (Torkildsen, 2008, 12)."

Thus began the time of the printing press. The RSK's currency, the Krajina Dinar (see example in Figure 4.3), was printed by the National Bank of Yugoslavia (NBY) and shipped to the territories of the RSK. Throughout its existence, the Krajina Dinar was pegged to the Yugoslav Dinar at "a 1:1 ratio," making it value virtually indistinguishable from the currency of the FRY. Some 95% of the RSK's budget was covered by issues printed by the NBY, some of it officially printed on the books of the central bank, while a portion was printed unofficially as "grey issues." Both currencies experienced rampant hyperinflation between 1992 and 1995 with currency banknotes printed in ever higher denominations.¹⁴

¹⁴Three series of bank note denominations were issued during 1991 and 1994. The first issued banknotes of values between 10 and 5,000 Dinar. The second series featured banknotes of value between 10,000 and 10 billion Dinar. And the last issue included denominations between 5,000 and 50 billion Dinar (Kunalipa, 1993).



Figure 4.3: Copy of front and reverse of a 500,000 Krajina Dinar banknote, issued in 1993 –
Source: (Numismatics, 2023)

With institutions and currency installed, the FRY continued Phase II & III of its monetary plan in Krajina. Starting in March 1993 and March 1994 respectively, both phases saw that every substantive instrument of monetary policy was to be subordinate to Belgrade: interest rates, discount rates, compulsory reserve requirements, and foreign currency reserves all fell under the direct control of the NBY (Torkildsen, 2008, 15). Although cooperation between the entities was stressed in principal, financial investigator to the ICTY, Morten Torkildsen, argued in his report that that "co-operation [was] inappropriate as a description of the relationship between the three national banks. The NBY had the primary role and the NBRS [Nation Bank of the Republic of Srpska] and the NBRSK [National Bank of the Republic of Serbian Krajina] decidedly secondary roles (Torkildsen, 2008, 15)." The final phase of the monetary plan also revealed long-term intentions of the FRY to fortify Krajina not as a politically and monetarily

independent entity, but rather as an extension of its own apparatus. First, a unified Dinar would be issued in Yugoslavia, as well as Krajina and Srpska starting March 1994. Further, the institutions would operate without policy autonomy. For instance, while the Governor of the NBRSK was required to attend NBY meetings, they actually had no voting rights to influence policy (Torkildsen, 2008, 18). Although the NBRSK was required to maintain its own records, its balance sheets formed part of the NBY's consolidated balance sheet, described by Torkildsen as "a structure which, under widely accepted accounting rules, would govern the relationship between a parent company and its subsidiaries (Torkildsen, 2008, 17)."

4.3.2 Discussion and Additional Cases

External state patronage is a crucial element determining not only the monetary governance of rebel groups in this set, but their political and military survival. Because such rebels are highly dependent on their patron financially, they tend to have little autonomy in the design and construction of monetary governance in their territory. The ethnic or nationalist connection to the patron thereby supports linkage to and integration into the patronage system rather than promoting the independent development of such governance. The RSK is an extreme case of this relationship and a very good template from which to compare similar groups such as the Serbian Republic of Srpska, the Luhansk People's Republic (LPR), and the Donetsk People's Republic (DPR), which were and still are fully dependent on patronage to survive. The latter two abandoned the Ukrainian Hryvnia and adopted the Russian Ruble fairly quickly into the Russian invasion of Ukraine (Marandici and Lesanu, 2021, 341).

Russian patronage of several post-Soviet de facto states shows close parallels of this phenomenon. For instance, the Republics of Abkhazia and South Ossetia are integrated into Russian markets and the Russian monetary system. While the Russian Ruble is in practice the legal tender of either territory, they have issued native currencies, the Abkhazian Apsar and

Ossetian Zarin, which are primarily commemorative and maintained by national banks (The National Bank of the Republic of Abkhazia, n.d.; Miller, 2022). As compared to the Yugoslav rebellions, those institutions and currencies, however, emerged only after decades of their quasi-state existence rather than during active rebellion. Among the Russian patronage network, Transnistria perhaps maintains the highest degree of institutional autonomy, although it still remains heavily reliant on Russian support. For instance, the enclave maintains control over the Transnistrian Ruble and "uses monetary instruments to fund its budget deficits, control inflation, and back its exporters (Marandici and Lesanu, 2021, 342)."

4.4 Set 3: Rebel Groups Seeking Systematic Transformation

Set 3 includes groups that seek to systematically transform a country across its social, economic, and political dimensions. Such groups' ideologies typically exhibit doctrinal principals fundamentally at odds with the current order of the state and they aim to restructure the state's institutions and governing structures in the image of those principles. Examples of such groups are those with Communist, Islamist, secessionist, or anti-colonial aims. Communists, for instance, seek to restructure the economic system to one in which the state plays an authoritative role in ordering economic life and in which the means of production are collectively owned. Monetary instruments, like central banks and currencies, are therefore made in the image of Communist ideology, tightly controlled by the group rather than market forces. For the anti-colonial groups, the incentive to displace colonial state institutions is both ideological and necessary to claim statehood. Similarly, secessionist groups might view monetary institutions as an necessity to signal state-like capacity.

Monetary governance built by such groups should most commonly use strategies like "Innovation" or "Challenge". First, such groups will create governance in the image of their

ideology, which by design will be distinct from that of the state or a foreign patron. For instance, the Viet Minh began issuing first versions of the Vietnamese Dong in January 1946, featuring its iconic leader Ho Chi Minh (Hoang and Hue, 2026). Other groups might not have had the capacity to innovate yet, and instead simply challenge the existing monetary system by banning currency. For instance, the Taleban outlawed the use of the Dollar in their territories consistent with the group's ideological opposition to the United States. On the other hand, the Khmer Rouge prescribed to an extreme form of challenge, banning money and banking all together during their reign immediately after taking over the country in 1975 (Tyner, 2020).

