The Economics of Peace and Conflict in the Classroom

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Why?

- Every day news about war
- Ordering of news events difficult, students do not yet have a framework to understand
- Journalistic interpretations are sketchy, catchphrase like and superficial
- Economic science can help bring some order in a variety of complex and seemingly unrelated events
- Treatment of war and peace issues in the classroom may bring economics to life showing that economics is not just about bookkeeping
how?

- Look for issues that are related to core topics in the economics curriculum

ex: (1) National accounts

What is the cost of war and how can that cost be traced in the national accounts of a country.
Reference: J. Stiglitz, *the Three Trillion $ War*

(2) Demand and supply of minerals

start with the rising prices of fuel for parent’s car.
Who are the consumers of oil, gold, diamonds and wood. Who are the suppliers? What are the conditions in the countries where extraction takes place?
What? Systematic treatment: (1) the macro-level literature

• Causes of civil war analysis based on cross-country studies in second half of the 90s
  → P. Collier, A. Hoeffler, N. Sambanis

  The *Greed versus Grievance* debate

  GDP/capita, education, presence of natural resources, mountains, ethnicity, past conflicts

  Result: Greed explains conflict better than Grievance (*no effect of inequality* (gini-coeff.))

For economics classroom: Collier et al. use a model of rebel organisations viewed as firms and rebels as utility maximisers.
critiques

- Institutions: William Easterly. Adds institutional variables to the regression, such as measure of democracy, rule of law, good governance → result: effect of ethnicity disappears
- Endogeneity issues for income and conflict (E. Miguel) use of levels of rain as instrument
- Duration is not the same as onset
- Horizontal inequality (or group exclusion, F. Stewart) is a different kind of inequality
- Interpretation of the coefficients of cross-country regressions is problematic
Conclusions from macro-work

- Conflict can be seen as a breakdown of the social contract
- Groups excluded from economic opportunities or economic rents may attempt to overthrow the state
- Greed and grievance are both drivers of conflict and they are often inseparable
- In order for this to work, the problem of collective action has to be overcome
- Links can be made with processes of migration, globalisation and climate change
(2) The micro-level literature

- Study one country in-dept
- Holistic approach, quantitative + verstehend, become country expert
- Literature focusses on the economic profile of perpetrators and victims, as well as on the consequences of violent conflict for education, health, fertility, ...
- Some examples
Examples from the micro-literature

- Long-term effects of civil war on child health in Burundi children are smaller, almost no catch-up, will earn lower wage (Bundervoet, Verwimp, Akresh, 2008)
- Effect on welfare/poverty in Burundi using panel data: households are poorer in affected areas
- Work on Columbia: higher prices to producers of coffee decrease violence (higher opportunity cost to rebel) (Dube and Vargasz, 2007)
- Membership of rebel groups is rewarding, link with protection, income and post-conflict outcomes
- Effect on education of child soldiers in Uganda: more important than often cited traumatism (C. Blattman, 2007)
Relevance for economics teaching in the classroom

- Civil war and political violence have economic causes and consequences
- Armies, government behaviour, rebel movements and soldiers can be studied as rational agents
- If effects are observed, than adequate policies to address them can be implemented