

Economics 4540W
Economics of Conflict
Fall 2020
TuTr 5:30-6:45
Wilson 113
Covid-19 version

1 Introduction

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Office Hours: Wednesday 10:15-11:15, by appointment (one student at a time). I occasionally have other professional obligations that arise, e.g., committee meetings, that overlap with my scheduled office hour. I will try to alert everyone ahead of time when this occurs. If I forget, please email me and we will arrange another appointment time.

TA: Lilly Gaeto

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Office hours: 2-3 Mondays.

This class emphasizes: (1) understanding how economists analyze issues related to conflict, and (2) the formulation and presentation of logical arguments

Trigger warning: We at times talk about violence, and you will be required to see a movie that has graphic depictions of violence (Saving Private Ryan).

2 About the Instructors

I am Robert Driskill. I have taught economics since 1977 at four different universities: The Ohio State University, University of California at Davis, Yale University, and Vanderbilt University. I earned my undergraduate degree in economics at Michigan State University in 1973 and my Ph.D. at Johns Hopkins University in 1978. My CV can be accessed from the economics department web page. Other non-professional information about me can be found from the personal section of my web page accessed via the department web page.

Part of my interest in this class is due to my experiences in the U.S. Army from October 17th, 1968, until May 21, 1970. Those experiences left me with some hearing loss and with one-half of my vocal chords. Hence, occasionally I ask students to speak up, and I ask students to alert me when they cannot hear me. Don't be shy.

I will occasionally miss class due to participation in conferences or due to other professional obligations.

Lilly Gaeto is a third-year PhD student from South Carolina. She completed her undergraduate degree in Economics at Wake Forest University. She has been the TA for Macroeconomics and Macroeconomic Theory at the master's level. She has also been the instructor of record for a summer Macroeconomics course. Lilly will be attending the course via Zoom this semester and is excited to learn more about Economics of Conflict.

3 Prerequisites

The prerequisite for Econ 4540W is Intermediate Micro.

4 Text

The required text is *Castles, Battles, and Bombs: How Economics Explains Military History* by Jurgen Brauer and Hubert van Tuyl; University of Chicago Press; ISBN 978-0-226-07163-3, 2008, (hereafter CBB). It is available in the bookstore. Other readings will be posted on Brightspace (hereafter BS).

5 Class Meetings

There are eighteen (18) socially-distanced seats in our classroom. If you are not quarantined, enrolled as a remote learner, or indisposed for some other legitimate reason, please attend in person. The class meets on Tuesdays and Thursdays from 5:30 until 6:45. Please arrive on time. If you don't, the people who do arrive on time will note you tend to be late, will note we will not start real work until you arrive—learning is a cooperative venture, after all—and will then come late themselves. You, then, will arrive even later, others observe this and arrive later themselves, and so on. Ultimately, we will have no class time at all, unless I find a way to make sure our class does not play this type of **weakest link** game (a game we will study).

The class will be live streamed as a Zoom class to those unable to attend, e.g., quarantined, sick. In-person is preferred, though, if possible.

6 Course Description

6.1 Subject Matter: the invisible hand versus the visible fist

Economics is the study of the allocation of scarce resources. Economists ply their trade in part by first making a few assumptions about the motivations of people and about their environments, then constructing models that describe how the interactions of these abstract people with each other and with their environment allocate resources. This leads to a small set of key principles

used to organize thought about the allocation of resources, e.g., the principle of opportunity cost. We might call this small set of key principles the economist's toolkit.

The economics of conflict—as practiced by economists—is the use of the economist's basic toolkit to study the allocation of scarce resources in situations of conflict. There are at least two major—but intertwined—branches of this study.

First, one branch uses the toolkit to analyze the allocation of resources during a particular conflict or type of conflict. This is the primary approach of CBB. How many resources should a country devote to its armed forces, how should these resources be divided among the various armed forces branches—the navy, the airforce, the army—are some of the questions on which this type of analysis is designed to shed light. Others include: How best to motivate soldiers to fight? How best to understand how the particular informational problems associated with war, e.g., the problems associated with "fog of war," affect decisions about the allocation of resources to achieve victory?

The second branch uses the economist's toolkit to analyze economic choices in an anarchic environment, i.e., in an environment without the legal protection—and enforcement—of property rights. In such an environment, in which might makes right, the economist's toolkit is used to analyze the *choice* to engage in conflict—or to engage in the threat of conflict, or to invest in defense—rather than to analyze choices made in solely peaceful pursuits. This branch is perhaps where the economics of conflict differs most from the mainstream use of economic analysis.

