Syllabus
Political Economy II: Conflict and Cooperation (MECS 540-2)
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(SUBJECT TO CHANGE)

Time and Location: Mondays 3-6, Room 4130
Prerequisites: Economics Core Microeconomics sequence 410.1-410.3 or Permission of Instructor

Useful background reading:
2. Andreu Mas-Colell, Michael Whinston, and Jerry Green, Microeconomic Theory, Oxford University Press, 1995. [PhD Core; Chapters 7-9, 11-14 and 23]

Description of the Course

This course will offer a theoretical treatment of conflict. Strategic interaction within and across nations involves conflict and cooperation. Disagreement between a country’s population and its leadership can cause internal conflict, oppression and terrorism. Disagreement between countries can lead to war, costly arms races and impede economic development. Conflict often arises even though there is some cooperative solution that would have satisfied all the relevant actors. We will study the fundamental causes of conflict (positive analysis) and possible solutions that create cooperation (normative analysis).

Positive analyses will focus on conflict caused by payoff uncertainty or asymmetric information, the inability to commit to honor agreements, income inequality, fractionalization of the population into distinct and antagonistic groups and extremists who attempt to manipulate conflict to achieve their ends. This part of the course will cover topics such as the reciprocal fear of surprise attack, global games, wars of attrition, bargaining and coalition formation.

Normative analyses will focus on communication, mechanism design and institutions and their impact on cooperation. Communication of motives or confidence-building measures, such as allowing arms inspections, may diffuse tension. Or they may increase the chances of conflict by exposing motives or the strength or weakness of a country’s arms capabilities. Asymmetric information may preclude implementation of cooperation even when transfers are available and it is possible to fully commit. Similarly, “moral hazard” arising from a leader’s desire for political survival will affect the chances of conflict or cooperation. Different institutions have different commitment properties. For example, democratization gives the
citizens a permanent voice in collective decision-making. This influences their incentives to revolt or accept the decisions of a leader.

These issues apply equally across countries and can cause war or within a country and cause civil war. While the course is theoretical, we will offer stylized facts about war and civil war as motivation and a guide to interesting unexploited questions and puzzles. Unlike many topics in economics and political science, these issues are under-explored. We hope to generate interesting research questions.

Grading

The grade will be based on a student presentation of a paper. Presentation involves preparing slides, a coherent description of the paper’s motivation, intuition for the results and a discussion of open questions and any limitations of the analysis. Papers can be picked from * papers below, related research that is work in progress or any others papers of interest after discussion with the instructor.
1. Hobbesian Models


2. Mutual Fear and Spiral Models


Thucydides (1972). *The History of the Peloponnesian War*, Penguin Classics, London. [Chapter 1 is a classic]
2.1 Communication and Deception

3. Bargaining Models

3.1 Asymmetric Information and Mechanism Design

3.2 Shifting Power and Lack of Commitment

3.3 Bargaining and Commitment

4. Moral Hazard/Democratic Peace


5. Wars of Attrition and Bargaining


Robert Powell, “Taking Sides in Wars of Attrition,” mimeo

6. Terrorism and Counterterrorism/Insurgency and Counterinsurgency


### 7. Fractionalization, Inequality and Conflict


### 8. Democratization and Foundations of the State


