PART I

Introduction

1

Nature, Scope, and Interdependencies of Conflict and Economics

For many people in many places, violent or potentially violent conflict is part of the human experience. Headline stories of terrorism, civil strife, nation-state hostilities, genocide, refugee flows, and proliferation of weapons of mass destruction document the prevalence of conflict as a distressing fact of life. Less dramatic indications of conflict include deadbolt locks, gated residential communities, electronic security systems, identity theft, and handgun sales, to name a few. At first blush, it might appear that economics has little if anything to say about life's harsher side. Economics textbooks typically restrict their attention to the peaceful behavior of consumers, producers, and governments in the marketplace. Thus, it might seem that potential and actual violence over resources, goods, political power, and ideology lie outside the domain of economics. But this is a misperception, as is demonstrated by the well-established yet often ignored field of conflict economics.

1.1 What Is Conflict Economics?

Conflict economics has two defining characteristics. First, it maintains that the concepts, principles, and methods of economics can be fruitfully applied to the study of violent conflicts and their prevention. Thus, diverse phenomena like war, terrorism, genocide, and peace are analyzed and understood as outcomes of purposeful choices responsive to changes in underlying incentives. As just one example, economics explains how consumers shift purchases from one good (say orange juice) toward another (say grape juice) when the price of one rises relative to the other. Similar economic forces are at work in many conflict settings: when one type of weapon is constrained by arms

control, another type is substituted; when political targets are hardened, terrorists turn to less costly civilian targets; and when genocide perpetrators find a village protected by peacekeeping troops, they turn to unprotected villages to destroy civilians.

But conflict economics is more than the application of economics to conflict and peace. It also involves a reconstruction of the core of economic theory to take account of conflict. Conflict of the sort considered in this book ultimately involves intended or realized appropriation, where the term "appropriation" refers to a taking that rests on force or the threat of force. As its second defining characteristic, conflict economics treats appropriation as a fundamental economic activity, joining production and exchange as a means of acquiring wealth. Traditional economic models assume that economic behavior is peaceful. Yet in real economies, conflicts over goods and resources abound. Conflict economics seeks to close this gap between theory and reality. Thus, a range of appropriative activities has been modeled including resource conflicts, piracy, cyber insecurity, and extortion. These models reveal how conflict both shapes and is shaped by the traditional economic activities of production and exchange.

For the purposes of this book, we define conflict economics as, first, the study of violent or potentially violent conflicts, violence prevention, and peacebuilding using the concepts, principles, and methods of economics and, second, the development of economic models of appropriation and its interaction with production and exchange activities. By including the qualifier that conflict on some level be violent or potentially violent, the definition intentionally excludes analysis of ordinary market competition and, more tentatively, activities like litigation and rent seeking. Clearly included by the definition is the study of what might be called macro conflicts, comprising interstate hostilities (for example, war between states), intrastate conflict (for example, civil war, domestic terrorism), extrastate hostilities between states and external nonstate actors (for example, colonial wars, international terrorism), nonstate conflicts among nonstate actors (for example, drug cartel wars, wars between ethnic groups), and genocides and mass killings in which relatively defenseless civilians are purposely targeted for destruction by states or nonstate groups. Also included is the study of micro conflicts, meaning conflict among private persons and organizations (for example, human trafficking, gang warfare, cybercrime). Finally, the definition encompasses a variety of actors that promote nonviolent approaches to conflicts and foster peaceful outcomes among potential or actual disputants. In the next section, we

begin to document empirically the enormity of conflict in the human experience, as well as efforts to promote peace.

1.2 A Look at Conflict and Peace Large and Small

Macro Conflicts: Wars, Terrorism, and Mass Atrocities

Figure 1.1 shows the frequency of interstate, intrastate, extrastate, and nonstate war onsets from 1820 to 2017. War onsets are wars initiated during the time periods indicated. Figure 1.1 shows that there were 663 war onsets of all types in the world from 1820 to 2017. About half the wars were intrastate (348), followed by extrastate (153), interstate (95), and nonstate (67). Figure 1.1 also shows that, over the past six decades, intrastate wars have become more frequent relative to earlier decades, while extrastate wars have diminished significantly.