This analysis of the choices associated with the possibility that some entities choose appropriation—by use of force or threat of use of force—of goods produced by others is the subject matter of this second branch of the economics of conflict. Thus, we could—and might—deal with specific topics such as war, crime, litigation, family quarrels, strikes, rent-seeking contests, power politics, bankruptcy fights, and more. The potential warrant for study of this branch of the economics of conflict is broad.

As a class, though, we of course cannot do everything and must focus on a small number of areas. So for this branch, we first study how individuals—and organizations—choose between (1) appropriation activities, i.e., pillage and plunder, and (2) activities to protect against pillage and plunder, i.e., defense, and (3) productive activities.

This branch of conflict economics generates a conundrum: the threat of conflict would seem to eliminate actual conflict. Writing about labor strikes, the Nobel-prizewinning economist Oliver Hart put this succinctly:

"Strikes are generally regarded as an important economic phenomenon, and yet good theoretical explanations of them are hard to come by. The difficulty is to understand why rational parties should resort to a wasteful mechanism as a way of distributing the gains from trade. Why could not both parties be made better off by moving to the final distribution of surplus immediately (or if it is uncertain to its certainty equivalent) and sharing the benefits from increased

production?" ("Bargaining and Strikes, by Oliver Hart, *The Quarterly Journal of Economics*, Vol. 104, No. 1 (Feb., 1989), pp. 25-43, Stable URL: <http://www.jstor.org/stable/2937833>)

Hence, this second branch leads to a sub-branch that analyzes the causes of **bargaining failure**. What are the reasons people—and organizations such as countries—fail to reach negotiated settlements?

6.2 Evaluation

This is a "W" course, so expect to write and rewrite. In years past, we would have an in-class exam, and group projects. With the uncertainty of this year, I'm focusing more on journals. We will tentatively have three-person groups who will write a joint paper, but I may change this as we discover more about the ability of doing group work during a pandemic.

Your final grade will be determined by:

6.2.1 A journal (80%)

You are required to keep a journal. This journal will be where you respond in writing to in-class experiences and outside reading material. By "respond" I mean that you carry on a written conversation with yourself about what in the class you think is confusing, what in the class you think you understand, and what questions you have arising from the class. You are expected to have one response per class.

Your grade will depend primarily on quality of your responses. To assess quality, I ask the following questions: are you attempting to formulate questions about what we do in class and what we read; are you reading carefully; are you being "mindful" of how you are learning, that is, are you being introspective about the learning process. The more a journal helps me understand what or what not you understand, the better the journal grade. Here are some sample questions that your journal entries might address:

1. What is new to you about this material?
2. What did you know already?
3. What confused you in class or in your readings? What might help you get unstuck?
4. What questions remain in your mind?
5. How might your own personal experience relate to what you studied today?

Because we are an economics class, we will investigate models that are relevant for the topics we study. Models in economics are often expressed in terms of equations and graphs. Here are a few more questions that might your entries might address:

6. What does the equation say in plain English?
7. Why is this relationship expressed as an equation?
8. Describe what this graph represents in terms of an equation.

Among other things, the journal is a way for you to take control of your own learning. In some entries, you might recreate or replicate material from class or reading, but you should go beyond this along the lines suggested above.

Each class entry should be the result of about fifteen minutes to a half hour (or more if you are particularly interested in a topic) of concentrated thinking and writing. This corresponds to roughly one or two pages of single-spaced prose (normal margins). The writing you are doing here is not designed to make you a better formal writer, but to help you learn. That is, I am not grading on grammar and style.

I do need to be able to read on a regular basis the writing, though, so it needs to be typed in a format that can be transmitted electronically. By no later than the close of business (5:00 PM) of the day following class, e.g., by 5:00 P.M. on Thursday for a Tuesday class entry, I expect to have your journal entries in Brightspace. Identify each entry by your surname, first name, and date—Day, month, year— e.g., Hamilton, Alexander, 11-09-19). I need this because occasionally I use responses from the preceding classes as the basis for the next day's class discussion.

The first journal entry is due after the fourth class (September 3). That is, it will be due before Friday, September 4, by 5:00 P.M. It should be based on any material covered over those first classes; if you did not join the class until that day, the entry should be based on the readings and on your viewing of *Saving Private Ryan*. The last journal entry will be for the class on Tuesday November 10 (due Thursday, Nov. 11, before 5:00 P.M.).

