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978-1-107-13397-6 - The Political Economy of Predation: Manhunting and the Economics of Escape

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Excerpt

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Introduction

1.1 Problem Statement

This book is inspired by the following stylised fact: economics appears in almost every type of violent conflict in the past and present – from manhunting, colonisation and enslavement in the past to the civil wars in Africa and the recent Arab Spring, from the two World Wars to 9/11 and the latest American drone strikes, from the Socialist revolution in Russia until the wave of civil unrest in Syria and the conflict over Ukraine – but until recently violent conflict has been absent from mainstream economics.

In their excellent survey of the economics of conflict, Garfinkel and Skaperdas noted: ‘Conflict involves costs that are economically very important . . . It is thus surprising, if not shocking, that economists have not paid any attention to these costs until very recently’ (2007, p. 704).

So why is it that economists have not paid due attention to this phenomenon,¹ and how can we explain the paradoxical relationship between our discipline and violent conflict?

The origins of this paradox might be sought in the preface of Jean-Baptiste Say to his *Treatise on Political Economy*:

For a long time the science of *politics*, in strictness limited to the investigation of the principles which lay the foundation of the social order, was confounded with *political economy*, which unfolds the manner in which wealth is produced, distributed, and consumed . . . Since the time of Adam Smith, it appears to me, these two very distinct inquiries have been uniformly separated, the term *political economy* being now confined to the science which treats of wealth, and that of *politics*, to designate the relations existing between a government and its people, and the relations of different states to each other. (Say, [1821] 1964, pp. XIV–XV)

¹ The present book is an addition to a growing literature on armed conflict that has recently been developed; see Chapters 3 and 4 for references.

This passage outlines two principles: (1) a field separation between ‘economics’ and ‘politics’ ever since Adam Smith,² which precludes the treatment of conflicts by economics; and (2) the confinement of economics to the study of productive activities with attention to how wealth is produced, distributed and consumed.

These two principles are interrelated. It suffices to remember that individuals and groups can either produce (and thus create wealth) or seize the wealth created by others. As Pareto ([1927] 1971, p. 341) noted: ‘The efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others.’ Thus, there are two different alternative resource (effort) allocation mechanisms: production and appropriation.³ Say excludes ‘appropriation’ from the scope of economics, and by the same token, he precludes the treatment of conflicts and the state. Accordingly, he recommends a strict separation between economics and politics.

Violent conflictual strategies are often related to *appropriative* or *predatory* structures. The value of conflictual activity as an economic option cannot be properly assessed on the basis of conflictual costs without knowing the benefits of appropriation that derive from this activity. The precious and still rare empirical studies about costs of violence are silent about the economic and political *benefits* of warfare (see, for example, *Institute for Economics and Peace* [IEP], February 2014). Similarly, recent theoretical studies compare costs of conflict with ‘potential’ benefits of a *counterfactual* state of *peace* in which war does not happen (Abadie and Ardeazabal, 2003; Garfinkel and Skaperdas, 2012, Part III, pp. 227–445). Consequently, the tangible (monetary) and intangible (non-pecuniary) costs of conflict for each contending party are not compared with its benefits. In this way, the real beneficiaries of a war are never identified (see Chapter 3).

² I have argued elsewhere (Vahabi, 2012a, pp. 153–154) that, contrary to Say’s view, Smith insists on the *political* dimension of political economy and asserts that the primary object of the political economy of every country ‘is to *increase the riches and power* of that country’ ([1776] 1961, Book II, Chapter V, paragraph 31). However, the difficulty of introducing ‘wars and conflicts’ in economics may be related to Smith’s ‘invisible hand’: if the hand works, it coordinates agents peacefully and there will be no room for conflicts. The result would be a Nirvana market economy. In line with the Doux-Commerce thesis of Adam Smith and David Hume, a recent economic literature tries to capture how market institutions tend to resolve conflict between strangers (Seabright, 2010; Cronk and Leech, 2013; Hirschman, 2013; Garnett et al., 2014).

³ Plato (2013, p. 27) also writes in *Sophist*: ‘Acquisition may be effected either by *exchange* or by *conquest*; in the latter case, either by force or craft. Conquest by craft is called hunting.’

Following Schelling (1960, p. 15) and Boulding (1962), recent game theoretical literature defines conflict as a particular type of *contest*: ‘conflict may be defined as a situation of competition in which the parties are *aware* of the incompatibility of potential future positions and in which each party *wishes* to occupy a position that is incompatible with the wishes of the other. Our definition of conflict includes two little words, “aware” and “wishes”, each of which is laden with philosophical dynamite’ (Boulding, 1962, p. 5).

