

Economics 4540W
Economics of Conflict
Spring 2021
MW Kissam Center C216

To start, let me emphasize that everything in the syllabus this semester is tentative. Covid-19 could bring surprises that require us to change how we assess students, e.g., no exam but some other type of assignment. It could also spark a change in topics that we investigate. We'll still have fun no matter what.

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Office Hours: Tentatively, Wednesday 10:15-11:15, by appointment. We might do it via zoom. 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 E-mail me and we will arrange another appointment time.

For students who are ill or are quarantining, I will plan on making this time a zoom meeting so that we can talk about what is going on in the class. The interactive nature of the class makes doing a hybrid "zoom" class unworkable on a regular basis. But because of the importance of journals and papers in the grading scheme, students not able to attend should be able to keep up and continue learning.

We can also always find other times to meet if this is necessary because of a schedule conflict you might have.

In normal years, I would add: "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."

If there is enough progress in combating the pandemic, this might happen again. But for now, sadly not.

TA: Cameron Friday
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Office hours: Tuesday 12-1:00 (via zoom: <https://vanderbilt.zoom.us/j/8638798246>.)

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

Trigger warning: We at times talk about violence, and you will 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 22, 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.

Cameron Friday is a PhD student from Houston, Texas. He completed his undergraduate degree at George Washington University in Washington, D.C. He has been the TA for Macroeconomics and Macroeconomic Theory at the master's level*. He has also been the instructor of record for a summer Macroeconomics course.

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). It is available in the bookstore. Other readings will be posted on Brightspace (hereafter BS).

4 Class Meetings

The class meets on Mondays and Wednesdays, from 3:00-4:15. 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).

5 Course Description

5.1 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 various armed forces branches—the navy, the air force, 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-prize-winning 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?

5.2 Evaluation

5.2.1 General overview

This is a "W" course, so expect to write and rewrite.

You the student will have a set of assignments and activities that each will be worth a certain amount of points. At the end of the course, we will add up each student's points for all assessment activities, and then look at the distribution of total points per student for the entire class. We then look for "break points" to distinguish between different letter grades. There is some inescapable subjectivity in deciding upon a break point, and if there is no obvious break point—perhaps grades follow a uniform distribution—we will still assign letter grades based upon a student's *relative* ranking. Note, though, there is no pre-ordained "curve" here: some classes have been exceptional and we have given most students some form of an "A," while other classes have had more "B's" and other lower grades.

5.2.2 Specifics

Your final grade will be determined by:

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 your learning experience, e.g., you write 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 class entry should be the result of about 30-45 minutes (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 the day (11:59 PM) of the day following class, e.g., by 11:59 P.M. on Tuesday for a Monday 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 (Wednesday February 3). That is, it will be due before **Thursday, February 4** at 11:59 PM. It should be based on any material covered over those first four 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*.

No journal entry is required for the reading day of Wednesday February 24.

The last journal entry will be for the class on Monday March 29 (due Tuesday March 30, before 11:59 P.M.). Thus, there will be fifteen (15) total journal entries.

Each entry will be worth three (3) 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 "three," i.e., maximum credit.

Exam (15%) There will be one and only one exam on Monday April 5.

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). The project/paper will proceed in stages:

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 March 1)**. 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 sixteenth (16th) class (Monday March 22)**. Failure to submit something appropriate will drop your final grade two (2) points.
3. A first draft due at close of business (5:00 PM) on the **twenty-second (22nd) class (Wednesday April 14)**. 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, Friday April 30**.

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

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 April 30**.

6 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 Monday Jan 25

2 Wednesday Jan 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),

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

Week 2:

3 Mon Feb 1

Movie: Saving Private Ryan, Part 1.

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

4 Wed Feb 3

Saving Private Ryan, Part 2.

Week 3:

5 Mon Feb 8

1. Organize group project teams; 6 groups of 3 members each.
2. Talk about SPR

6 Wed Feb 10

1. Getting soldiers to fight: Game theory.

Readings for week 4: EconomicsOrganIdentAkerlof (BS).

Week 4:

7 Monday Feb 15

Getting soldiers to fight: Game theory

8 Wed Feb 17

Getting soldiers to fight: Identity

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

Week 5:

9 Mon Feb 22

Getting soldiers to fight: leadership

Wed Feb 24: Reading day

This is a class, but we will not meet in person. Zoom meetings with groups who want to discuss their potential project/paper are a possibility.

Reading for week 6: LanchesterWarModel (BS); CBB Ch. 3

Week 6:

10 Mon March 1: One-Page Project Description Due

Discussion, catch up

11 Wed March 3

Mixed-strategy equilibria: Poker and bargaining failure

Reading for week 7: Jackson-Morelli (BS); wild card

Week 7:

12 Mon March 8

13 Wed March 10

Bargaining failure

Reading for week 8: CBB Ch 4

Week 8:

14 Monday March 15

Bargaining failure

15 Wednesday March 17

Interstate conflict

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

Week 9:

Outline/plan/Graphic organizer due Monday March 22

16 Mon March 22

Applying some concepts: American civil war, strategic bombing.

Reading for week 10: CBB, Ch. 8.1;

17 Wed March 24

Week 10:

18 Mon March 29

Applying some concepts: American civil war, strategic bombing.

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

19 Wed March 31

Week 11:

20 Mon April 5

Exam

Wed April 7 Reading Day

No formal class. Catch your breath, then begin paper/project preparation. I encourage groups to talk with me as they see fit, via visits to my office (or via zoom if necessary).

Week 12: Preparation

21 Mon April 12

No formal class: paper/project preparation

22 Wed April 14

No formal class: paper/project preparation

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

Week 13:

23 Mon April 19

Group presentations

24 Wed April 21

Group presentations

Week 14:

25 Mon April 26

Group presentations

26 Wed April 28

Wrap Up