Each entry will be worth four (4) points

6.3 A Joint Paper (20 %)

Immediately after drop-add, aka "shopping week," we will organize the class into groups of three (3). The project/paper will proceed in stages:

1. Choice of a topic (one-page description) due on **the tenth (10th) class (Thursday September 24)**;
2. An outline/exploratory plan/graphic organizer due at close of business (5:00 PM) on **the sixteenth (16th) class (Thursday October 15)**;
3. A first draft due at close of business (5:00 PM) on the **twenty-fourth (24th) class (Thursday Nov 12)**;
4. A final draft by close of business (5:00 PM) on the **last day of university-scheduled classes (Thursday December 3)**. You will be graded at each stage (although some, but not all, past sins can be forgiven at later stages).

6.3.1 Some pre-approved topics

1. The China/US trade war is good/not good for the US, (or for China, or for the World)
2. A Hard Brexit is good/not good for the UK (or for the EU, or some other entity)
3. The US should have an all-volunteer armed forces (AVF)(should have conscription).
4. The US should/should not use "contractors," i.e., mercenaries, to fight their wars.
5. A Commander-in-Chief, i.e., the US president, should/(should not) have military experience.
6. Countries need to maintain both nuclear and conventional forces.
7. Women should/should not serve in combat.
8. North Korea poses an intractable/solvable problem.
9. A wall on the US southeast border is a good/bad allocation of scarce resources to limit immigration.
10. Airpower allows the US to win major wars without paying a heavy price (or is overrated).
11. Terrorism is/is not best fought by promoting education and economic development.
12. The Israeli-Palestinian conflict poses intractable/solvable problem
13. Something on Covid-19

More detail is on BS under "PaperWritingAssignment." There are also some examples of previous papers in that same section of BS.

7 Tentative schedule

The readings are to be done ahead of time. The first 10 weeks are devoted to coverage of a variety of topics, while the last weeks are devoted to presentations of student work-in-progress and discussions of these presentations.

The schedule is tentative because we might find unforeseen topics for discussion that displace others listed below.

Week 1:

1 Tuesday Aug 25

2 Thursday Aug 27

Introduction: Private Eddie Slovak; Course organization;

What is conflict economics? An Overview.
Readings for Week 2: (1) CBB Preface, Ch. 1.; (2) EconofWarD-
Friedman (BS),
Optional: "Who's to blame for Private Eddie Slovik's death?"(BS)

Week 2:

3 Tuesday September 1

Movie: Saving Private Ryan, Part 1.

Readings for week 3: (1) "Strategery" on Brightspace.

4 Thursday September 3

Saving Private Ryan, Part 2.

Week 3:

5 Tuesday September 8

Organize group project teams; 6 groups of 3 members each

Game theory: getting soldiers to fight

Readings for week 4: EconomicsOrganIdentAkerlof (BS).;

6 Thursday September 10

Wild card

Week 4:

7 Tuesday September 15

Game theory: getting soldiers to fight

Readings for week 5: (1) CBB, Ch. 2;

(3) LanchesterWarModel (BS); .

8 Thursday September 17

Game theory: getting soldiers to fight

Week 5:

9 Tuesday September 22

A model of war; Contest success functions;

(BS) Reading for week 6: "Failed states and the paradox of civilization,"

9 Thursday September 24

A model of war; Contest success functions

One-Page Project Description Due Thursday 24 September

Week 6:

11 Tuesday September 29

Fighting (arming) as a result of greed: Paradox of civilization.

Reading for week 7: Jackson-Morelli (BS); CBB Ch. 4

12 Thursday October 1

Mixed-strategy equilibria: Poker and bargaining failure

Week 7:

13 Tuesday October 6

Bargaining failure

Reading for week 8: CBB Ch 4

14 Thursday October 8

Bargaining failure

Week 8:

15 Tuesday October 13

Interstate conflict

Reading for week 9: CBB Ch. 5,6.

16 Thursday October 15

Interstate conflict

Outline/plan/Graphic organizer due Thursday Oct 15

Week 9:

17 Tuesday October 20

Applying some concepts: American civil war, strategic bombing.

Reading for week 10: CBB, Ch. 8.1;

18 Thursday October 22

Week 10:

19 Tuesday October 27

Applying some concepts: American civil war, strategic bombing.

Terrorism

Reading for week 11: CBB, Ch. 3, 8.2,8.3

20 Thursday October 29

Week 11:

21 Tuesday November 3

Terrorism/Who does the fighting?

22 Thursday November 5

Who does the fighting?

Week 12:

23 Tuesday November 10

Wild cards (Brinksmanship? Covid-19 topics?)

24 Thursday November 12

Week 13:

25 Tuesday November 10

No formal class: paper/project preparation

26 Thursday November 18

No formal class: paper/project preparation.

By 5:00 PM: 20 page (max!) paper/project first drafts

November 23-27 Thanksgiving Break

Week 14:

27 Tuesday December 1

Zoom consults

28 Thursday December 3

Zoom consults