

Economics 4540W
Economics of Conflict
Fall 2019
MW 8:45-10:00 Calhoun 204
MW 2:10-3:25 Buttrick 201

Professor Robert Driskill

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Office Hours: Monday 10:15-11:15 and by appointment. 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. Also, when you pass by Calhoun 116C and see my door open, you should feel free to stop if you have things to discuss. If I am busy, I'll tell you, but usually if my door is open I am probably chatting or gossiping ("sto chiacchierando" for all of you fellow lovers of Italian) and will be glad to stop to help a student.

TA: Frank Ciarliero

E-mail: frank.a.ciarliero@vanderbilt.edu

Office hours: TBA.

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).

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.

Frank Ciarliero is an advanced PhD student from Sydney, Australia. He completed his undergraduate economics degree at the University of New South Wales, where he was TA in International Economics for two semesters. Frank has been the TA for courses we have taught in the past, and has been the (well-received) instructor of record for his own Intermediate Macroeconomics course; in many ways, he is as much a co-instructor as a TA.

Prerequisites

The prerequisite for Econ 4540W is Intermediate Micro.

Text

The required texts are *Castles, Battles, and Bombs: How Economics Explains Military History* by Jurgen Brauer and Hubert van Tuyll; University of Chicago Press; ISBN 978-0-226-07163-3, 2008, (hereafter CBB), and *Principles of Conflict Economics*, by Anderton and Carter (hereafter AC). Both are available in the bookstore. Other readings will be posted on Brightspace (hereafter BS).

Class Meetings

The class meets on Mondays and Wednesdays, from 8:45-10:00 for section 1 and 2:10-3:25 for section 2. 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).

Course Description

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, but is also

part of AC. How many resources should a country devote to its armed forces, how should these resources be divided among 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 of some entities appropriation—by use 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. First, we study how individuals—and organizations—choose between (1) appropriation activities, i.e., pillage and plunder, (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?

Evaluation

This is a "W" course, so expect to write and rewrite. Your final grade will be determined by:

A journal (35%)

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 does 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 two (2) hours

before the next scheduled class I expect to have your journal entries in my email box (as an attachment labeled by your name–surname, then first name– and by the date of class–Day, month, year– and by your section, e.g., Hamilton, John, 11-09-19, 02). I need this because occasionally I use responses from the preceding classes as the basis for the next day's class discussion.

In addition, in this journal you need to keep track of and comment upon your classroom participation. This provides me with another record of participation, and provides you with a way to critique your contributions.

The first journal entry is due after the third class (Wednesday August 28). It should be based on any material covered over those first three days; 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 20th class on Wednesday October 30.

Class participation (10%).

This class is in some ways run as a seminar. Some of class participation may be directed, e.g., you may be assigned to lead a discussion on a topic, or recap material from a preceding class.

Exam (15%)

There will be one and only one exam, on **Wednesday November 6**.

A Joint Project with Paper and Presentation (30 %)

Immediately after drop-add, aka "shopping week," we will organize the class into groups of three (3)–with perhaps a few groups of two (2). The project/paper will proceed in stages: choice of a topic (one-page description) due on **the ninth (9th) class (Wednesday September 18)**, an outline/exploratory plan/graphic organizer due on **the fifteenth (15th) class (Wednesday October 9)**, a first draft due on the **twenty-fourth (24th) class (Wednesday Nov 13)**, a final draft on the **last day of university-scheduled classes (Thursday December 4)**. You will be graded at each stage (although some, but not all, past sins can be forgiven at later stages).

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

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

Critiques (10%)

Each student will individually write a short two-or-three paragraph critique of each of the other groups' presentations/projects. These need to be submitted to me electronically by 5:00 PM on **Friday December 6**.

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 Wednesday Aug 21

Introduction: Private Eddie Slovak; Course organization;
What is conflict economics? An Overview.

Readings for week 2: (1) CBB Preface, Ch. 1.; (2) AC Ch. 1;
(3) EconofWarDFriedman (BS),

Optional: "Who's to blame for Private Eddie Slovik's death?"(BS)

Week 2:

2 Monday August 26

Movie: Saving Private Ryan, part 1.

Readings for week 3: (1) Strategy on Brightspace; AC Ch. 4
Need a review of intermediate econ? AC Ch. 2,3.

3 Wednesday August 28

Saving Private Ryan, Part 2.

Week 3:

4 Monday September 2

Organize group project teams; 6-7 groups of 3 members each (or 2 if necessary);

Game theory: getting soldiers to fight

Readings for week 4: Economics OrganIdentAkerlof (BS).;

5 Wednesday September 4

Library day!

Week 4:

6 Monday September 9

Game theory: getting soldiers to fight

Readings for week 5: (1) CBB, Ch. 2; (2) AC Ch. 12.1, Ch. 9.3;

(3) LanchesterWarModel (BS); .

7 Wednesday September 11

Game theory: getting soldiers to fight

Week 5:

8 Monday September 16

A model of war; Contest success functions;

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

9 Wednesday September 18

A model of war; Contest success functions

One-Page Project Description Due Wednesday 18 September

Week 6:

10 Monday September 23

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

Reading for week 7: AC Ch. 5, Appendix B, Ch. 12.2;

Jackson-Morelli (BS); CBB Ch. 4

11 Wednesday September 25

Mixed-strategy equilibria: Poker and bargaining failure

Week 7:

12 Monday September 30

Bargaining failure

Reading for week 8: AC Ch. 6; CBB Ch 4

13 Wednesday October 2

Bargaining failure

Week 8:

14 Monday October 7

Interstate conflict

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

15 Wednesday October 9

Interstate conflict

Outline/plan/Graphic organizer due Wed Oct 9

Week 9:

16 Monday October 14

Applying some concepts: American civil war, strategic bombing.

Reading for week 10: CBB, Ch. 8.1;

17 Wednesday October 16

Applying some concepts: American civil war, strategic bombing.

Week 10:

18 Monday October 21

Terrorism

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

Wednesday October 23

No Class!

Fall Break October 24-25

Week 11:

19 Monday October 28

Terrorism/Who does the fighting?

20 Wednesday October 30

Who does the fighting?

Week 12: Catch up, review, exam

21 Monday November 4

Wild cards (Brinksmanship?)

22 Wednesday November 6

Exam.

This is the only exam. The date will not change. Plan your schedule accordingly.

Only if you have a documented unforeseen emergency will I make alternative

arrangements concerning this component of your grade.

Week 13:

23 Monday November 11

No class: project preparation

24 Wednesday November 13

No class: project preparation.

By 5:00 PM: 20 page (max!) project reports available to everyone in class

Week 14:

25 Monday November 18

Two Project Presentations (2)

26 Wednesday November 20

Two Project Presentations (2)

November 25-29 Thanksgiving Break

Week 15:

27 Monday December 2

Two Project Presentations (2)

28 Wednesday December 4

Presentations (if needed); Wrap up; discussion of group projects.

Last day of class: Wednesday Dec 4. We will not have a final. Do not make plans to be gone before Wednesday Dec 4!