



Bachelor Seminar

“Economics of Conflict: Firms, Society, and International Trade”

Summer Term 2020

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Introduction:

“Conflict is difficult to comprehend from a traditional economic perspective. The difficulty arises from the emphasis that the discipline places on the win-win aspects of exchange and the gains from trade, at the expense of neglecting environments with imperfectly specified and imperfectly enforced property rights. These latter environments are precisely the ones in which conflict typically arises.”¹

We will review recent research that takes an economic perspective to study conflict. This research shares with traditional economics the assumption of self-interested behaviour on the part of economic agents. However, contrary to traditional economics, there is no presumption that agents can only produce and trade to make a living. They can also engage in appropriation or defending what they themselves have produced.

In the first part of the seminar we study the economic reasons for and consequences of social conflicts, in the form of war and terrorism. In the second part, we investigate how international trade can affect the propensity of economic agents to maintain peace and, vice versa, study the impact of conflicts on the international exchange of goods. At a more micro level, civil unrest and war can have significant repercussions on the performance of firms which the third part of the seminar addresses through a variety of case studies.

¹ See Garfinkel, M. R., & Skaperdas, S. (2007). Economics of conflict: An overview. Handbook of Defense Economics, p. 649.



Requirements:

Successful participation in the seminar requires:

- Writing a **term paper** about one of the seminar topics below (Main text: 10 pages; 60% of the final grade).
- **Presenting** your work in the seminar (30 minutes presentation; 30% of the final grade)
- **Moderating** the discussion of one of the other topics (15 minutes discussion per topic; you will have to prepare and briefly present 2-3 questions to be discussed by the group; the discussed term paper will be made available to you before the seminar; 10% of the final grade)

Credit Points:

- Economics, IWE and P&E students can acquire 5 ECTS in their Bachelor program.
- P&E students ("alte PO") can acquire 6 ECTS by choosing the E/Ö6 module.

Organization:

There will be an introductory lecture on Wednesday, 22 April 2020, 14.15h – 15.45h. In this lecture, topics will be assigned to students. The main part of the seminar is blocked (scheduled for 4 and 5 June 2020, 8.00h – 18.00h on both days). For obtaining credit points, **attendance at all dates is mandatory**. Please check CampusOnline for the up-to-date course location.

Please note: The language of the seminar is English.

Application and Deadlines:

- Applicants must enrol **until Monday, 20 April 2020** using the following link: [click here](#)
Three topics from the list below must be indicated in the application form. It is strongly recommended that you read the papers before applying in order to avoid misguided expectations.
- Students who can participate in the seminar will be notified on 21 April 2020 by email. Please make sure that the e-mail address in your application is correct and up to date, as we will use this contact information for correspondence. (Note that we do not give any information upon acceptance before that date.)
- The seminar is limited to 15 students (first come, first serve)
- **Deadline for handing in the term paper:** 28 May 2020 (23.59h)
- **Deadline for handing in the presentation slides:** 3 June 2020 (23.59h)

Seminar topics:

Conflict and Society

(1) War and Democracy

Hess, G. D., & Orphanides, A. (2001). War and democracy. *Journal of Political Economy*, 109(4), 776-810.

(<https://doi.org/10.1086/322085>)

(2) Wars and State Capacity

Besley, T., & Persson, T. (2008). Wars and state capacity. *Journal of the European Economic Association*, 6(2-3), 522-530.

(<https://doi.org/10.1162/JEEA.2008.6.2-3.522>)

(3) Conflict, War, and Redistribution

Brito, D. L., & Intriligator, M. D. (1985). Conflict, war, and redistribution. *American Political Science Review*, 79(4), 943-957.

(<https://doi.org/10.2307/1956242>)

(4) Education, Poverty, and Terrorism

Krueger, A. B., & Malečková, J. (2003). Education, poverty and terrorism: Is there a causal connection?. *Journal of Economic Perspectives*, 17(4), 119-144.

(<http://doi.org/10.1257/089533003772034925>)

(5) Assessing the Costs of Terrorism

Frey, B. S., Luechinger, S., & Stutzer, A. (2007). Calculating tragedy: Assessing the costs of terrorism. *Journal of Economic Surveys*, 21(1), 1-24.

(<https://doi.org/10.1111/j.1467-6419.2007.00505.x>)

Conflict and International Trade

(6) Terrorism and International Trade

Nitsch, V., & Schumacher, D. (2004). Terrorism and international trade: an empirical investigation. *European Journal of Political Economy*, 20(2), 423-433.

(<https://doi.org/10.1016/j.ejpoleco.2003.12.009>)

(7) Trade in the Shadow of Power

Garfinkel, M. R., Skaperdas, S., & Syropoulos, C. (2012). Trade in the Shadow of Power. *Oxford Handbook of the Economics of Peace and Conflict*, 585-610.

(<http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780195392777.001.0001/oxfordhb-9780195392777-e-24>)

(8) Trade Wars and Trade Talks

Grossman, G. M., & Helpman, E. (1995). Trade wars and trade talks. *Journal of Political Economy*, 103(4), 675-708.

(<https://doi.org/10.1086/261999>)



(9) How Could Trade Affect Conflict?

Morrow, J. D. (1999). How could trade affect conflict?. *Journal of Peace Research*, 36(4), 481-489.
(<https://doi.org/10.1177/0022343399036004006>)

(10) Economic Interdependence: A path to Peace or a Source of Interstate Conflict?

Barbieri, K. (1996). Economic interdependence: A path to peace or a source of interstate conflict?. *Journal of Peace Research*, 33(1), 29-49.
(<https://doi.org/10.1177/0022343396033001003>)

Conflict and Firm Performance

(11) Civil Conflict and Private Firms

Guidolin, M., & La Ferrara, E. (2007). Diamonds are forever, wars are not: Is conflict bad for private firms?. *American Economic Review*, 97(5), 1978-1993.
(<https://doi.org/10.1257/aer.97.5.1978>)

(12) Firm Exit and Armed Conflict in Colombia

Camacho, A., & Rodriguez, C. (2013). Firm exit and armed conflict in Colombia. *Journal of Conflict Resolution*, 57(1), 89-116.
(<https://doi.org/10.1177/0022002712464848>)

(13) The Law and Economics of Pirate Organization

Leeson, P. T. (2007). An-arrgh-chy: The law and economics of pirate organization. *Journal of Political Economy*, 115(6), 1049-1094.
(<http://doi.org/10.1086/526403>)

(14) Conflict, Input Misallocation and Firm Performance

Amodio, F., & Di Maio, M. (2017). Making do with what you have: Conflict, input misallocation and firm performance. *The Economic Journal*.
(<https://doi.org/10.1111/eoj.12518>)

(15) Cultural Conflict and Merger Failure

Weber, R. A., & Camerer, C. F. (2003). Cultural conflict and merger failure: An experimental approach. *Management Science*, 49(4), 400-415.
(<https://doi.org/10.1287/mnsc.49.4.400.14430>)