

Spring Semester 2016-17
Syllabus last revised on
January 17, 2017

Syllabus for
ECON 490 Topics in Economics (Section G1)
Economics of Terror, War and Conflict
University of Illinois at Urbana-Champaign
College of Liberal Arts & Sciences
Department of Economics

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The course aims to cover three inter-related topics: terrorism, war and internal conflicts. It would begin with terrorism. We'll analyze facts and patterns of terrorist activities including suicide attacks, terror cycle and how defensive and offensive counter-terrorism measures work under different scenarios. We will also learn about religious orthodoxy and how it may evolve into terrorism, although most orthodox religious groups are nonviolent. Our next broad topic will be war and we'll discuss mathematical models of combat, arms race and warfare, how war and peace may be related, the choice and efficiency of alternative methods of raising an army and military coup. Last part of the course will cover internal conflicts including civil war, distributional distress and its impact on crime and corruption and relationship between ethnic diversity and conflict.

At the end of the course you will, hopefully, be convinced that many issues facing individual countries and the international community at large today - which may appear to be outside of economics - can be subject to economic analysis, capable of offering useful insights.

The course will proceed as "applied micro," and be '**quant**'-heavy, rather than descriptive. We'll analyze various *static and dynamic models* of terrorism, war

and conflicts. They will be a testimony to the power of economic thinking towards understanding the world around us. In the process we will learn concepts and techniques that can be potentially applied to a wide variety of other problems in economics, political science and related disciplines. It should educate you for careers in government, relating especially to security.

Prereq

Intermediate microeconomic theory (ECON 302 or equivalent) along with basic graphs, algebra and calculus skills.

Class Policies

- a. Exams will be based on what is covered in the class and homework assignments. Slides or assigned readings are **not** sufficient by themselves. All exams will be closed to books and notes. No communication devices will be permitted.
- b. *Grading*

Mid-Term 1:	20%
Mid-Term 2:	20%
Final Exam (Cumulative):	36%
Homework:	20%
Attendance:	4%
- c. Mid-terms will be held during class hours on February 16 and March 30, 2017. If a student misses one midterm, its weight will be added to the final. *Documentary proof of health and other emergencies must be submitted for missing any exam.*
- d. Announcements regarding homework assignments and their due dates, final exam date, time and place, etc. *will be made in class, not on Compass.*
- e. Any re-evaluation may involve re-examination of the entire script.
- f. There will be no extra-credit work.
- g. Academic integrity, as outlined in the *Student Code*, 2012-13, will be followed seriously. Those found cheating or helping others to cheat will be penalized accordingly.

Textbooks

There will no required textbooks but the following book on terrorism is recommended: Walter Enders and Todd Sandler, *The Political Economy of Terrorism*,

2nd Edition, Cambridge University Press, 2012. It is on reserve in the Undergraduate Library.

TOPICS TO BE COVERED

Three broad topics will be covered: terrorism, war and internal conflicts. Depending on time, we may not be able to cover all topics or some topics may be added. Further relevant readings may be added.

Terrorism

Introduction to Terrorism

- Berti, Benedetta, TED Talks, “The Surprising Way the Groups like ISIS Stay in Power,” March 2015, https://www.ted.com/talks/benedetta_berti_the_surprising_way_groups_like_isis_stay_in_power?language=en
- Enders, Walter, and Todd Sandler. 2012. *The Political Economy of Terrorism*. Cambridge University Press, 2nd Edition, Chapter 1
- Forbes. 2014. *The World’s 10 Richest Terrorist Organizations*, December
- Hubbard, Ben. 2015. “Offering Services, ISIS Digs in Deeper in Seized Territories.” *The New York Times*: June 16
- Landes, William M. 1978. “An Economic Study of US Aircraft Hijackings, 1961-1976.” *Journal of Law and Economics* 21 (1): 1-31
- Rapoport, David C. 2004. “The Four Waves of Modern Terrorism.” In *Attacking Terrorism: Elements of a Grand Strategy*, edited by Audrey Kurth Cronin and James M. Ludes. Washington, D.C.: Georgetown University Press

Dynamics of Terrorism

- Enders, Walter, and Todd Sandler. 2012. *The Political Economy of Terrorism*. Cambridge University Press, 2nd Edition, Chapters 3
- START. 2012. *Integrated United States Security Database (IUSSD): Data on the Terrorist Attacks in the United States Homeland, 1970 to 2011*, December
- Institute for Economics and Peace. 2015. *Global Terrorism Index 2015*

Analytics of Counter-Terrorism (CT) Measures: Security-Deterrence, Preemption and Intelligence/Infiltration

- Das, Satya P., and Prabal Roy Chowdhury. 2014. "Deterrence, Preemption, and Panic: A Common Enemy Problem of Terrorism." *Economic Inquiry* 52 (1): 219–238
- Das, Satya P., and Sajal Lahiri. 2006. "A Strategic Analysis of Terrorist Activity and Counter-Terrorism Policies." *The Academy of Management Executive* B. E. *Journals in Theoretical Economics (Topics)* 6 (1): Article 6
- Enders, Walter, and Xuejuan Su. 2007. "Rational Terrorists and Optimal Network Structure." *Journal of Conflict Resolution* 51:33–57
- Sandler, Todd, and Walter Enders. 2012. *The Political Economy of Terrorism*. Second. Cambridge University Press, Chapters 4, 5

Analytics of Terror Cycles

- Das, Satya P. 2008. "Some Mechanisms of Terror Cycles." *Journal of Economic Behavior and Organization* 67:644–656