In this perspective, conflict is grasped as a *contest* between two contending parties over a prize. But strategies of contending parties are formulated within the context of particular predatory relationships. To understand and integrate conflictual costs, economics needs a theory of appropriation. This theory is particularly important not only for casting light on the origins of classical warfare among great powers and the recent American strategic manhunting after 9/11, but also for development issues in less developed countries (see Chapters 4 and 6).

Violence is a principal impediment of economic and social development in Latin America, Africa and the Middle East (World Development Report, 2011). The economic impact of violence containment to the world economy is significant, amounting to almost \$9.46 trillion or 11 per cent of Gross World Product (GWP) in 2012 (*Institute for Economics and Peace*, February 2014, p. 4). More than half of this expenditure (51 per cent) is devoted to military spending. To gauge the importance of this expenditure, the *IEP* 2014 report underlines: ‘Were the world to reduce its expenditure on violence by fifteen percent it would be enough to provide the necessary money for the European Stability Fund, repay Greece’s debt and cover the increase in funding required to achieve the United Nation’s Millennium Development Goals’ (*ibid.*, p. 4).

The estimate of violence is even more staggering if the figure of global military expenditure is compared with the UN budget and Official Development Assistance (ODA). In 2012, the United Nations’ Office for Development Affairs set up an exhibit at its New York headquarters entitled ‘The World Is Over-Armed and Peace Is Under-funded’⁴ Drawing on the figures of 2010, it depicted a shocking picture of the global situation with regard to war and peace: ‘military expenditure was 12.7 times higher than the Official Development Assistance (\$128bn), 604 times higher than the regular UN budgets for Peace and Security, Development, Human Rights, Humanitarian Affairs and International Law (\$2.7bn), and 2508

⁴ See www.un.org/disarmament/over-armed/.

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times higher than the combined expenditures of the (UN) International Disarmament and Non-Proliferation Organizations (\$0.65bn)' (Archer and Willi, 2012, p. 8).

Considering the scale of violence and number of deaths in the two World Wars, one may accept the judgement of Mazower (2000) regarding the twentieth century as the 'darkest century'. However, according to Mueller (1989) and Pinker (2011), the general trend in using violent means has been declining after the Second World War because of the 'obsolescence of major wars'. Total warfare or so-called conventional war among major states is a form of conflict that is highly destructive and costly, particularly if it involves the use of non-conventional weapons of mass destruction such as nuclear power. Since the mid- to late twentieth century, a nuclear war has been synonymous with destroying our planet and human civilisation. Although no country is interested in such conflict, it does not imply that other forms of conflict are excluded.

Proxy wars have been a good substitute throughout the Cold War period. An exact definition of 'proxy war' is a very difficult task and there is no unanimously accepted definition for it. In fact, many authors do not acknowledge 'proxy wars' to describe Cold War confrontations and prefer to consider them as an 'in-between state', neither war nor peace situation (Lebow, 2010, p. 97). Other political scientists have extensively discussed the importance of different dimensions of proxy wars (Deutsch, 1964; Dunér, 1981; Bar-Siman-Tov, 1984; Loveman, 2002; Mumford, 2013). In my opinion, Mumford (2013) provides the most comprehensive survey and analysis of proxy wars. He defines them in the following manner:

proxy wars are the indirect engagement in a conflict by third parties wishing to influence its strategic outcome. They are constitutive of a relationship between a benefactor, who is a state or non-state actor external to the dynamic of an existing conflict, and their chosen proxies who are the conduit for weapons, training and funding from the benefactor. Such arm's-length interventions are undertaken ostensibly for reasons of maximizing interests, while at the same time minimizing risk. In short, proxy wars are the logical replacement for states seeking to further their own strategic goals yet at the same time avoid engaging in direct, costly and bloody warfare. (ibid., p. 11)

In this definition, proxy wars are distinguished from *direct* and *covert* intervention (ibid., pp. 24–25), and they are not limited to superpowers or state actors. The role of regional powers, smaller states as well as *non-state actors*, both as 'proxies' and 'benefactors' is also captured.

