

# 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 Vargas, 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