4.4.1 Illustrative Case: The Islamic State

4.4.1.1 Background

The origins of the Islamic State (IS or ISIS) lie in the aftermath of the US invasion of Iraq, when Abu Musab al-Zarqawi founded Al-Qaeda in Iraq (AQI) to fight against the US-led international coalition forces and the Iraqi government. Undergoing leadership changes after Al-Zarqawi's death in 2006, the newly branded Islamic State of Iraq (ISI) was largely driven back by the Iraq War US troop surge in 2007/2008. Shifting attention to Syria, the organization began rebuilding itself under Abu Bakr al-Baghdadi, extending its networks and growing in numbers (Council on Foreign Relations, 2016). Having re-branded itself again, this time as the Islamic State of Iraq and Syria (ISIS), the organization began its conquest across the two countries in 2014, capturing large swaths of territory from Aleppo to Falluja in a matter of 100 days (Cockburn, 2015, 1).

Although ISIS began as an Al-Qaeda affiliate, it later broke from the organization to become its main competitor, asserting political and theological authority over the Muslim world by proclaiming its Caliphate in Iraq and Syria (Council on Foreign Relations, 2016). ISIS and

its predecessor groups distinguished themselves from prior Sunni Jihadist organizations in two ways: their extreme brutality while waging insurgency against military and civilian targets, both Muslims and non-Muslims, and their shift away from militarism to strive for territorial governance under an extreme version of Sharia law. While some ISIS governance predates the establishment of the Caliphate (Bamber-Zryd, 2022), at its peak the organization had built a complex legal, social, economic, and religious apparatus that established rights and obligations for its subjects and spanned across institutions to govern education, crime, land rights, taxation, and monetary affairs, among many other dimensions of daily life (March and Revkin, 2015).

4.4.1.2 Monetary Governance

ISIS's monetary governance, specifically its choice of currency, stands out among the groups examined in this project. Even groups operating during the first part of the 20th century typically chose paper money when deciding to create their own currencies. In contrast, ISIS chose the path of metal, announcing that it would use expensive materials like gold, silver, and, to some extent copper, to mint its coins in November of 2014 (see Figure 4.4).¹⁵ Depending on the purity of the metals, each coin's production cost could have ranged from cents to hundreds of dollars, making it an expensive investment. Its currency decisions were announced through "Bayt al-Mal", something akin to a Treasury Ministry, which had physical locations across ISIS territory (Johnston and Clarke, 2016).¹⁶ To some extent, the group also attempted to boost uptake of its coins through a partial ban on specific Syrian Pound notes in its territory (Al Arabiya English, 2017). Yet, despite its stated opposition to the United States and the global, Western-dominated capitalist system, the group and its members continued to use the US Dollar and other currencies, in particular in transactions related to oil sales, from which the group derived much of its revenue (Oxnevad, 2016, 135-136).

¹⁵Production of the coins appears to have been delayed until early 2015 (Oxnevad, 2016, 136).

¹⁶The ISIS governance structure was highly hierarchical, centering on the Caliph, Abu Bakr al-Baghdadi, the Sharia Council and the Delegated Committee (Bamber-Zryd, 2022, 1328).



Figure 4.4: The figure shows three examples of ISIS coins, including a gold dinar, silver dirham, and copper fulus – *Source:* (Moos, 2018)

Precisely because of its unique choice of currency, ISIS constitutes a good case for under-

standing how the ideological tenets of a group shape the monetary governance it builds. The metallic composition of coinage in the context of armed conflict and the modern world should present immense financial and logistical impracticalities to achieve a successful monetary system. For instance, without a sufficiently large money supply, coinage is difficult to break down for every-day transactions and will therefore not be preferable to an existing paper currency. If all coins were indeed made with the purest metal contents, it is also considerably more difficult to secure a steady supply in an active war zone and with limited access to foreign markets curtailed by sanctions. Importantly, when the commodity value of a coin exceeds its face value, coinage is also more prone to be melted down for sale to make a profit rather than continuing to use it for its intended purpose. Rather ironically, establishing a monetary system on metal-based currency also makes the issuer vulnerable to shifts in global commodity markets, which will determine the domestic price for metals. Even ideologically driven actors like ISIS, which view the Western dominated global economy as an extension of the West's crusades against Muslims and Islam, nonetheless have to participate get access to commodities.¹⁷

It is therefore unlikely that the group's monetary governance was driven purely by a profit-driven logic and instead reflected its goal to model all aspects of the state in accordance with its ideology. ISIS has drawn much of its claim to legitimacy from adhering to its version of Sharia law, in particular based on the principle of "Khilafah 'ala Minhaj an-Nubuwwah" or "Caliphate upon the Prophetic Method (March and Revkin, 2015)." Governance, institutions, and behavior are therefore based on those believed to be common during the time of the Prophet Muhammad. Modeled after the 6th century Umayyad Caliphate Gold Dinar, ISIS coinage bears historic and ideological resemblance to the very first Islamic trimetallic currency (Oxnevard, 2016, 131). The name of its treasury, "Bayt al-Mal", is akin to those developed during the Prophetic period

¹⁷In its English-language magazines, ISIS has generally referred to the West as an enemy which both covertly and openly plots against Muslims and Islam in a clash-of-civilizations style conspiracy (Baele et al., 2021).

and by early Islamic states (Malik and Khokhar, 2025). Islamic monetary institutions then were typically charged with coin minting, as well as taxation and war finance.

4.4.1.3 Discussion and Additional Cases

ISIS serves as an extreme example to showcase not only how ideology shapes why rebel groups engage in governing money, but also how ideology shapes the form and design of rebel institutions. In comparison, perhaps only the Khmer Rouge and Sendero Luminoso are equivalent in their extreme conception of monetary policy. During their governing period between 1975 and 1979, the Khmer Rouge abolished markets, money, and private property entirely, in line with the groups interpretation of Marxist ideals. In the process, the exchange of goods and services was reduced to barter, the economy was devastated, and the Cambodian Central Bank in Phnom Penh was blown up to underscore the rejection of money in principle and in practice (The Acheron, 2020). Before coming to power, there had already been debate within the movement as to how to handle the question of currency. In fact, despite a Khmer currency printed and ready for distribution, the group ultimately decided in favor of the abolition of money when eventually taking power (Rinith, 2025). After the Khmer Rouge were expelled from power, the group maintained insurgency against the state from its exile in Thailand until the 1990s. In areas under their control, the group was found to have printed its own currency, in five denominations (Abuza, 1993, 1014–1015). Sendero Luminoso too sought to abolish modern economic life, including currency, banking, and foreign trade in favor of a barter-based economy, although the group was much less successful in doing so, never achieving extensive territorial control in Peru (McCormick, 1987).

