

Economics 4540W
Economics of Conflict
Fall 2021
MW 8:45-10:00 Buttrick 312
MW 2:35-3:50 Moore College A117

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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: Rowan M Isaaks
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Office hours: Wednesday 11:00-1:00 (by zoom: Meeting ID: 892 943 5136;
Passcode: qer9IX).

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 may be required to see a movie that has graphic depictions of violence.

1 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.

Rowan Isaaks is a Ph.D. student from London, United Kingdom. He completed his undergraduate degree at University of Wisconsin - Green Bay and has a master's degree from the University of Arizona. His main field of research is public economics and has previously published on the economics of water in the western U.S.. He has taught a summer Macroeconomics course at Vanderbilt, as well as being a TA for various courses at the undergraduate, master's, and doctorate level.

2 Prerequisites

The prerequisite for Econ 4540W is Intermediate Micro.

3 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). Other readings will be posted on Brightspace (hereafter BS).

4 Course Description

4.1 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, and how should these resources be divided among the navy, the airforce, the army, are some of the problems on which this type of analysis is designed to shed light. Others include the problem of how best to motivate soldiers to fight, or the problem of 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. This semester, we focus on branch (1), and in particular on the economics of *team production*. The basic idea behind the economics of team production is perhaps illustrated by a Covid-19 illustration: if one member of a team, i.e., of society, chooses to wear a mask, she suffers an individual cost—the discomfort, but supplies a benefit—lower chance of infection for everyone—shared by all the other team members. A personal calculation of what makes sense for the individual to do, e.g., wear or not wear a mask—involves balancing the individual benefit and the individual costs. Every member of the team might do better if all wore masks, but no individual has the incentive—based on private benefits versus private costs—of wearing a mask.

We might get to other topics as time permits.

4.2 Evaluation

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

4.2.1 A journal (45%)

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? What did you know already?
2. What confused you in class or in your readings? What might help you get unstuck?
3. What questions remain in your mind?
4. 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:
5. What does the equation say in plain English?
6. Why is this relationship expressed as an equation?
7. 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 entry should be the result of about a half hour to an 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.

You will have a total of nine (9) journal entries over the semester: one for each of the nine weeks of class starting with the second week (August 30-September 3), ending with the week of November 1-5, with the week of Fall break excluded. For each week, the entry will be due in BS no later than the close of the day Thursday (11:59 PM). That is, the first entry will be due Thursday, September 2, and the last on Thursday, November 4. Each entry will be worth five (5) points.

On Brightspace, under "Table of Contents," the section "Sample Journal Entries" has a few entries from past classes (not from Econ 4540W). I've annotated them to indicate what is good and in one of them what is not so good. All except one—in which my annotations explain the lower grade—would get a "five," i.e., maximum credit.

I do need to be able to read the writing, though, so it needs to be typed in a format that can be transmitted electronically, preferably a word document. Identify each entry by your surname, first name, and date—month, day, year—e.g., Hamilton, Alexander, 09-02-21, and finally with your section number.

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.

4.3 Class participation (15%).

This class is in many 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.

This grade component unalterably depends on my subjective analysis of your participation. If this makes you uncomfortable, you shouldn't take this course.

4.4 A Joint Project with Paper and Presentation (30 %)

Immediately after drop-add, aka "shopping week," we will organize the class into groups-teams, if you will-of three (3).

Please read on BS, under Table of Contents, sub-heading "Assessments," :

1. First the overview ("Thepaper_presentationassignment"),
2. Then "Short paper description,"
3. Then "Outline/Idea map."
4. For examples of past papers, look at "Paper and project assignment examples."

The project/paper will proceed in stages associated with the above readings:

1. Submission of a choice of a topic (at most a one-page description; a short paragraph will usually suffice) due on **the tenth (10th) class (Monday September 27) by end of business (5:00 PM)**. This is designed to make sure your group at least has given some thought to the paper by this date. Failure to submit something will drop your final grade two (2) points.
2. An outline/exploratory plan/graphic organizer/idea map, due at close of business (5:00 PM) on **the fourteenth (14th) class (Monday October 11)**. Failure to submit something appropriate will drop your final grade two (2) points.
3. A first draft and copy of your group presentation due at close of business (5:00 PM) on the **twenty-third (23rd) class (Monday November 15)**. Failure to submit something appropriate will drop your final grade two (2) points.