Figure 1.2 depicts the worldwide frequency of international and domestic terrorist incidents combined for the period 1970 to 2016. Domestic terrorism "is perpetrated within the boundaries of a given nation by nationals from that nation," while international terrorism involves "the interests and/or nationals of more than one country" (LaFree, Dugan, Fogg, and Scott 2006, pp. 5 and 22). Figure 1.2 suggests two observations. First, there was a general increase in the number of terrorist incidents from the 1970s into the early 1990s. Second, terrorist incidents around the globe exploded in the second decade of the twenty-first century reaching the unprecedented level of 16,840 attacks in 2014 (an average of 46 attacks per day).

Wars and terrorism are disturbing enough, but imagine powerful destructive forces of states or nonstate groups directed to the purposeful elimination of large numbers of civilians. Genocide is the intentional destruction of a specifically identified people-group, in whole or in part. Genocide is sometimes distinguished from mass killing where, for the latter, perpetrators do not intend to eliminate the group or those targeted for elimination cannot be clearly identified as part of a specific group (Waller 2007, p. 14). We use the term "mass atrocity" to encompass genocides, mass killings, and other forms of intentional large-scale destruction of civilians. Figure 1.3 shows the stock (or number per year) of state-perpetrated mass atrocities in which at least 1,000 civilians were killed since 1900 (measured on the left axis). Also shown is the number of "low-level" attacks against civilians (fatalities per attack as "low" as five) since 1995 by states and nonstate actors such as rebels and militia groups (measured on the right

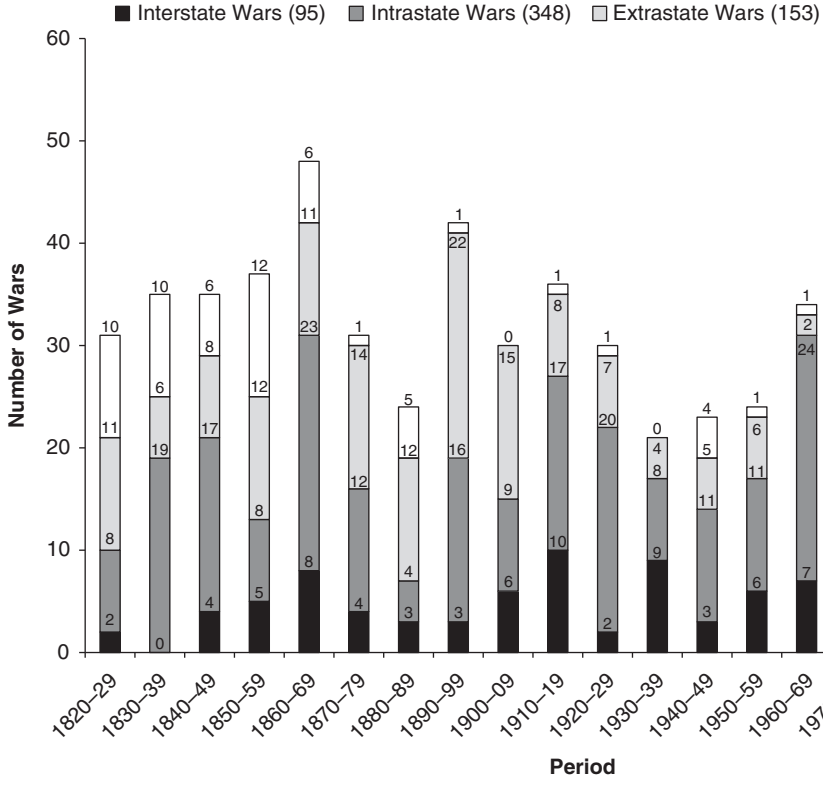

Figure 1.1 War onsets per decade by war type, 1820–2017

Note: Correlates of War (COW), Uppsala Conflict Data Program (UCDP), and International definitions of interstate, extrastate, and civil war (a form of intrastate war) are similar. Definition nonstate actors differ across COW and UCDP/PRIO.