4.5 Set 4: Monetary-Kleptocracy

Accounts of predatory and opportunistic rebellions typically assume away the possibility of governance. For instance, Weinstein (2006) argues that large resource endowments lower rebels' need to bargain with the population, and therefore, they will not produce inclusive governance. However, rebel groups known for predatory practices sometimes still create institutions in their territories, although they might not be intended to serve the population (Reno, 2015). Instead, such rebel governance might serve specific purposes for a group that is informed by its coercive and economic needs. Institutions might be built to control populations or enforce certain behavior. The all-female "al-Khansaa Brigade," for example, was created as part of the Islamic State's morality police, partially designed to enforce Sharia law among women (Saleh, 2021). A lot of governance may be provided to support the exploitation and management of resources by individual leaders, such as lootable natural resources, taxation, or bribes. Institutionalization for financial benefit could also be needed to provide cover or signal legitimacy, for instance when dealing with international actors, like business firms seeking to continue operations in rebel territories.

The wartime order and institutions of such groups should be much shallower in nature. Strategies of monetary governance might resemble "Innovation", however, the institutions are inherently set up as façades or shells, maintained in name only or through a small number of individuals that pose as officials. In terms of monetary governance, currency might emerge and used to pay for expenses. For instance, Uzbek warlord Abdul Rashid Dostum, who held significant territory in the north of Afghanistan in the 1990s and 2000s, printed millions of a different version of the Afghani Afghan (also called Dostum Dollars or Jumbeshi) which circulated freely along with the government's version (Safi, 2002).

4.5.1 Illustrative Case: The NPFL Under Charles Taylor

4.5.1.1 Background

Led by Charles Taylor, the National Patriotic Front of Liberia (NPFL) invaded the country from Côte d'Ivoire on Christmas Eve 1989 to remove President Samuel Doe from power.¹⁸ President Doe, who had come to office through a military coup in 1980, ruled the country through his patrimonial network and armed groups, enriching himself by exploiting Liberia's natural resources for personal gain, particularly timber, gold, iron, and diamonds (Reno, 2015, 270). Charles Taylor, the NPFL's infamous leader, was a former Liberian official who had served under President Doe until he was charged with embezzlement (Reno, 2015, 269). Trying to take refuge in the United States, Taylor was arrested, but escaped from his scheduled extradition to Liberia, eventually making his way to Libya (Thaler, 2025, 81). Supported with training and money from Muammar Qaddafi, Taylor started preparations for an invasion into Liberia. The NPFL began their invasion into Liberia with a small force, quickly growing in size, and ultimately laying siege to the capital of Monrovia in mid-1990.

At its height, the NPFL controlled most of Liberia, parts of Guinea, and Sierra Leone, underscoring Taylor's vision to form a "Greater Liberia (Reno, 1995, 112)." Taylor was in active conflict with the Doe regime and its pro-government militias, the peacekeeping force of the Economic Community of African States (ECOWAS), and other rebel factions like the Independent National Patriotic Front of Liberia (INPFL), which had split from the NPFL during the early months of the conflict. Much like the regime he eventually replaced, Taylor's reign was characterized by building networks of corruption to govern territory and exploiting natural resources for personal gain. Civilians were generally treated poorly by the NPFL (Ellis, 1995),

¹⁸The NPFL emerged originally from a 1985 failed coup attempt to displace President Doe which was led by Thomas Quiwonkpa (Thaler, 2025, 80).

at the best of times used for resource extraction and information (Thaler, 2025, 86), while child soldiering was a persistent feature of the conflict (Truth and Reconciliation Commission of Liberia, 2009, 261).¹⁹ With the NPFL losing ground as the conflict progressed, Taylor entered a series of peace negotiations starting in 1994, eventually paving the road to the 1997 elections that would place Taylor into the presidential office (Harris, 1999).

4.5.1.2 Monetary Governance

Institutionalization under Taylor's NPFL was focused on the maintenance of his personal security order and the exploitation of natural resources for profit, rather than the provision of services to constituents. Governance institutions of the NPFL's "National Patriotic Reconstruction Assembly Government" (NPRAG) were set up as façades to mirror the Liberian state, in part to appear legitimate vis-a-vis the Interim Government of National Unity (IGNU) that had been established with the support of the Economic Community of West African States (ECOWAS) in 1990 (Thaler, 2025, 85). According to Harris (1999), the NPFL "boasted its own currency, TV, radio, newspaper, international airport, and deepwater port (p. 434-435)." However, while governance ministries were announced and advertised, they typically did not materialize as anything resembling state institutions; rather, they were "little more than one-room shacks staffed by untrained and illiterate people (Noble, 1992)." This was the case with the "Bong Bank," an institution designed to handle financial matters, in particular Taylor's dealings with foreign firms and investors (Reno, 1995, 114). Run by Taylor's brother, the institution was used to process payments from the sale of natural resources, rather than to conduct monetary or fiscal policy.

Currency in Liberia became the subject of Taylor's interest when his forces successfully

¹⁹The final report of the Truth and Reconciliation Commission of Liberia found the NPFL had committed almost 40% of all human rights violations during the conflict (Truth and Reconciliation Commission of Liberia, 2009, 263).

looted the country's central bank (Menkulasi, Erasmus and Leichter, 2009, 4). At the time, multiple currencies circulated in the country, effectively splitting the territory of the NPFL and the government by their use of "Liberty Dollars" and "J.J. Roberts Dollars (see Figure 4.5)." While technically the same currency, the "Liberty Dollars" were printed by the Monrovia government to prevent the use of "J.J. Roberts" banknotes stolen from the central bank and now in possession by Charles Taylor (Menkulasi, Erasmus and Leichter, 2009, 3).²⁰ Some of the banknotes of the "J.J. Roberts Dollar" were also already circulating, having been the official currency before the war (Special Court for Sierra Leone, 2010, 42793). In either territory, the opposite banknotes were declared illegal for use and continued to circulate until Taylor officially became president in 1997.



Figure 4.5: Example of a JJ Roberts 5 Dollar note – *Source:* (National Museum of American History, N.d.)