Proxy wars are not limited to the Cold War period; they existed throughout history and persist during the post-Cold War period. Although the

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American invasion of Iraq in 1991 and 2003 and the use of military drones in Afghanistan, Iraq, Yemen, Pakistan and other countries are *direct military* interventions that should not be conflated with ‘proxy wars’, the list of proxy wars is still long and includes the most recent wars such as the Syrian civil wars (2011–present) and the formation of DAESH (Islamic State of Iraq and the Levant), the Libyan civil wars (2014–present) and the pro-Russian conflict in Ukraine (2014–present). The end of American occupation of Iraq and America’s departure from Afghanistan also usher in a period of ‘proxy wars’. Thanks to proxy wars, a permanent war economy can continue without bearing the high risk and costs of direct intervention. Another advantage of proxy wars is that one may increase the costs of its rivals by acting as benefactor in a critical zone. Accordingly, *military* expenditures are used to increase *economic* costs of protection and production of products in an economic rivalry. As Mumford (2013, p. 8) persuasively argues: ‘Yet proxy war is not an American-centric phenomenon. The continuing rise of China as a global superpower raises significant questions as to how it will exert its presence internationally and whether this actually increases the likelihood of it engaging in proxy wars without damaging its trade relations with the West.’ Chinese growing influence in ongoing civil wars in Africa might be a precursor of China’s more assertive foreign policy in the future. While Chinese intervention is still marginal, Russia’s intervention in the Crimean crisis in 2014 and the Ukraine conflict indicate a new turning point in enhancing proxy wars. The combination of civil wars, direct military interventions and proxy wars has resulted in huge, constant military expenditures at a global level.

This explains why despite the ‘obsolescence of major wars’, the trend in military spending does not confirm the candid predictions of Mueller (1989) and Pinker (2011). In fact, it might be said that the Second World War ushered in an era of a ‘permanent war economy’ (Melman, 1985) characterised by constant funding for military equipment and provisions to sustain and enhance military capabilities not only during war periods but also during peacetime. In other words, the rationale of the war economy is maintained with regard to military expenditure during peacetime (Melman, 1970, 1985; Duncan and Coyne, 2013). The same trend is also visible in developing countries, particularly in the Middle East (see Table 1.1). The transition from predatory to democratic regimes in developing countries depends on violence containment or the way the protection market is organised both globally and regionally.

Military expenditure is the largest single contributor, at \$4.9 trillion or 51 per cent of the economic impact per annum (Melman, 1970, 1985; Duncan and Coyne, 2013, p. 10). Interestingly, countries with highest gross domestic

Table 1.1 *Countries with highest GDP per capita economic impact of violence containment*

Country	Violence containment per capita ^a (U.S.\$ 2012)	GDP per capita	% of per capita GDP
United States of America	\$5,485	\$42,486	13%
Oman	\$3,610	\$25,330	14%
Qatar	\$3,575	\$77,987	5%
Kuwait	\$3,275	\$47,935	7%
Israel	\$3,240	\$26,719	12%
Singapore	\$3,175	\$53,591	6%
Libya	\$3,175	\$13,300	24%
Bahrain	\$2,745	\$28,200	10%
Trinidad and Tobago	\$2,535	\$22,142	11%
Saudi Arabia	\$2,360	\$21,430	11%

Notes: The *Institute for Economics and Peace* (IEP) uses the concept of ‘violence containment’ spending. It defines ‘violence containment spending as economic activity that is related to the consequences or prevention of violence where the violence is directed against people or property’ (*Institute for Economics and Peace*, February 2014, p. 4).

^a Violence containment per capita is an indicator that measures the costs of violence containment. The majority of these costs are found to be attributed to military expenditures and the costs of maintaining internal security forces (law enforcement).

Source: *Institute for Economics and Peace*, February 2014, Table 5, p. 16.

product (GDP) per capita economic impact of violence include the United States and the region of the Middle East marked by long-lasting and intense conflicts in Iraq, Afghanistan, Palestine and Iran (see Table 1.1).

This book tries to contribute to our understanding of costs and benefits of violence as part of predatory regimes and anti-predatory resistance to them.

1.2 Predation and Conflictual Costs

Since Adam Smith ([1776] 1961, Book I, Chapter VI), economists have always considered ‘a nation of hunters’ as a preliminary stage in the evolutionary process towards the ‘advanced state of society’. However, as a general rule, this ‘primitive’ or ‘natural’ state has been treated tangentially. Even in the most recent contributions about the role of violence in human history, this ‘natural state’ of ‘foraging and hunting societies’ (North et al. 2009, 2013) has briefly been studied, and predation has never been the focus of investigation. The only exception is undoubtedly Thorstein Veblen, who not only devoted a book to the subject ([1899] 1994), but also systematically

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1.2 Predation and Conflictual Costs

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explored predatory habits of thought and institutions in the past as well as during modern capitalism.

