

[[allowframebreaks]

**Note for non-enrolled**

Syllabus, materials needed for first weeks are on my webpage under "Econ 4540W"

<https://my.vanderbilt.edu/robertdriskill/contact/>

**My goals**

1. Exposure to a different part of economics
2. Using writing to promote good thinking
  - (a) Journals (45% of grade)
  - (b) Paper/presentation by groups of two/three students (30%):
    - i. Top-down thesis-driven arguments about a **problem** rather than a topic.
    - ii. Not an "all about" paper that pulls together a lot of cut-and-paste quasi-plagiarism from only Google sources.
  - (c) Critiques (10%)
  - (d) Participation: 15%.

**Nota bene!**

1. Read the syllabus!

**What this course is about**

- It's about economics
  - Economics and economists
    - \* Econ is study of allocation of scarce resources-who gets what, and why.
    - \* Usual study: allocation when property rights are secure, contracts enforced; a study of production and exchange (not always in markets, though).
    - \* "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, and political power lie outside the domain of economics." Anderton, Charles H.; Carter, John R.. Principles of Conflict Economics: A Primer for Social Scientists (p. xii). Cambridge University Press. Kindle Edition.
    - \* "We define conflict economics as (1) the study of violent or potentially violent conflict using the concepts, principles, and methods of economics and (2) the development of economic models of appropriation and its interaction with production and exchange activities." Anderton, Charles H.; Carter, John R.. Principles of Conflict Economics: A Primer for Social Scientists (p. xiii). Cambridge University Press. Kindle Edition.

- Application to war and conflict:
  - Three big questions we tackle in this class:
    - \* incentive problems (how to get people to fight);
    - \* choices in an anarchic environment (poster child: world of sovereign nations) and an associated problem of "bargaining failure" (why can't we all just get along?);
    - \* allocation of resources to fight a war.
- Anybody can study allocation of resources. What distinguishes the economists' way of doing this?
  - A few basic assumptions (CBB)
    - \* Opportunity cost
    - \* Incentives affect behavior
    - \* Decision rule:  $MB=MC$
    - \* Informational problems: overcoming hidden attributes, hidden actions
    - \* Diminishing marginal returns
    - \* Substitution possibilities
  - Models.
  - CBB:

"Curiously, no agreement exists on just what are the principles of economics, but no economist would dispute the six we discuss: first, the idea that in order to do one thing one must generally sacrifice the opportunity of doing another thing at the same time; second, **the notion that incentives affect behavior**; third, that decisions are made by comparing the extra benefits to be had against the extra costs incurred; **fourth, that unequal information creates power favoring one party over another**; fifth, the principle that, beyond some point, further applications of an input result in ever smaller yields of additional output; and sixth, the idea that people will substitute a relatively cheaper for a relatively more expensive item if the items are deemed comparable. (Apples and oranges can be compared, if all one wants is a piece of fruit.) These principles are (almost) self-evident, but their subtleties and implications are not ... ."

Brauer, Jurgen; van Tuyl, Hubert (2008-11-15). Castles, Battles, and Bombs: How Economics Explains Military History (Kindle Locations 244-251). University of Chicago Press. Kindle Edition.

**Wait! There's more! Rational behavior, strategic behavior**

- Rational behavior: Think before you act with consideration of:
  - Constraints you face
  - Awareness of your preferences or objectives (know what you want, not necessarily why you want things).



- \* What do (some) people care about? Fairness? Altruism? Status?
- \* Traditionally, econ thinks about people pursuing their **narrow self-interest**: no altruism.
- What actions you think will obtain these objectives.
- A sub-set of rational behavior: Strategic. Specifically think about how your interactions with others affects the pursuit of your objectives.

**Example: execution of Private Slovik**

Private Slovik had been in jail before he was conscripted (drafted) and put in an infantry unit. After experiencing combat, he had a decision to make: stay in his combat unit—with some probability of suffering death or injury—or desert, which experience to that point in WWII meant going to jail.

**Background** (Source: "The deterrent effect of the death penalty? Evidence from British Commutations during World War I." by Daniel L.Chen, Aug 2016.)

- Does the death penalty deter crime? Basic econ analysis: "raise the cost of some activity, then see a decrease in its incidence—be it illegal parking, homicide, or military desertion" (p. 2 of Chen)
- Does death penalty deter military desertion? That is, do incentives matter?
  - Australian forces by law cannot execute, had highest desertion rates
  - Desertion:
    - \* In Civil War, 14% Union soldiers deserted, 40% caught, almost none executed

- \* In WWI (in France), 1% deserted, almost all caught (in France, remember), 12% executed
  - \* WWII: British army eliminated death penalty for desertion, and desertion rates high enough that Army wanted to reintroduce in 1942 ("could not because of political considerations"), Chen p. 19.
- Chance of combat death? p. 33: ".5% chance of dying in any given month"; (p. 35: 3.5% of debilitating injury); approximately 95% chance of living through a year.
- The "hyper-rational soldier: "calculates the probability of death from combat vis a vis prob of death from desertion [https://en.wikipedia.org/wiki/Eddie\\_Slovik](https://en.wikipedia.org/wiki/Eddie_Slovik)

### **Private Slivak**

- Constraints (strategies):
  - Stay in infantry, get shot at—and perhaps kia or wia.
  - Desertion: he believes he will go to jail.
- Objectives: He prefers "jail" to "getting shot at."

### **Ike**

- Objective: Wants to win war
- Constraints: fear of high levels of desertion if deserters not punished.

### **Note the miscalculation by Slivak; judgement by Ike?**

#### **For next class:**

1. "Notes for watching," "military ranks," Military background," on BS, under Table of Contents (hereafter TC), Unit: Getting Soldiers to Fight (hereafter gstf), SPR.
2. On BS, Under TC, in Unit: gstf, "Econ of War" by David Friedman.
3. Lagniappe (not required, maybe of interest, can be spread over next few weeks):
  - (a) on BS, under TC, Unit: Intro, Readings: Slovik
  - (b) on BS, under gstf, SPR: Tooth-to-tail ratio.