4.5.1.3 Discussion and Additional Cases

The monetary governance of most other groups in this set follows similar patterns. Junbish-i Milli-yi Islami, under the leadership of Abdul Rashid Dostum, and the USC/SNA, under Hussein Mohamed Farrah Aidid, both showcase warlord-style leaders which used currency not to establish a new monetary system, but to simply finance their operations. The Afghan case in particular is an interesting comparison, because even though Junbish was a primarily Uzbek group, ideological or ethnic tenets did not seem to factor into the decision to construct governance, rather, Dostum had versions of the Afghan Afghani printed that appeared similar

²⁰The J.J. Roberts banknotes only came in \$5 denominations and Taylor was not able to produce more of them.

in design to the state's currency. In the Somali case, Hussein Aidid managed to order new versions of the Somali Shilling abroad which circulated alongside the currency of the collapsed state (Leeson, 2007, 703).

4.6 Unassigned Groups and Border Cases

The overlap of two or more sets in some cases made the placement of certain rebel groups less analytically useful and they were therefore left unassigned. This speaks to the complexity of rebel monetary governance and the fact that one single explanation cannot suffice to explain its emergence across all groups. The UPA, the PUK, the SPLM/A, the Republic of Somaliland, Ansar Allah, and the UTO did not fall clearly under one of the four sets when considering their placement in the conceptual framework of Figure 4.1. These unassigned cases thus illuminate the boundaries of the framework: they include groups that straddle multiple sets without fitting cleanly into any, while others resist categorization altogether, suggesting that the framework does not exhaust the possible pathways to rebel monetary governance. The cases of Ansar Allah and the Republic of Somaliland are briefly discussed to illustrate such possibilities.

Ansar Allah, more commonly known as the Houthi movement, has existed in Yemen since the 1990s and has engaged in several campaigns of insurgency against the Yemeni state since the early 2000s. The group straddles multiple sets without cleanly fitting in one or the other. Not until its capture of the Sana'a central bank in 2014 did the group begin its engagement with monetary governance (Al-Batati, 2021). Shortly thereafter, the group began banning the use of specific banknotes of the Yemeni Rial in their territories, mainly to prevent the incumbent government from printing new cash (Al-Batati, 2021). Only a decade later did they announce the minting of their own coins (Thamer, 2024). Iranian patronage of the group could indicate a membership in Set 2 (external state patronage), however, there is no evidence to suggest that

the group has linked to its patron in a significant manner.²¹ As one of the world's least developed countries, Yemen's state capacity is low and the Houthi insurgency began as a low-tech guerrilla force which eventually grew into Yemen's largest military force (Palik, 2024, 508). The group therefore did not inherit or develop significant institutional monetary expertise, and only began engaging in the governance of money after it captured Sana'a and its relevant state infrastructure.²² The Houthi's ideological commitments to Zaydism, a sect of Shia Islam that constitutes a minority in Yemen, might point to inclusion in Set 3 (transformative ideology), but at least in the past the group has been focusing its ideological posturing on anti-Israel and anti-US rhetoric, rather than an economic and social overhaul of the country that would subjugate other sects of Islam (Albloshi, 2016, 158–159). While some of the Houthis' warfare methods, including child soldiering and plunder, might inspire a reference to kleptocratic groups like the NPFL, the group's resource governance has leveraged a great deal of institution building that goes beyond mere extraction (Ahram, 2022a).

The Republic of Somaliland, which features its own central bank, ministry of finance, and currency, the Somaliland Shilling, exhibits a different explanation for the emergence of rebel monetary governance and therefore does not fit into the the explanatory framework above. Somaliland enjoys little direct assistance from other states, with Israel being the only country to formally recognize it in 2025 (Salah and Boru, 2026). The region, like wider Somalia, is dominated by clan politics, with the majority of Somalilanders being members of the Isaaq, with a smaller portion from the Dir and Darood (Richards, 2020, 1071). Although the Isaaq and its sub-clans are the largest political force, the process of state formation and state-building has been inclusive of other clans as well (Renders, 2007, 447). In addition, an ideology-based explanation of monetary governance perhaps falls short because the Somali National Movement

²¹Iran may have provided expertise to the Houthis, however, I have not identified any evidence to suggest this.

²²By the time the Houthis began running the central bank, one could argue it no longer constituted a rebel group, having displaced the incumbent government abroad.

(SNM), whose leaders would negotiate with the clans to carve out Somaliland, initially fought against the Barre regime to establish a federal democratic Somalia (Richards, 2020, 1070), and only later turned to seek independence.

Like the Houthi case in Yemen, Somaliland emerged out of an extremely underdeveloped state whose recent collapse had left a political and institutional vacuum. It was businessmen from the Habar Awal, a sub-clan to the Isaaq, who financed the construction of Somaliland's monetary project, in addition to many other projects in the newly formed state administration (Renders, 2007, 448). This indicates that rebels may engage in bargaining with economic stakeholders and other elites, much like early modern states did with creditors, to provide institutions in a process akin to demand and supply (Broz, 1998; Florea and Malejacq, 2024), or like Islamist groups who provided legal and commercial rules to govern business and trade communities (Ahmad, 2017). The process by which Isaaq clan elders were included in the new Somaliland government, first through the council of elders (*Guurti*) in the peace process, and later, as the Upper House of Parliament suggests that rebels had to negotiate a great deal of societal and economic contracts to finance governance (Richards, 2020, 1074).

4.7 Conclusion

The goal of this chapter is not to test specific hypotheses, but to illustrate how each variable might contribute in practice to produce monetary governance. This approach is therefore limited in its ability to establish a causal framework or rule out alternate explanations. While each ideal case provides analytical clarity of how a factor shapes that group's governance, the remaining cases are discussed more briefly and their comparison relies on the logic established by the ideal case. This of course does not rule out how other factors shape or interact with the main variable discussed. The existence of unassigned cases that fall outside of the conceptual

sets in this chapter illustrate the boundaries of the framework, but also point to the rich substantive knowledge needed to categorize each case.

Taken together, the three preceding chapters have mapped the terrain of rebel monetary governance from three different angles: conceptual, quantitative, and qualitative. What emerges is not a finished answer to the puzzle initially posed, but offers a compelling research agenda with solid empirical foundations and a road map to open questions. The concluding chapter of this dissertation takes stock of the research agenda, detailing open questions this project raised and the directions that remain for future scholarship.