Although the nature of predatory activity has not been the subject of economists' scrutiny, the 'predatory state' as an *imaginary construction* has been a constant reference for an extensive literature on economics of predation and appropriation. This referential framework pertains to a state of lawlessness (anarchy) or a Hobbesian 'state of nature' in which the property rights are not secured (Dixit, 2004; Rajan, 2004; Powell and Wilson, 2008; Rogers et al., 2013; Leeson, 2014; Skarbek, 2014). Starting with the pioneering work of Haavelmo (1954), Hirshleifer (1995, 2001) largely contributed to it and opened the door for the exploration of the 'dark side of the force' (for a detailed survey of this literature, see Usher, 1992; Garfinkel and Skaperdas, 1996; Drazen, 2000; Vahabi, 2004, 2009b, 2010a).

Interestingly, while in this literature lawlessness entails predation involving 'protection and aggression costs', the nature of these costs are not studied. Many modellers do not even discuss the economic nature of *protection*⁵ costs (Stefanadis 2007) or simply exclude any type of appropriative costs (Tornell and Velasco, 1992; Tornell and Lane, 1999). Those who include in their models 'protection and aggression costs' treat them as part of *transaction costs* (Anderson and Marcouiller, 2002, 2005; Skaperdas and Syropoulos, 2002),⁶ or as costs incurred by any other non-violent appropriative activity, such as money laundering and lobbying (Long and Sorger, 2004). Garfinkel and Skaperdas (2007, p. 690) suggested: 'Another way to think of the conflict costs (...) in relation to trade and exchange is as a large component of the often-discussed, yet rarely modeled or operationalized concept of "transaction costs."'

In other words, recent economic literature has made a tragic choice: either it addresses the costs of conflict at an empirical or theoretical level and neglects the benefits of appropriation, or it modelises the appropriation but excludes conflictual costs. This book tries to bring together these two interrelated issues: *the costs of conflict and the benefits of appropriation*. That explains why I take 'predation' and predatory activity as fundamental concepts. Starting with predatory activity, I will examine whether these costs can be considered as *transaction costs* (Chapter 5) and explore the nature of conflictual or appropriative costs (Chapter 6). This question is one of the major issues that will be discussed in this book.

⁵ In this book, 'protection' is generally used as synonymous with military security, unless it explicitly refers to other forms of protection.

⁶ For a detailed critical survey of conflict theory, see Vahabi (2004, 2009b, 2010a).

Contrarily to economists, ecologists, ethologists and anthropologists have extensively studied predation as a complex and multidimensional action (see Chapter 2). They have shown that predation is a ubiquitous and widespread mechanism not only among all varieties of living organisms and animals, but also among human beings. Ecologists argue that predation is an *energy transfer* from prey to predator or a recycling of energy. *Interspecific* predation is based on *energy transfer* while cannibalistic predation as a form of *conspecific* predation is about energy recycling.⁷ In this sense, predation is an *energy allocation mechanism*. However, predation is also a *behaviour* that describes the relationship between prey and predator. Thus the concept of predation as a behaviour includes violent confrontations. Theoretical biology provides mathematical models regarding interspecific predation. The Lotka–Volterra model is the basic model that describes the interaction between prey and predator and examines the state of equilibrium in their conflictual relationships.

Although one may say that economists were not generally influenced by the findings of ecologists and ethologists concerning predation, the *Elements of Physical Biology* (Lotka, 1925) and the works of other recent theoretical biologists (particularly Maynard Smith, 1974 and Bishop et al., 1978) were well received by the advocates of mathematical economics and game theorists. That explains the interaction between economics and theoretical biology both at *micro* and *macroeconomic* levels.

At the *microeconomic* level, predatory competition was defined in terms of monopolistic and oligopolistic behaviour and price wars. Following Maynard Smith (1974) and Bishop et al. (1978), it is shown how ‘war of attrition’ may be generated in economics due to asymmetric information. Financial market imperfections and the problem of signalling were identified as sources of inefficient predation (for an excellent review, see Tirole, 1988, chapters 8 and 9).

At the *macroeconomic* level, Goodwin (1967) was inspired by the Lotka–Volterra prey–predator model, and introduced a Marxian version of *class struggle* between capitalists and workers on the basis of a simplified variant of the same model⁸ looking at wages as the predator and profits as the prey. This macroeconomic model of endogenous growth cycles was later extended in different ways (Sportelli, 1995) and used by Goodwin (1991)

⁷ In the next chapter, interspecific and conspecific (cannibalistic and non-cannibalistic) forms of predation will be discussed.

⁸ For more detail about the model and its extension, see the next chapter, Section 2.2.

himself to develop a theory of economic evolution and chaotic dynamics on the basis of Marx–Keynes–Schumpeter.