4. A final draft by close of business (5:00 PM) two days after the **last day of university-scheduled classes—namely, due on Friday December 10**).

You will be graded at early stages mostly in terms of whether you have made a good-faith effort by that time. That is, there will be no explicit points awarded—just approbrium and shame from me and your classmates, and in egregious cases, the point deductions specified above.

The paper topic can be anything related to economics and conflict, subject to my approval.

If you have expertise or experience from another class for which you have written or will be writing a paper on that topic, it is acceptable to apply that expertise and work to this assignment. I ask, though, that you give me a copy of what you have done (or will be doing concurrently) to make sure that the paper in this class represents "value added."

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. 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)(or 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

14. Something on Afghanistan.

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

4.5 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 Dec 10**.

5 Tentative schedule

The readings are to be done ahead of time. The first 8 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 25

Introduction: Course organization; What is conflict economics?
What will we cover?

Readings for week 2,3:

1. On BS, under Table of Contents (TC), Unit: Introduction, Readings: "Who's to blame for Private Eddie Slovik's death?"
2. On BS, under TC, Unit: getting soldiers to fight (gstf):
 - (a) Notesforwatching
 - (b) Military ranks
 - (c) Military background.
 - (d) Tooth-to-tail ratio
3. On BS, Unit: gstf, David Friedman's "EconofWar."
4. CBB Preface, Ch. 1.

Week 2:

2 Monday August 30

Movie: Saving Private Ryan, Part 1.

3 Wednesday September 1

Movie: SPR part II.

Week 3:

4 Monday September 6

Movie: SPR part III

5 Wednesday September 5

Chiacchierare (we will talk)

Readings for week 4, 5, 6:

1. "Strategy" (two parts) on Brightspace
2. Risk and probabilities of living on BS ("Explained: New Knightian Uncertainty ... ")
3. On BS: "Mask game."
4. EconomicsOrganIdentAkerlof (BS).

Week 4:

6 Monday September 13

Discuss Ch. 1 of CBB; Game theory

7 Wednesday September 15

Game theory

Week 5:

8 Monday September 20

Game theory

9 Wednesday September 22

Identity

**Short Project Description Due Wednesday 22 September
(bring to class)**

Week 6:

Identity

10 Monday September 27

Reading for week 7: CBB, Ch. 2,3

11 Wednesday September 29

Week 7:

Castles, a model of war, mixed strategies

Readings: CBB, Ch. 8.1

12 Monday October 4

13 Wednesday October 6

Week 8:

Tentative topic: Who does the fighting?

Readings: CBB, Ch. 3, 8.2,8.3

14 Monday October 11

Outline due Monday Oct 11

15 Wednesday October 13

No class, maybe! Either no class on Wed Oct 13 or no class on Monday
Oct 18

Fall Break October 14-15

Week 9:

16, 15 Monday October 18

No class, maybe! Either no class on Wed Oct 13 or no class on Monday Oct 18

17, 16 Wednesday October 20

Tentative: Contest success functions, bargaining failure (reading
would be Jackson-Morelli on BS)

Week 10:

18, 17 Monday October 25

Tentative: Information issues, applying some concepts (readings:
CBB Ch. 4, 5, 6)

19, 18 Wednesday October 27

Week 11:

20, 19 Monday November 1

Catch up; wild card

21, 20 Wednesday November 3

Catch up; wild card

Week 12:

22, 21 Monday November 8

Discussion of projects

23, 22 Wednesday November 10

Discussion of projects

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

Week 13:

24, 23 Monday November 15

Project Preparation (no classroom meeting)

25, 24 Wednesday November 17

Project Preparation (no classroom meeting)

November 22-26 Thanksgiving Break

Week 14:

26, 25 Monday November 29

Project Presentations (2)

27, 26 Wednesday December 1

Project Presentations (2)

Week 15:

28, 27 Monday December 6

Project Presentations (2)

Wrap up; discussion of group projects.

29, 28 Wednesday December 8

Last day of class: Wednesday Dec 8. We will not have a final. Do not make plans to be gone before Wednesday Dec 8!