Appendix

Appendix 1A: Border Cases

Group (ID)	Country	Years Active	Monetary Governance Summary
CPP (169)	Philippines	1968–present	Counterfeiting (coded 0): Allegedly circulated counterfeit US dollars sourced from North Korea.
Karen National Union (180)	Myanmar	1966–present	Not coded (0): Thai baht used organically in KNU-controlled areas due to extreme devaluation of the Myanmar kyat; not a deliberate policy but driven by economic necessity.
CPI-Maoists Naxalites	/ India	2005–present	Counterfeiting (coded 0): ISI of Pakistan allegedly uses Naxal networks to push counterfeit Indian currency; Maoists also attempted independent counterfeiting of RS 50–500 notes, with equipment seized by security forces (2022–2023).

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Group (ID)	Country	Years Ac-	Monetary Governance Summary
		tive	
Hamas (209)	Gaza/Israel	1993, 2001–present	Not coded (0): Issued lightweight gold coins licensed by the Ministry of Economy in Gaza as a savings instrument (not legal tender); also engaged in cryptocurrency use and potentially counterfeiting in the 2000s.
UWSA (364)	Myanmar	1997	Not coded (0): Chinese yuan used in Wa-controlled areas rather than the Myanmar kyat, reflecting strong economic and cultural ties to Yunnan province; intent is ambiguous.
MNDAA / Kokang (880)	Myanmar	2009, 2014, 2015, 2017, 2021, 2023	Not coded (0): Chinese yuan used in Kokang areas due to linguistic and economic ties with China; deliberateness of currency displacement is uncertain.
OPM / West Papua	Indonesia	1965–present	Not coded (0): Statement of intent only—Don Flassy’s (2000) basic guidelines for the State of Papua proposed a “Papuan Guilder,” but no currency was ever issued.

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Group (ID)	Country	Years	Ac- tive	Monetary Governance Summary
Hezbollah (366)	Lebanon / Is- rael	1986– present		Not coded (0): Evidence of counterfeit \$100 USD bills sold on the dark web (Bessenyo et al., 2023); no broader monetary governance structure.
IPOB (6287)	Nigeria	2012– present		Not coded (0): Explicitly denied plans to print a Biafran currency, stating it would be premature before achieving sovereignty.
Rapid Support Forces (8635)	Sudan	—		Not coded (0): RSF seized the Sudan Currency Printing Press and central bank; Sudanese armed forces attacked the printworks to prevent RSF from printing money. Capture of institution rather than governance.
AQAP (881)	Yemen	2009– present		Not coded (0): Looted regional central bank in Mukalla (\$100 million); possibly counterfeited currencies, but did not build governance structures on captured infrastructure.

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Group (ID)	Country	Years	Ac- tive	Monetary Governance Summary
Naga (223–224)	India	1991–2007		Coded (0): Established institutional financial governance including a Ministry of Finance, however, unclear if intended for monetary governance rather than taxation and other financial activities.
ADF (489)	DRC	1991–2007		Not coded (0): Evidence of counterfeiting (1998).
ARSA (6692)	Myanmar / Bangladesh	2016–2017		Not coded (0): Allegedly began circulating its own currency in Rohingya refugee camps (2021), but this falls outside the dataset's time frame.
POLISARIO (563)	Western Sa- hara	1975–1989		Not coded (0): Issued the Sahrawi peseta (coins first minted 1990) as an official currency, but it does not circulate dominantly and the relevant period falls outside UCDP coding.

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Table continued from previous page

Group (ID)	Country	Years	Ac- tive	Monetary Governance Summary
PYD / Rojava (4163)	Syria	2012–2015		Not coded (0): Announced plans to establish a central bank (March 2016), but this fell outside the dataset period and was not implemented; largely a sovereignty-signaling gesture.
Jam'iyat-i Islami (292)	Afghanistan	1979–1996		Not coded (0): Had banknotes produced in Russia for Rabbani's Northern Alliance government; notes sold at half value on Kabul markets. Not coded as a distinct currency.
Naga National Council	India	1953–1956		Not coded (0): Plans to print a currency were discussed but never realized (Anand, 1980).

Chapter 5: Conclusion

Since 1945, just over three dozen rebel groups have engaged in monetary policy during armed conflict, challenging our conventional understanding of money as a domain of the state. As an important but opaque component of statehood, monetary sovereignty has largely been absent in scholarly debates about rebellion, not considering that rebels may have a vested interest in controlling the monopoly on the use of money before gaining the monopoly on the use of force. This unique phenomenon stands apart from other forms of rebel governance due to its technological complexity and potentially devastating economic implications. While rebels play a high-risk, high-reward financial and reputational game when they invest in these types of institutions, their actions can be consequential for civilians and the wider economy.

This project defines rebel monetary governance and introduces a typology of three strategies rebels use to engage in monetary politics: Innovation, Challenge, and Linkage. It distinguishes rebel monetary governance from ordinary state monetary governance and from currency counterfeiting, clarifying both its scope and its boundaries. Introducing a new original dataset covering the universe of rebel groups from 1945 to the present, I identify 38 groups that engaged in at least one strategy of monetary governance. A first descriptive analysis of this case universe reveals that rebel groups that govern money tend to be stronger and more institutionalized than those that do not, which is consistent with the intuition that the technological, logistical, and macroeconomic complexity of monetary governance raises high barriers

to entry that only certain groups can clear.

I also turn to the question of what conditions are associated with the emergence of rebel monetary governance. Drawing on the rebel governance literature, I develop and test three hypotheses. I argue that groups seeking systemic transformation of a country, such as secessionists, social revolutionaries, and anti-colonial movements, have both ideological and strategic incentives to build monetary institutions, as these groups are most committed to constructing an alternative to the existing state. In addition, I hypothesize that external state patronage and rebel strength lower the barriers to entry by supplying the expertise, infrastructure, and institutional capacity that monetary governance requires. Testing these hypotheses through logistic regression on a cross-sectional dataset covering all rebel groups from 1945 to 2011, I find modest but robust support for the war aim and rebel strength hypothesis: groups seeking systemic change are nearly three times more likely to engage in monetary governance, while stronger groups are roughly two and a half times more likely to do so than their weaker counterparts. Evidence for the patronage hypothesis is not supported in the statistical analysis, though I conclude that the binary treatment of patronage in available data likely obscures variation in the type and depth of patron support.

