

PRINCIPLES OF CONFLICT ECONOMICS

Conflict economics contributes to an understanding of violent conflict and peace in two important ways. First, it applies economic concepts and models to help one understand diverse conflict activities such as war, terrorism, genocide, and peace. Second, it treats appropriation as a fundamental economic activity, joining production and exchange as a means of wealth acquisition. Drawing upon more than a half century of scholarship, the book presents important data trends, theoretical models, and empirical results on economic aspects of violent conflicts and peacebuilding efforts worldwide. Although much work in the field is abstract, the book is made accessible to a broad audience of students, scholars, and policymakers from various disciplines by relying on historical data, relatively simple graphs, and intuitive narratives. In exploring the interdependence of economics and conflict, the book presents current perspectives on conflict and peace in novel ways and offers new insights into economic aspects of violence.

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Principles of Conflict Economics

*The Political Economy of War, Terrorism, Genocide,
and Peace*

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To our families

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Preface and Acknowledgments

Now the earth was corrupt in God's sight and was full of violence.

Genesis 6:11

Throughout history, violent conflict has been a conspicuous aspect of the human experience. In recent decades, terrorism, civil strife, nation-state warfare, genocide, and the proliferation of weapons of mass destruction have dominated the headlines. At first blush it might appear that economics has little to say about such realms of conflict. After all, most economics textbooks restrict their attention to the behavior of consumers, producers, and governments operating peacefully in secure environments. Fortunately, however, the field of conflict economics can contribute greatly to an understanding of conflict and peace in two important ways. First, conflict economics applies the concepts, principles, and methods of economics to the study of diverse conflict and peace activities. Second, conflict economics treats the coercive appropriation of goods and resources as a fundamental economic activity, revealing how conflict both shapes and is shaped by the traditional economic activities of production and trade.

This book provides the reader with an accessible overview of the basic principles and major themes of conflict economics. Following an introduction to the field in Chapter 1, Chapters 2 through 8 survey many of the economic concepts and methods applied in subsequent chapters. These chapters provide numerous applications to conflict and peace topics and will be useful to readers who either have no formal training in economics or would like to review economic principles with a focus on conflict and peace. Chapters 9 through 17 explore major topics in conflict economics including the geography and technology of conflict; the bargaining theory of war and peace; conflict between states; civil war; terrorism; genocide and other mass atrocities; arms rivalry, proliferation, and arms control; alliance behavior; and peace.

These chapters provide a balanced mix of applications, theoretical models, and empirical content. Bibliographic notes are provided at the ends of chapters to help readers who want to pursue topics in greater depth. Five appendixes are also available: a brief primer on weapons technologies, a formal bargaining model of war and peace, matrix algebra methods for solving network models with Excel, an overview of conflict and peace datasets, and a primer on regression analysis.

The book's chapters can be combined in various ways to focus on historically important topics in conflict economics and peace research more generally. For example, following the introductory chapter and coverage of standard production, supply and demand, rational choice, and game theory tools (Chapters 2–5), one could emphasize economic aspects of interstate conflict by including the geography and technology of conflict, the bargaining theory of war and peace, and conflict between states (Chapters 9–11). If one wished to focus upon civil wars, terrorism, or genocide, the same chapters could be followed but with civil wars (Chapter 12), terrorism (Chapter 13), or genocides and other mass atrocities (Chapter 14) substituting for interstate conflict (Chapter 11). A similar approach could be followed if one wished to emphasize security economics in the form of arms rivalry, proliferation, and arms control (Chapter 15) and security alliances (Chapter 16). Across all of these possibilities, one could selectively include new perspectives on conflict and peace available in behavioral economics and the economics of identity (Chapter 6), network economics (Chapter 7), and the integration of conflict and trade at the core of economic analysis (Chapter 8). Moreover, peace (Chapter 17) serves as a valuable capstone to any of these modules.

Given our training and background, the book concentrates on economic aspects of conflict and peace. While we incorporate contributions from various disciplines, especially political science, psychology, and sociology, we defer to specialists in other fields to convey those contributions more thoroughly. Our emphasis on economic aspects of conflict and peace can be valuable to both economists and non-economists. For economists, the book shows numerous ways in which economic methods can be applied to conflict and peace issues. Moreover, the book's treatment of appropriative conflict as a fundamental category of economic activity will help economists reduce the gap that now exists between textbook models of peaceful production and exchange and real economies subject to potential or actual violence. The book should also appeal to those with backgrounds in fields other than economics. Non-economists are naturally drawn to incorporate economic variables in their studies of conflict and peace, and our book offers accessible coverage of such variables from the perspective of the economist. Also, many

models and methods central to conflict economics (for example, rational choice theory, game theory, and econometrics) are of growing importance in disciplines other than economics.

Much of the academic work in conflict economics is theoretical and abstract, but we take steps to increase the accessibility of the text. In addition to the overview of economic fundamentals in Chapters 2 through 8, the book contains extensive coverage of conflict and peace data, intuitive narratives, relatively simple algebra and graphs, and summaries of empirical evidence on conflict and peace phenomena. The book should be useful to scholars, policy-makers, and practitioners from a variety of disciplines and backgrounds, including economics, political science, international relations, social psychology, peace studies, military sciences, and public policy. It should likewise be suitable in undergraduate or beginning level graduate courses on the economics of war and peace at universities and military service schools and in training programs on violence prevention, conflict management, postconflict reconstruction, and peacebuilding in government agencies and nonprofit organizations.

The social science literature on conflict is massive. Hence, we are selective in the topics covered, theories emphasized, empirical articles reviewed, and bibliographic notes provided. Most of the empirical articles that we review are selected because they are relatively recent and highlight the importance of economic variables in the analysis of conflict and peace. Thus, we do not necessarily choose seminal empirical studies for review, nor do our summaries of results necessarily reflect ongoing empirical controversies within topic areas. Finally, although the book covers issues pertinent to many contemporary conflicts such as Afghanistan and Syria, we do not attempt to focus the book on current events and policy debates. Instead, our goal is to emphasize principles of conflict economics that will be as useful in exploring conflicts and peaceful outcomes yet to emerge as they are in studying historical and contemporary events.

Over the years, many scholars have shaped our thinking about conflict economics and encouraged our attempts to contribute to the field. We regret that we can mention only a few, but they include Jurgen Brauer, Keith Hartley, Jack Hirshleifer, Michael Intriligator, Walter Isard, and Todd Sandler. We also wish to acknowledge our former students, especially those in experimental microeconomics, economics of war and peace, and topics in conflict economics, from the Department of Economics and Accounting at the College of the Holy Cross. Their questions and comments have contributed greatly to our understanding of pedagogy in general and conflict economics in particular.

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