

A TRADE INSTITUTION AS A PEACEFUL INSTITUTION?

A CONTRIBUTION TO INTEGRATIVE THEORY

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Abstract:

Recent studies emphasize the occurrence of conflict as a rational economic activity as well as production and exchange. Agents are assumed to divide their efforts into fighting and productive activities, or as commonly denoted in 'guns' and 'butter'. This paper does try to go beyond this 'manichean' idea, assuming the Boulding's concept of 'integrative system'. In particular, the paper investigates whether a trade institution committed to free and fair trade could foster 'peaceful' benefits for member countries. The analysis, produced in a very simplified world, counts as a founding pillar the Contest Success Function. The results of the model suggest that in an institutionalized scenario agents gain more both in terms of economic utility and in terms of peace than in 'continuing conflict' and 'obstructed trade' scenarios.

Keywords: Contest Success Function, Conflict, Trade, Institution.