In qualitative case studies I examine how specific combinations of organizational, ideological, and external factors produce different forms of rebel monetary governance. Drawing inductively from extensive research across all 38 documented cases, I organize rebel groups into four analytical sets, each defined by a distinct explanatory profile. Institutionally-Endowed groups, like the Forces of the House of Representatives in Libya, enter conflict already possessing the expertise, personnel, or captured financial infrastructure necessary to build state-like monetary institutions. Monetary Patronage groups, for instance the Serbian Republic of Krajina, rely on a patron state to supply the currency, expertise, or institutional scaffolding for their monetary

regime, often developing linkage-type governance that mirrors the patron's system. Systematic Transformation groups, like the Islamic State, are driven by ideological imperatives to restructure society and the economy, producing monetary governance designed in the image of their ideology. Finally, Monetary Kleptocratic groups, such as the National Patriotic Front of Liberia under Charles Taylor, build monetary institutions not to serve a broader political project, but to facilitate resource extraction and personal enrichment, resulting in shallow governance that mimics state institutions as a façade.

This project breaks new ground in documenting and theorizing about rebel monetary governance cross-sectionally; the complexity of the phenomenon, however, resists a single determinative explanation. Money is not a purely financial tool, but carries innate symbolic and strategic dimensions that can be important to actors in different conflict contexts. The evidence presented in the preceding chapters suggests a multi-causal process that requires careful qualitative examination. Although the findings of the quantitative analysis confirm the hypotheses about the importance of the relative strength and war aim of rebel groups, the multitude of documented rebel strategies to govern money prevents the formulation of a single theory of rebel monetary governance. Instead, this project leverages a qualitative approach to identify combinations of characteristics that produce monetary governance in four sets of cases. This is, in many ways, only the beginning. Open questions remain for scholarly exploration.

5.1 Open Questions and New Avenues for Research

5.1.1 Other Sources of Data

The quantitative analysis in Chapter 3 largely relied on existing rebel governance data to test what conditions are associated with the emergence of rebel monetary governance. Because this phenomenon stands at the intersection of political economy, economic or country-level expla-

nations might contribute to explaining it. In the rebel context, the case of Somaliland provides an interesting example to illustrate such factors. While business elites provided the necessary funds to build Somaliland's monetary infrastructure, including its currency, the collapse of the Somali government caused the absence of central authority over monetary policy (Bradbury, 2008). In the absence of the state, Somali elites encouraged the rebels to fill the institutional vacuum. Thus, testing measures of state capacity or the state's ability to control its currency, for instance through inflation or exchange rate volatility, may shed light on country-level factors. The degree to which a country's banking sector is developed may also have an effect on rebel interests to develop a currency.

Constituency data on rebel movements can often focus on the social and political stratification of the civilian population, particularly ethnic or religious kinship (Ottmann, 2017; Breslawski and Tucker, 2021). Economic constituencies, such as business, landowning, or capitalist elites typically do not appear in cross-sectional data. Yet, as the Somaliland case suggests, economic elites can drive rebel policy in ways that resemble the formation of monetary institutions in modern states through credible commitment dynamics between the state and economic actors (Broz, 1998).

Documentation of rebel monetary governance is likely sparser than general records on rebellion, which are already limited. Post-conflict persecution by the state may be one reason that disincentives rebel leaders from keeping documentation of their institutions. Archival research may be a potentially fruitful avenue to uncover information, however. For example, Confidence (2020) and Confidence, Nnadi and McBride (2025) rely on well-documented evidence of Biafran monetary governance in the Nigerian central bank archives and museums and British library collections. State or colonial governments may have been documenting rebel efforts not as governance, but rather as counterfeiting, meaning the conceptual categories we

use to study the phenomenon may not map cleanly onto the archival record.

Further research opportunities present themselves outside the temporal scope of this dissertation. Rebel monetary governance is a unique, but not novel way to fight the state and is simply not a distinctly modern phenomenon. Almost 2,000 years ago, Jewish rebels minted several issues of coins during the first five years of the Jewish Revolt against the Roman Empire from 66 CE to 73 CE (Deutsch, 2011; Ariel, 2011). During a time in which coinage was the dominant form of currency and in the face of an asymmetrically stronger state, rebels minted silver and bronze coins of varying denominations with Jewish religious, cultural, and nationalist designs. Furthermore, revolutionary currencies also appeared during momentous revolutions in the Americas and in Europe during the 18th, 19th, and early 20th centuries, initially in the form of bond issues. French revolutionary forces began selling "Assignat" bonds at 5% interest in 1789, which eventually became the paper currency of the revolutionary government (Cutsinger, Rouanet and Ingber, 2023). The American Confederacy made use of paper currency when it issued the "Confederate Dollar" or "Greyback" during its attempted secession from the Union between 1861 and 1865, and attempted to sell cotton bonds on international markets (Weidenmier, 2000). Thus monetary policy was relevant to rebels before the post-1945 era, although different scope conditions may have applied. For instance, paper money was not yet the most commonly accepted form of currency, and territorial states had yet to establish a monopoly on money, practically and legally (Helleiner, 2003). Thus, local and private currencies frequently circulated among those of empires and states, perhaps reducing the barriers that rebels faced to issue their own.

Therefore, theories of rebel governance face distinct temporal challenges: whether they hold across vastly different historical periods, and whether they account for how governance

changes within a rebellion over time.¹ From a material standpoint, we would expect that more complex forms of governance are built years into rebellion, accounting for the time needed to plan, finance, and implement institution-building. Yet, considering the descriptive data collected for this dissertation the story is not as straightforward. About 75% of rebel groups begin their governance of money in the first year of the conflict, with the remaining groups' onset of governance falling between Year 1 and Year 20 of the conflict. This could suggest two things: rebels plan institutional endeavors before the conflict even begins or monetary governance may not actually be very time-intensive (for instance, in the cases of the abolishment of money).