Sources: Sarkees and Wayman (2010) for 1820–2007 COW data; Uppsala Conflict Data Progra Eriksson, et al. (2002) for 2008–17 data.

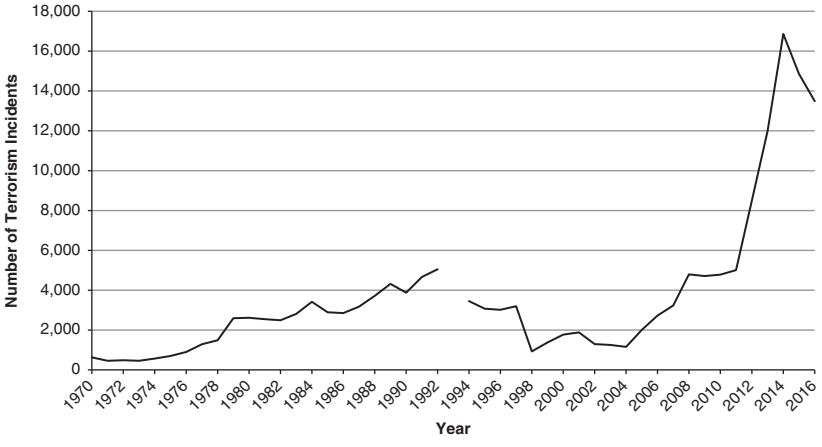

Figure 1.2 International and domestic terrorist incidents combined, 1970–2016.
Note: Data for 1993 are missing.
Source: Global Terrorism Database (2017).

axis). Following the destruction of Jews and other people-groups during the Holocaust (1933–45), many scholars and policymakers said "never again"; Figure 1.3 and the more extensive data presented in Chapter 14 reveal that humanity has fallen gravely short of achieving that goal.

Although scholars distinguish interstate, intrastate, extrastate, and nonstate conflict, as well as war, terrorism, and mass atrocity, some conflicts fit multiple categories. For example, according to Mabon (2016), about 60 factions have been involved in the 2010s Syrian civil conflict, with many fighting each other as well as the Syrian government. Moreover, many external actors tapped into various factions to bring their own influence to the conflict including nonstate actors such as the Islamic State of Iraq and Syria (ISIS) and Hezbollah, and states such as Iran, Russia, Saudi Arabia, Turkey, and the USA. Indeed, the various conflicts encompassing the Syrian case are so multiactored and multifaceted that virtually all of the macro conflict types (wars of various types, terrorism, mass atrocities) relevant to conflict economics have been on horrific display.

Micro Conflicts: Human Trafficking, Gang Warfare, and Cybercrime

Human trafficking, gang warfare, and cybercrime are but a few examples of appropriation possibilities at work in modern economies at the micro

