

Class 2

Thin veneer of sophistication

May 16, 2017

- Most excellent!
 - Engagement with material: class, readings, co-curricular activities.
 - Questioning approach (good)
- Some highlights, issues, agreements, disagreements
 - Magna Carta versus Glorious Revolution.
 - Paradox of civilization: roving bands? How did they find out about the rich civilizations?
 - Andy Horowitz in Rio: Appropriation by force or *threat of force*
 - Hidden attributes, hidden actions: more examples?
- What's to come? We will get to David Friedman's basic question (Sammie and PD).
- AK-47 vs M-16: what goes wrong in life.

What is this course about? Coming attractions

Friedman (David)

"To most non-economists, economics has something to do with money, and the economics of war presumably has to do with how we pay for the bombs and bullets. Economists have different and broader ideas of what their field is; my own favorite definition is that economics is that approach to understanding human behavior which starts from the assumption that individuals have objectives and tend to choose the correct way to achieve them. From this standpoint, the potential subject matter is all of human behavior"

What this course is about? Coming attractions

Friedman

"Given such a broad definition of economics, one might almost say that all of warfare reduces to the technical problem of making guns that will shoot and the economic problem of getting someone to shoot them, preferably in the right direction. Board games, strategic simulations and popular articles tend to emphasize the technical problems-how far a tank will shoot, what kind of armor it will go through and how many tanks (or knights or hoplites) each side has; they generally take it for granted that the playing pieces will go where they are moved. In real battles they frequently do not. *The economic problem is why they do not and what can be done about it.*" (italics mine).

Review (a thin veneer of sophistication)

More on the three reasons for fighting

Hobbes [3] Chapter 13, p. 57:

Competition (Greed): if any two men want a single thing which they can't both enjoy, they become enemies; and each of them on the way to his goal (which is principally his own survival, though sometimes merely his delight) tries to destroy or subdue the other.

Distrust (fear): Because of this distrust amongst men, the most reasonable way for any man to make himself safe is to strike first...People who would otherwise be glad to be at ease within modest bounds have to increase their power by further invasions, because without that, in a purely defensive posture, they wouldn't be able to survive for long.

Glory (honor): Every man wants his associates to value him as highly as he values himself; and any sign that he is disregarded or undervalued naturally leads a man to try, as far as he dares, to raise his value in the eyes of others....when there is no common power to keep them at peace, 'as far as he dares' is far enough to make them destroy each other.

Hobbes: economic consequences of "hold up" (Baliga's term)

Hobbes [3] Chapter 13, p. 57-58:

[T]here is no place for hard work, because there is no assurance that it will yield results; and consequently no cultivation of the earth, no navigation or use of materials that can be imported by sea, no construction of large buildings, no machines for moving things that require much force, no knowledge of the face of the earth, no account of time, no practical skills, no literature or scholarship, no society; and-worst of all-continual fear and danger of violent death, and the life of man solitary, poor, nasty, brutish, and short.

Empirical evidence:

For the savage people in many parts of America have no government at all except for the government of small families, whose harmony depends on natural lust. Those savages live right now in the brutish manner I have described.

Hobbes: optimal (individual) strategies, and coordination

Hobbes [3] Chapter 14, p. 60: The First Law of Nature
[A]s long as every man continues to have this natural right to everything-no man, however strong or clever he may be, can be sure of living out the time that nature ordinarily allows men to live. And consequently it is a command or general rule of reason that every man ought to seek peace, as far as he has any hope of obtaining it; and that when he can't obtain it he may seek and use all helps and advantages of war.

Hobbes [3] Ch. 17, p. 79

The only way to establish a common power that can defend them from the invasion of foreigners and the injuries of one another, and thereby make them secure enough to be able to nourish themselves and live contentedly through their own labours and the fruits of the earth, is to confer all their power and strength on one man, or one assembly of men, so as to turn all their wills by a majority vote into a single will... This is the method of creation of that great LEVIATHAN, or rather (to speak more reverently) of that mortal god to which we owe, under the immortal God, our peace and defence.

In summation:

- State of nature suggests anarchy is a Prisoners'Dilemma because of greed.
- First Law of Nature suggests peace is a best response to peace and war to war, a Coordination game. It suggests a channel through which fear may operate.
- Leviathan offers a theory of government.

Thomas Hobbes (1651): Leviathan, or the Matter, Forme, and Power of a Commonwealth, Ecclesiasticall and Civil,

http://www.earlymoderntexts.com/f_hobbes.html

Fear (peace to peace and war to war)

- "The idea that fear of an opponent's motives might drive an otherwise dovish player into aggression comes up in Thucydides ("The growth of Athenian power and the fear this caused in Sparta, made war inevitable.") and also Hobbes. But both sides might be afraid and this simply escalates the fear logic further.
- Schelling in his work on the reciprocal fear of surprise attack: "If I go downstairs to investigate a noise at night, with a gun in my hand, and find myself face to face with a burglar who has a gun in his hand, there is a danger of an outcome that neither of us desires. Even if he prefers to leave quietly, and I wish him to, there is a danger that he may think I want to shoot, and shoot first. Worse, there is danger that he may think that I think he wants to shoot. Or he may think that I think he thinks I want to shoot. And so on."

David Hume, *A Treatise of Human Nature, Volume II* (1739)

Two neighbors may agree to drain a meadow, which they possess in common; because 'tis easy for them to know each others mind; and each must perceive, that the immediate consequence of failing his part, is teh abandoning of the whole project. But 'tis very difficult and indeed impossible, that a thousand persons shou'd agree in any such action; it being difficult for them to concert so complicated a design, and still more difficult for them to execute it; while each seeks a pretext to free himself of the trouble and expense, it wou'd lay the whole burden on others.

Jean-Jacques Rousseau, *Discourse on the Origin and Foundations of Inequality among Men* (1775)

This is how some men could imperceptibly acquire some idea of mutual commitments and the advantages to be had in fulfilling them. ... Were it a matter of catching a deer, everyone was quite aware that he must faithfully keep to his post in order to achieve this purpose; but if a hare happened to pass within reach of one of them, no doubt he would have pursued it without giving it a second thought, and that, having obtained his prey he cared very little about causing his companions to miss theirs.

Evolution of cooperation

Palanpur, India: 200 or so families, a "timeless backwater"; sow their winter crops several weeks after the date at which yields would be maximized; no one willing to plant first, as the seeds on a lone plot would be all eaten by the birds. Had a large group ever agreed to sow earlier, all together, all planting on the same day so as to minimize losses? "If we knew how to do that, we would not be poor."

Hume again:

I observe, that it will be for my interest to leave another in possession of his goods, provided he act in the same manner with regard to me....And this may properly be called a convention....The stability of possession ... arises gradually, and acquires force by slow progression, and by our repeated experiences of the inconveniences of transgressing it. ... In like manner are languages gradually established by human conventions without any promise. In like manner do gold and silver become the common measure of exchange.