5.1.2 External State Patronage

External state patronage plays an important role in producing monetary governance in the set of the cases discussed in the previous chapter. Overall, over 50% of rebel groups in the NSA dataset exhibit alleged or explicit support from a state patron, while only some 7% of all rebels engage in governing money. Of those 7%, about two-thirds enjoy support from one or more foreign states; however, according to my research, patrons provide direct assistance for innovative or linked monetary governance in only a small number of cases. External state patronage is neither uniform nor linear, varying in the type of assistance provided and frequently changing over time (Karlén, 2022). The unique form of assistance displayed from only a handful of patrons, in particular Russia, thwarts questions about the absence of this strategy among other frequent patrons of rebel groups. For instance, despite possessing the most dominant international currency, the United States has not appeared to encourage monetary state-building among its supported groups in the past. Interestingly, China did so early on, supporting both the Pathet Lao and the Viet Minh by printing currency for them, yet neither is there evidence to suggest that the country has continued this practice since, nor is China's previous support to

¹For instance, see a call for the consideration of temporal dynamics in future research on rebel governance by (Pfeifer and Schwab, 2023) and (Loyle et al., 2021).

rebel groups comparable to the rebel-patron linkage described in the previous chapter.

Given the deeper investment and ties that are built through externally-supported monetary governance between the rebel group and the patron, the effects of monetary governance over time could be consequential for the patron. While patrons might sometimes have an incentive to reveal their support for rebels and their involvement in building monetary governance, this can be costly in the long-run and in particular when the supported rebellion fails. For instance, the involvement of Yugoslav officials of the monetary governance of rebels in Krajina and Srpska was leveraged as evidence against individuals on trial in the International Criminal Tribunal for the former Yugoslavia. In addition, the monetary benefits from expanding its own currency in rebel territory may initially be a benefit to a patron, but changing economic conditions or sanctions could make the support of rebel monetary governance a liability in the long-run.

5.1.3 How Does Rebel Monetary Governance Shape Prospects for Victory?

The supposed positive linear effect of rebel governance on rebel organization's prospects for victory has been challenged in the literature. Conventional wisdom predicts that rebel governance, through the provision of goods and services to civilians, will strengthen groups' mobilization efforts and legitimacy. However, Stewart (2020) finds at best no relationship and more predominately a negative relationship between rebel governance, conceptualized as the provision of educational and social services, and rebel strength. Providing new disaggregated data on rebel institutions, Albert (2022) illustrates that this relationship shows more complexity when accounting for the differences in military, political, social, and economic institutions. Of the four economic institutions, currency, economic treaty, taxation, and negotiation of resource rights, all but the last show a positive and significant correlations with rebel strength.²

²Albert (2022) technically designates "currency" as political, rather than economic

Aside from the Islamic State's trimetallic currency, rebels can potentially profit when circulating paper currency that is used as legal tender in their territories. Whether the uptake is voluntary or coerced, organizations can use currency to pay for fighters, goods, and services, at least in the short-run.³ Rebel currencies specifically are therefore financially rewarding. However, the coerced uptake of currency may backfire as rebel currencies may not be the best financial alternative for civilians and businesses, if the state's currency or foreign currency are more highly valued.⁴ This might affect the legitimacy of a group both internally and externally, as state-building is viewed as a failure or resented for its coercive nature. Thus, it would not be surprising if rebel monetary governance is unpopular among constituents, while still giving rebels a net benefit in financial terms. Qualitative research, in particular through interviews or archival data, could uncover interesting variation here. For example, Vester, Thaler and Htut (2025) found that supporters of the National Unity Government in Myanmar bought the group's bonds despite their 0% interest rate, indicating that that economic concerns may have been trumped by legitimacy reasons.

5.1.4 Legacies of Rebel Monetary Governance

Recent research has begun to explore the legacies of rebel governance, for instance how rebel wartime strategies, ideologies, and institutions shape the post-war security order (Voyvodic, 2021) or a path to democratization (Huang, 2016), how they are continued in post-war politics (Liu, 2023; Thaler, 2025), or sometimes abandoned by rebel victors (Kasfir, 2026; Dirks, 2025). Other scholarship has considered how rebel rule influences citizen's trust and engagement with the victorious state (Loyle and Onder, 2024), how they reconcile with it (Loneragan, 2026), and conversely how rebel institutions can persist even decades after state victory

³This is for instance well documented in the case of the House of Representatives in Libya or with the National Unity Government in Myanmar

⁴For instance, the Deutsche Mark was the currency substitution of choice across most of Yugoslavia, with people holding on to it for storage of value

(Rickard and Bakke, 2021). Economically speaking, some micro-level evidence from Colombia suggests that rebel rule can improve household resilience to climate events on a local scale (Ibáñez et al., 2023), however, more large-scale economic impacts are yet to be explored.

What then are the legacies of rebel monetary governance? In earlier chapters, I have argued that this type of governance stands apart from others because of its potentially destructive effect on the economy, both when rebels win or fail in defeating the state. If the state succeeds in the conflict, the legacies of currencies and institutions still live on. The state is charged with consolidating rebel monetary policies, potentially having to restructure its own monetary system. Citizens are almost always going to be on the losing end, bearing the short-term costs when failed rebel currencies erase their assets, and inheriting the odious debts accumulated during wartime long after the conflict has ended.⁵ Thus, how inclusive those state policies are to settle the remnants of rebel governance can shape the state's relationship with civilians and the economic future of the country. For instance, Biafran authorities ordered the population to deposit their Nigerian pounds for exchange of new Biafran pounds, citizens were stripped for their cash because of the relative shortage of Biafran banknotes (Uche, 2002, 29). Even worse, when Biafra and its currency ceased to exist in 1970, those holding Biafran Pounds were offered a currency exchange deal by the Nigerian government with a tight deadline, which left citizens with a 20 pound payout when they chose to deposit and with nothing if they did not meet the deadline (Uche, 2002, 45). In addition, any bank holdings of the pre-war Nigerian currency were declared property of the Nigerian government which robbed former Biafrans of any remaining assets (Uche, 2002, 47). An interesting case to analyze presents itself with the two Serbian rebel groups supported by Yugoslavia. Both received enormous assistance from Yugoslavia, including hyper-inflated rebel currencies. However, they were eventually reincor-

⁵For instance, if the Tripoli-based government succeeds in unifying Libya in the future, the enormous debts underwritten by the rebel-based ministry of finance and central bank, and considered illegitimate by Tripoli, will be left outstanding.

porated into different states, Krajina into Croatia after military defeat and Srpska into Bosnia and Herzegovina under the Dayton Agreement. A paired case comparison examining both state approaches to incorporating monetary policy, banks, and civilians into relatively young state institutions could reveal interesting differences.