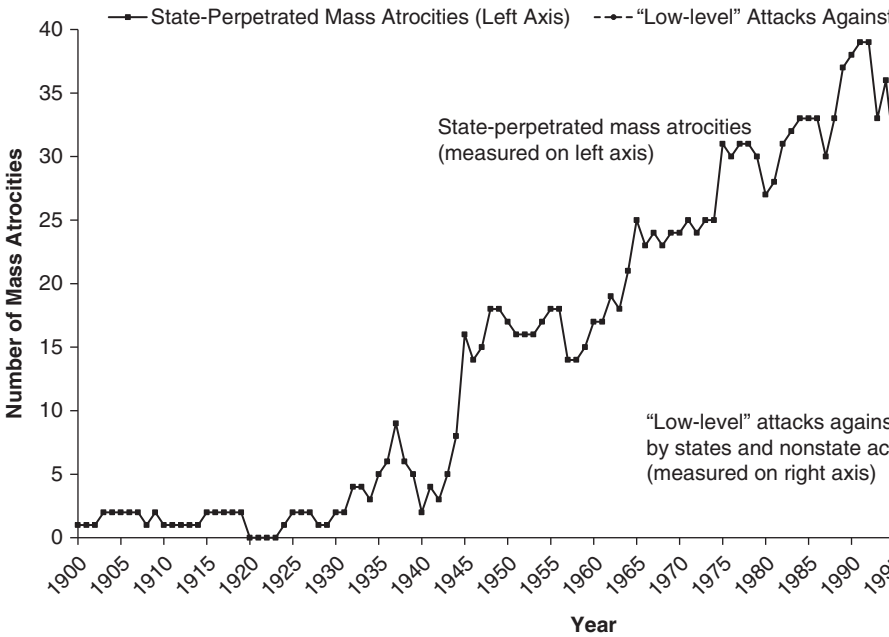

Figure 1.3 State-perpetrated mass atrocities (1900–2017) and low-level attacks agai
Sources: Easterly, Gatti, and Kurlat (2006), Ulfelder and Valentino (2008), Marshall, Gurr, and Ha
atrocity data. Schrodt and Ulfelder (2016) for data on low-level attacks ag

level, that is, among private persons and organizations. Human trafficking is "a worldwide form of exploitation in which men, women, and children are bought, sold, and held against their will in slave-like conditions" (United States Government Accountability Office 2006, p. 1). According to the United States Department of Homeland Security (2017), "human trafficking generates many billions of dollars of profit per year, second only to drug trafficking as the most profitable form of transnational crime." Estimates of the number of people held captive in slavery worldwide range from 20.9 million (End Slavery Now 2017) to 45.8 million (Freedom United 2017).

The US Department of Justice (USDOJ) characterizes a gang as an "association of three or more individuals . . . whose members collectively identify themselves by adopting a group identity . . . [and] engage in criminal activity and . . . violence or intimidation to further its criminal objectives" (National Gang Intelligence Center 2015, p. 4). There are currently some 33,000 gangs operating in the USA and tens of thousands of gangs operating in other countries (Federal Bureau of Investigation 2017, Hazen and Rodgers 2014). Along with "identity benefits" accruing to people who join gangs, gangs seek profits from criminal activities such as drug trafficking, human trafficking, and financial crimes (National Gang Intelligence Center 2015). The USDOJ's definition of gang is intended to exclude international organized crime groups, but some gangs operate in more than one country, conduct activities in conjunction with crime syndicates, and evolve over time into organized crime groups (Smith, Rush, and Burton 2013).

Table 1.1 summarizes characteristics of selected gangs and organized crime groups. Most operate in more than one country, and a few function in ten or more. Although the activities of most gangs and organized crime groups do not usually appear in social science datasets on war or mass atrocity, the harms they perpetrate are often characterized as war or atrocity by those living through the violence. For example, an Independent Lens documentary states that in "South Central Los Angeles, more than 15,000 people have died in a four-decade civil war between two of America's most notorious street gangs: the Crips and the Bloods" (Public Broadcasting Service 2017a). According to Insight Crime (2017), the criminal activities of MS-13 (Mara Salvatrucha) "have helped make the Northern Triangle – Guatemala, El Salvador, and Honduras – the most violent place in the world that is not at war." Furthermore, data provided by the Mexican government show that more than 160,000 Mexicans were victims of homicide between 2007 and 2014, with many

Table 1.1 *Selected gangs and organized crime groups.*

Gang or Crime Group	Country, City of Origin	Selected Countries of Operation
Bloods	USA, Los Angeles	Canada, USA
Crips	USA, Los Angeles	USA
MS-13 (Mara Salvatrucha)	USA, Los Angeles	Canada, El Salvador, Guatemala, Honduras, Mexico, USA
Hammerskins	USA, Dallas	Australia, Canada, France, Germany, Hungary, Italy, Portugal, Spain, Sweden, Switzerland, USA
14K Triad	China, Guangzhou	Australia, Belgium, Canada, China, France, Malaysia, Philippines, Thailand, UK, USA
Asociación Ñeta	Puerto Rico, Rio Piedras	Puerto Rico, Spain, USA
Sinaloa Cartel	Mexico, Culiacán	Argentina, Brazil, Chile, Colombia, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Philippines, USA
Los Zetas Cartel	Mexico	Colombia, Costa Rica, Guatemala, El Salvador, Honduras, Mexico, Nicaragua, Panama, Peru, USA
Yakuza	Japan	Japan, USA