

# Economics of Conflict, War, and Peace

Prof. Dr. Jurgen Brauer; Summer 2009  
Chulalongkorn University; Bangkok, Thailand

**Session 1.1**  
**Introduction: thinking about conflict**

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## Introduction/administrative matters (1)

- Hello, and welcome to the course
  - Prof. Dr. Jurgen Brauer (Germany/U.S.) and
  - Prof. Dr. J. Paul Dunne (U.K.)
  - [jbrauer@aug.edu](mailto:jbrauer@aug.edu) | [john2.dunne@uwe.ac.uk](mailto:john2.dunne@uwe.ac.uk)
- Names/nicknames/
- Student number/email/
- Seating chart
  
- Syllabus/reading list

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## Introduction/administrative matters (2)

- Course web site
  - <http://carecon.org.uk/Chula/>
  - username: chula | password: chula
- The Economics of Peace and Security Journal (EPSJ)
  - Editors: J. Brauer and J.P. Dunne
  - [www.epsjournal.org.uk](http://www.epsjournal.org.uk)
  - username: guest | password: guest

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## Introduction/administrative matters (3)

- Assignments
  - Individual work:
    - Attendance (punctual; awake), preparation (readings/note-taking), participation (in-class discussion/note-taking) [10%].
    - Two exams to check on readings & lecture materials (one midterm; one final) [25% each].
  - Group/collaborative project:
    - A 10-12-page, double-spaced paper for groups of 2-4 students each: Th 11 June: one-paragraph: question, data, group members; Th 25 June: solid draft outline due at the beginning of the midterm exam [10%]; Th 9 July: update due; Th 23 July: final paper due at beginning of the final exam [30%].
- Course outline ...

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## Course outline (1)

- Week 1: Tu 2 June | Th 4 June
  - [Brauer] – Survey of issues: conflict about what (whv)? Carried out by whom? By which means (how; type of conflict)? Where do conflicts occur? And when? How does one model conflict? A look at data and data sources.
- Week 2: Tu 9 June | Th 11 June
  - [Brauer] – Consequences of violent conflict: lost human and physical capital, lost current and future output, intergenerational effects, transboundary effects, environmental effects.
- Week 3: Tu 16 June | Th 18 June
  - [Brauer] – Manpower: all-volunteer forces, conscripted (coerced) forces, private military companies, militia forces, irregular and rebel forces, terrorism, banditry, illegal activity, organized crime.
- Week 4: F 19 June | Tu 23 June
  - [Brauer] – Capital: ABC weapons, major conventional weapons, small arms and light weapons, nonlethal weapons, nonconventional weapons
- Th 25 June (midterm exam: 13:30-16:30 hrs)

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## Course outline (2)

- Week 5: Tu 30 June | Th 2 July | F 3 July
  - [Tu 30 June: no class – both lecturers at international conferences]
  - [Th 2 July: Brauer] – Paul Collier's lecture to Royal Economic Society
  - [F 3 July: Dunne] – The international arms market: defense-industrial base, production, procurement, financing, trade
- Week 6: Tu 7 July | Th 9 July
  - [no classes – Buddhist Day and Graduation Day]
- Week 7: M 13 July | Tu 14 July | Th 16 July | F 17 July
  - [Dunne] – Militarism, military expenditure, and development: military expenditure, arms trade offsets, economic growth, and human/economic development
  - [Dunne] – Conflict management: prevention, intervention (peacekeeping), postconflict reconstruction, peace failure, war recurrence
- Week 8: Tu 21 July
  - [Dunne] – Discussion of student group projects and practice final exam
- Th 23 July (final exam: 13:30-16:30 hrs)

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## Introduction: thinking about conflict

- Conflict is pervasive
  - [We mean armed, violent conflict – or the threat thereof]
- Conflict is about diverging interests
  - Economics: costs/benefits
- Conflict absorbs scarce resources
  - Economics: resources
- Conflict diverts, disrupts, destroys
  - Appropriation economy (coerced) vs grants economy (e.g., tributes) vs exchange economy (voluntary)
- Conflict might be managed
  - Economics: dis/incentives to influence choice behavior

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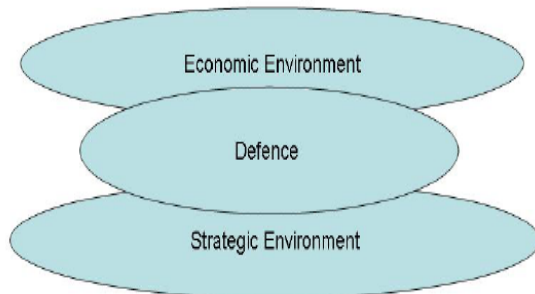
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## Introduction: thinking about conflict