Cases in which rebel rulers become state rulers may exhibit interesting variation in how pre-war institutions and ideologies carry forward in state-building. For instance, it would not be surprising to find kleptocratic groups continuing their extraction of resources for personal wealth and their use inflationary policy through weak institutions to pay for state consolidation. The question is if other groups can resist the temptation of using the printing press to pay for post-conflict reconstruction, which will likely be extensive. In addition, one could consider the role of external players, beyond patronage from a single state, as former rebels have to position their currency and markets vis-a-vis the world economy.

5.1.5 Emerging Technologies and Rebel Monetary Governance

With the meteoric growth of digital and crypto technologies in the last decade, rebel finance and governance may further shift from physical spaces into digital ones. Following Vester, Thaler and Htut (2025), this research highlights in part how rebel strategies could evolve in response to new technologies and how it may become easier for rebel groups to create, raise, and move money in the near future. While the full impact of the digitalization of finance on armed groups is yet to be understood, the case of the National Unity Government (NUG) in Myanmar points to both opportunities and fallacies ahead. The NUG has been massively successful in raising money through its digital tools, including its digital currency, the Digital Myanmar Kyat (DMMK), and its digital wallet, NUGPay, which have facilitated the sale of bonds, lottery tickets, property, and other fundraising activities. While they have allowed the organization to evade the junta government's anti-financing efforts, the NUG's financial infrastructure has also

been accompanied by state-like institutions, akin to a ministry of finance, central bank, and digital bank, to bolster the standing of the group as a legitimate alternative should the military junta fall.

Echoing the findings of the quantitative chapter, meaningful and successful engagement with digital and cryptocurrencies is likely not accessible to most rebel groups, at least not yet. As Vester, Thaler and Htut (2025) argue, these technologies can require advanced computing and engineering expertise and presuppose a user base that is familiar with and able to interact with them. In the case of the NUG, a large diaspora community, relatively isolated from the grasp of the military junta, has been one of the main contributors to raise money for the organization, while domestic use of the DMMK and NUGPay have been relatively limited. The Houthis plans to digitize the Yemeni Rial illustrate some of the barriers with which rebels have to contend. The appeal of digital currencies rely on the widespread adoption of digital payment methods for everyday purposes, such that users can pay for goods and services quicker, or the conversion of digital currency to physical cash through banks. The adoption of the E-Rial was therefore challenging from the start, as the vast majority of Yemenis have no access to formal banking institutions and the country remains a cash economy (Mogielnicki, 2020). Thus, the barriers of entry to taking advantage of the benefits of digital and cryptocurrencies remain relatively high for rebel groups and their supporters.

5.1.6 High-Security Printers and the Politics of Money

Similarly, high-security printers, which are companies that print and mint currency for governments, are another important actor in the story about rebel monetary governance. Although they are outside of the scope of this dissertation, they can play a pivotal role in enabling rebels to print and mint currency. Because rebels will find it difficult to produce high-quality currency themselves, they will either have to rely on the support of a foreign patron to secure currency or

seek a contract with a private foreign high-security printer. For instance, the Biafran rebellion secured currency from Portuguese and German sources, the American Confederacy from the National Bank Note Company in New York, and the Libyan rebels from the Russian company Goznak (Uche, 2002; The Historic New Orleans Collection, 2024; International Crisis Group, 2019a). The role of such companies, like British De La Rue, French Oberthur Technologies, or Russian Goznak, are relatively under-explored despite the fact that they play a large part in currency production across the world where most countries lack native printing capacity. It is unclear how such companies determine the legality or legitimacy of contractual agreements with non-state actors or how tightly they are connected with the foreign policy of states.

States can potentially make themselves vulnerable by outsourcing currency and high security documents (e.g. passports) to foreign companies. For instance, during the 2011 Libyan revolution, almost 2 billion in Libyan Dinar banknotes were held by British authorities under UN sanctions targeting the Qaddafi regime (Adetunji, 2011). Thus, states with state-owned or private high-security printers can use them as foreign policy tools, including in their support for rebel organizations. For instance, the Russian government allowed the contracting of currency printing through the Russian-owned Goznak high-security printer by the Libyan House of Representatives maintaining it was the legitimate representative entity of the country and therefore was not engaged in counterfeiting (Ministry of Foreign Affairs of the Russian Federation, 2020). And, China has begun printing foreign currency for several states only in the last decade, presumably to expand its influence under the Belt and Road Initiative (Koning, 2018).

5.2 Concluding Thoughts

This dissertation sits between two scholarly traditions. On one side stands the literature on state-building, which predicts the growth of monetary institutions as credible commitment de-

vices between rulers and economic actors, or as instruments of nation-building that extend the territorial control of the state. On the other side stands the literature on rebel governance, which has often focused on the rebel-civilian relationship as a driver of wartime institution-building. This project borrows theoretical foundations from both, yet it sits uncomfortably between them. Rebel monetary governance is a far more dynamic process than either literature would suggest, and, at least based on the available evidence in most cases, it does not appear to grow out of the demands of civilians or economic agents. Somaliland may be the exception that proves the rule; however, in most cases, rebels build monetary institutions for their own ideological, strategic, and material reasons rather than in response to bottom-up pressure.

Whether monetary governance ultimately helps rebels win their wars remains an open question, and one this dissertation cannot answer. Rebels can clearly profit when circulating currency that is used as legal tender in their territories, paying for fighters, goods, and services, at least in the short run. But the coerced uptake of currency may backfire when rebel currencies are not the best financial option for civilians and businesses, undermining the legitimacy of a group. Rebel monetary governance may prove unpopular among constituents while still giving rebels a net benefit in financial terms. In this sense, money may be less a tool for winning hearts and minds than a high-risk tool of wartime finance, one whose symbolic claims to statehood can outlast, or undermine, the rebellion that issued it.

Finally, the international political economy in which rebels and new states have operated has transformed massively in the decades since World War II. Under conditions of the global economy, new states no longer build monetary institutions through the century-long processes that Helleiner (2003) or Broz (1998) detail. Instead, they are forced to hit the ground running, constructing currencies and central banks in more compressed time frames while simultaneously engaging with international institutions, like the IMF to support their growth. For rebels

who aspire to statehood, this means that monetary governance is not only a domestic project of institution-building but also an entry into a global economic order that they do not control. Understanding how armed groups navigate that order, both during war and after it, is a task this dissertation can only begin.

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