Root Causes of Terrorism with Emphasis on Suicide Terrorism

- Abadie, Alberto. 2006. "Poverty, Political Freedom and the Roots of Terrorism." *American Economic Review Papers and Proceedings* 96:50–56
- Collard-Wexler, Constantino Pischedda, and Michael G. Smith. 2013. "Do Foreign Occupations Cause Suicide Attacks?" *Journal of Conflict Resolution* 58 (4): 625–657
- Krueger, Alan B. 2007. *What Makes a Terrorist? Economics and Roots of Terrorism*. New Jersey: Princeton University Press
- Pape, Robert, and James Feldman. 2005. *Dying to Win: The Strategic Logic of Suicide Terrorism*. Random House

Religion, Public Goods and Terrorism

- Berman, Eli, and David D. Laitin. 2008. "Religion, Terrorism and Public Goods." *Journal of Public Economics* 92:1942–1967

Addressing Root Causes of Terrorism and 'Official' Views on Terrorism

- Berman, Eli, and David D. Laitin. 2008. "Religion, Terrorism and Public Goods." *Journal of Public Economics* 92:1942–1967
- Berti, Benedetta, TED Talks, "The Surprising Way the Groups like ISIS Stay in Power," March 2015, https://www.ted.com/talks/benedetta_berti_

the_surprising_way_groups_like_isis_stay_in_power?language=en

Iannacone, Lawrence R., and Eli Berman. 2006. "Religious Extremism: The Good, the Bad, and the Deadly." *Public Choice* 128:109–129

War

Combat Modeling: Lanchester Model

Clausen, Svend. 2002. *Warfare Can Be Calculated*. Danish Defence Research Establishment, Chapter 2

Arms Buildup: Richardson's Model

Olinick, Machael. 2014. *Mathematical Modeling in the Social and Life Sciences*. Wiley, Chapter 2

Missile War: Brito-Intrilligator Model

Intriligator, Michael. 1975. "Strategic Considerations in the Richardson Model of Arms Races." *Journal of Political Economy* 83 (2): 339–353, section 2

Intriligator, Michael, and Dagobert L. Brito. 1984. "Can Arms Races Lead to the Outbreak of War?" *Journal of Conflict Resolution* 28:63–84

Mayer, Thomas. 1986. "Arms Races and War Initiation: Some Alternatives to the Intriligator-Brito Model." *Journal of Conflict Resolution* 30 (1): 3–28

"War and Peace"

Aumann, Robert. 2005. "War and Peace." Nobel Lecture

Aumann, Robert, lecture at at 2012 Asian Science Camp (ASC) Meetings in Israel, video available on Internet.

Method of Recruiting Armed Forces: Voluntarism versus Conscription

Mulligan, Casey, and Andrei Shleifer. 2005. "Conscription as Regulation." *American Law and Economics Review* 7:85–111

Ross, Thomas W. 1994. "Raising an Army: A Positive Theory of Military Recruitment." *Journal of Law and Economics* 37 (1): 109–131

Military Coup

Besley, Timothy, and James A. Robinson. 2010. "Quis Custodiet Ipsos Custodes? Civilian Control Over The Military." *Journal of European Economic Association* 8 (655-663)

Internal Conflicts: Civil War, A Model of Ethnic Conflict, Distributional Distress, Corruption and Crime

Civil War: Facts and Empirical Regularities

- Blattman, Christopher, and Edward Miguel. 2010. "Civil War." *Journal of Economic Literature* 48 (1): 3–57
- Collier, Paul, et al. 2003. *Breaking the Conflict Trap*. The World Bank
- Collier, Paul, and Anke Hoeffler. 2004. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56:563–595
- Esteban, Joan-Maria, Laura Mayoral, and Debraj Ray. 2012. "Ethnicity and Conflict: Theory and Facts." *Science* 336:858–865
- Wikipedia ("The Civil Wars", "List of Civil Wars")

Analytics of Civil War

- Garfinkel, Michelle R., and Stergios Skaperdas. 2007. "Economics of Conflict: An Overview." In *Handbook of Defense Economics Volume 2*, edited by Todd Sandler and Keith Hartley. Elsevier

A Model of Hindu-Muslim Conflict

- Mitra, Anirban, and Debraj Ray. 2014. "Implications of an Economic Theory of Conflict: Hindu-Muslim Violence in India." *Journal of Political Economy* 122 (4): 719–765

Distributional Distress, Crime and Corruption

- Esteban, Joan-Maria, and Debraj Ray. 2011. "Linking Conflict to Inequality and Polarization." *American Economic Review* 101 (3): 1345–1374
- Esteban, Joan-Maria, Laura Mayoral, and Debraj Ray. 2012. "Ethnicity and Conflict: Theory and Facts." *Science* 336:858–865

Measures of Inequality

- Ray, Debraj. 1998. *Development Economics*. Princeton University Press, Princeton, NJ, Chapter 6

Ethnic Division and Ethnic Conflict Inequality and Crime

- McAdams, Richard H. 2010. "Economic Costs of Inequality." *University of Chicago Legal Forum* 2010:23–41

Inequality and Corruption

- McAdams, Richard H. 2010. "Economic Costs of Inequality." *University of Chicago Legal Forum* 2010:23–41
- You, Jung-sung, and Sanjeev Khagram. 2005. "A Comparative Study of Inequality and Corruption." *American Sociological Review* 70:136–157