Source: Ron Smith – draft manuscript

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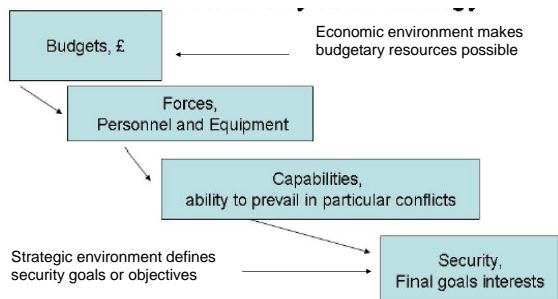
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## Introduction: thinking about conflict



Source: Ron Smith – draft manuscript

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## Introduction: thinking about conflict

### ■ Modeling conflict

- Assume a one-input, two-goods economy
- Production Possibility Frontier (PPF)
- Opportunity cost (a ratio: "give"/"get")
  - Trade-off: less of one for more of the other
- Marginal benefit (MB) and marginal cost (MC)
  - Link to supply (S) and demand (D) analysis

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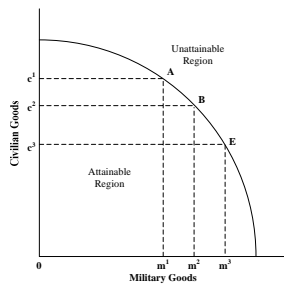
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## Introduction: thinking about conflict

### Production Possibility Frontier (PPF)



$$(m_2 - m_1) = (m_3 - m_2)$$

but  
 $(c_2 - c_1) < (c_3 - c_2)$

so that the opportunity cost of producing more  $m$  is rising (that is, producing more  $m$  costs giving up more and more  $c$ ).

slope of tangent lines from A to E become ever steeper, say from -1 to -2.

meaning: at first only 1  $c$  is given up for 1 more  $m$  (i.e.,  $-1/1 = -1$ ), then 2  $c$  are given up for 1 more  $m$  (i.e.,  $-2/1 = -2$ ).

Source: Anderton/Carter (2009) – Fig. 2.1

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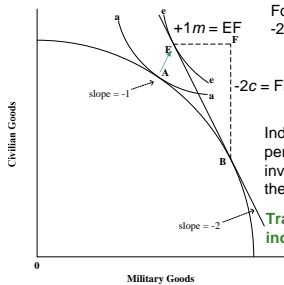
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## Introduction: thinking about conflict

### PPF; indifference curves; specialized production and trade



For example: slope of  
 $-2 = -\text{rise}/\text{run} = -2c/+1m$

Indifference curves: consumption perspective; again opportunity costs are involved: the more  $m$  we already have, the less additional  $c$  we are willing to give up

Trade allows location on a higher indifference curve; more  $c$  and more  $m$

Source: Anderton/Carter (2009) – Fig. 2.2

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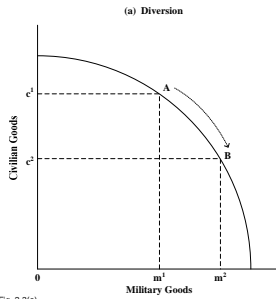
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# Introduction: thinking about conflict

Violent conflict: economic diversion



Source: Anderton/Carter (2009) – Fig. 2.3(a)

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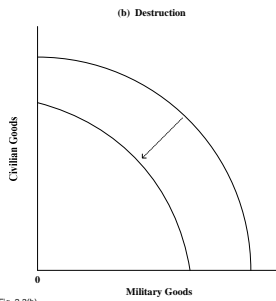
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# Introduction: thinking about conflict

Violent conflict: economic destruction



Source: Anderton/Carter (2009) – Fig. 2.3(b)

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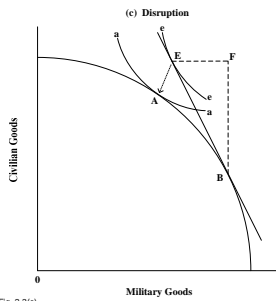
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# Introduction: thinking about conflict

Violent conflict: economic disruption



Source: Anderton/Carter (2009) – Fig. 2.3(c)

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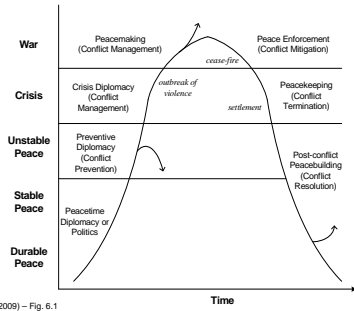
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# Introduction: thinking about conflict

Lund's (1996) conflict life cycle



Source: Anderton/Carter (2009) – Fig. 6.1

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