In this strand of modelling both at the micro and the macroeconomic levels, predation is understood in a *purely economic* context within a competitive market or capitalist economy. This literature focuses on predation as an *allocation mechanism* rather than as a *violent behaviour*. In this book, I consider predation both as a behaviour and an appropriative allocation mechanism.

In contrast to the aforementioned literature, Boulding's reference to the Lotka–Volterra model and theoretical biology and epidemiology (Boulding, 1962, pp. 113–136) was not simply to formulate an economic theory of conflict. He believed in a *general theory of conflict* and stated that: 'It is my contention that there is a *general theory of conflict that can be derived from many different sources and disciplines*. In developing this theory, I shall first show the essential similarities in all conflict situations in a series of models of broad application. Then, in applying these to various special conflict situations, the differences among these situations will be more clearly revealed in terms of divergences from the general models' (Boulding, 1962, p. 2; the emphases are added).

While I follow Boulding's insight about a general theory of conflict, I differ by adopting the concept of 'predation' instead of 'conflict'⁹ since war may be better conceptualised as 'predation' rather than conflict. Predation as a *behaviour* is violent conflict, which is a definition of war. Quincy Wright (1942, p. 7) defined 'war' theoretically as 'the legal condition which equally permits two or more hostile groups to carry on *conflict by armed force*'. This theoretical definition has been amended by a certain number of lethal casualties to be applied empirically. Lewis Richardson's (1960) organisational definition of war embraces any conflict resulting in the death of approximately 300 people. The Correlates of War (COW) data set defines 'war' as a military conflict between recognised states in which the participants suffered at least 1,000 battle casualties. This threshold distinguishes wars from minor non-escalating military clashes. The COW project lists sixty-seven wars between 1816 and 1980 (Small and Singer, 1982).

War theoretically defined as armed conflict is a form of predatory *behaviour*. In this sense, war comes within the broad category of 'conflict' embracing all forms of conflict, including legal and pacific ones. However, war is not just a predatory behaviour; it is also an *appropriative allocation*

⁹ Interestingly, the Lotka–Volterra model was initially formulated to capture 'predation' rather than 'conflict' in general.

mechanism. In this latter sense, describing war as a contest is misleading. As noted earlier, game theory treats conflict as a form of contest between rival contenders over a prize. Winning the contest is assumed to be the priority of each contestant. However, war as an appropriative allocation mechanism is not about a contest, since contenders might be more interested in *waging* wars rather than *winning* wars. War economy pertains to all predatory practices and mechanisms of appropriative, confiscatory and destructive allocation of resources that are at work during and even after the war. In fact, repressive states and rebels might have vested interests in the continuation of war or ‘anarchy’ to exploit a war economy. As a consequence, in dire contrast to a contest, they do not attach a priority to winning in the war and regard their adversaries as ‘useful enemies’ justifying the continuation of their appropriative activities (see Chapters 3 and 4).

David Keen (2012a) has unravelled the puzzle of situations ‘when waging wars is more important than winning them’. War enemies as economic beneficiaries of war might be implicit partners. Keen’s studies of civil wars in different historical episodes in Sierra Leone, Sudan, Nigeria, Uganda, the Democratic Republic of the Congo, Philippines, Indonesia and even Vietnam and today’s Afghanistan furnish cases of ‘useful enemies and useless allies’. Demystifying the alliance between Revolutionary United Front (RUF) rebels and government forces to form a military junta in Sierra Leone in the May 1997 coup, Keen (2012a, pp. 4, 12–21) highlights the background of an enduring covert cooperation between soldier-rebel (or ‘sobel’) to exploit diamonds, rape women, loot and *intentionally* victimise civilians. Keen’s (1994) earlier penetrating analysis of ‘man-made famine’ in Sudan in the late 1980s also documents the way in which contending parties may accord pride of place to waging war rather than winning it to profit from some vast oil reserves.

To avoid any misunderstanding, I must emphasise that Keen’s observation is not only germane to developing countries but also to developed nations. In fact, the contenders of war are usually not the whole nation, but key political leaders or special interest groups. For instance, Henderson and Gochenour (2013) examine the connection between U.S. presidents’ greatness rankings in public opinion and the intensity of the wars those presidents carried on. They find that in seeking greatness, political leaders may have an incentive to engage in war. Exploring the sources of the ‘permanent war economy’ and the development of military drones in the United States, Coyne and Hall (2014), Hall (2014) and Hall and Coyne (2014) identify special interest groups profiting from the sale of military equipment and American empire. In fact, their findings totally discredit the assumption