Conflict: Its Fundamental and Neglected Role in Economics and Economic Development

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Introduction

Orthodox economics, as shown in its textbooks, does not recognize or understand the importance of harm. (Harm can be considered as equal to the more common terms exploitation and oppression, though I give it a different name in part because of the specific approach that is taken). Orthodox economics inadequately analyzes principal types of harm, and, while it has a name, "productive activity," for activity that turns out something useful for others, it does not, in its price theory or other textbooks, have a name or a general analysis for activity that is not productive yet obtains income or other benefits. This major difficulty was brought out in my "Orthodox Economics and the Economics of Harm" (2021) and further developed in "Heterodox Economics and the Economics of Harm" (2022). When considered as a group rather than disparate topics such as market power, unequal bargaining power, activities that create external diseconomies, discrimination, conflict and other forms of harm employed by governments, harm emerges as a major factor in world economies and in economics, and "efficiency," a vaunted advantage of "the market," is much worse than orthodox economics brings to light.

Our general definition of harm is: "one group uses resources to restructure the alternatives of another group in such a way that the first group benefits" (Vanderslice 2021). Can there be activities that obtain income by harming others? The answer is clearly yes.

In orthodox economics, various types of market power can obtain income by reducing the welfare of others. With monopoly, for example, monopoly profits are obtained by reducing the production of a good. Part of the income from goods that have external diseconomies in orthodox economics terminology is obtained by an unpaid cost to others being somehow permitted, with climate change being an earth-threatening example of this. Unequal bargaining power, often substantial, permits one side to obtain a more favorable income at the expense of another group. This unequal bargaining power, for much of capitalist history in the United States and elsewhere, was not considered as harm, though, since the 1930s, there are now labor bargaining rights, and legal standards and enforcement mechanisms for health and safety standards for workers and consumers. The basic idea of Marxist exploitation, that capitalists have the power to gain control over the means of production, can also be viewed in this light,. Discrimination/intergroup inequality not only acts to restrict some groups to less-valuable jobs and opportunities, a restriction not based on productive characteristics, but acts as well in other areas such as wealth, health, and political influence. Governments clearly can allocate income to a few and have done so throughout history, an allocation not based on productivity. And conflict, if a winner emerges, also benefits one side at the expense of another.¹

Two important ways that harm can create income are by a state, through its government, and through conflict, where one side defeats another and imposes its will. Clearly, the government of a state has coercive power. It can make laws and enforce them, including imposing punishment. While this can be done with the idea of reducing harm (as for example punishment for crimes individuals commit against others in order to reduce the harm done by crime) it can also be used to benefit those in control of the government by reducing the benefits to others, which has been a major feature of government in the past. And conflict is a form of harm, used to obtain resources and income.

Conflict is an important type of harm. Jack Hirshleifer and Stergios Skaperdas are two orthodox economists that have considered conflict. Hirshleifer writes "People can satisfy their desires in two main ways: by production (for self-use, or for mutually beneficial trade with other parties), or else by conflict..." (Hirshleifer, 1). Skaperdas says "The homo economicus of traditional economics is far from being as completely self-interested, rational, or as individualistic as he is purported to be; he will haggle to death over price but will not take what he wants by force" (Skaperdas, 1). In comparison with harm, conflict is a very similar, nearly identical, approach that uses different terminology. In Hirshleifer's simple model, the costs of conflict between two groups are: the costs of the military and related production by each side (a subtraction from goods that benefit people), and, when conflict occurs, there is a gain to the winning side and an offsetting loss to the other. In the real world, with conflict there is also harm to people and to property.

Unlike production with exchange, conflict does not benefit both parties. One will be benefitted and the other harmed. One side will undertake conflict if it believes it will win and the benefit will be sufficient. It will not consider the losses of the other side. The major institution for carrying out conflict has been a state. States have coercive power over their members. This coercive power, in the hands of a relative few, can be and has been turned to the benefit of the few. Thus, in history, we have states and conflict, both sources of coercive power, intertwined. When a state is conquered, its control over its members passes to the conqueror. The advantage of conflict for a group is that it does not have to produce something with its own resources, but rather takes production or control of productive resources away from another through conquest. This requires force superior to the other.

Conflict in history

Conflict between states (and earlier political forms) has been a significant, even dominant, force throughout history. ² According to Arther Ferrill, four powerful weapons of war were introduced in the Mesolithic Age (18,000 to 12,000 BCE), the bow, the sling, the dagger (or short, short sword), and the mace were introduced, and, together with the tactics invented then, produced true warfare. These weapons dominated warfare down through the first millennium CE (Ferrill, 19-20). Basic military tactics established in the Mesolithic Age, such as the column, line, and double encirclement, lasted even longer. This increase in military power led in the subsequent Neolithic age "to the spread of fortified sites all around the eastern Mediterranean" (Ferrill, 26-27).

The Copper Age, considered as the end of the Neolithic, and the Bronze Age (c. 3300 BCE-1200 BCE, with civilization then centered in the Near East, brought the use of metal to tools and weapons, as well as the use of siege warfare, cavalry, and skirmishers (Ferrell, 33). Improved technology, tactics and strategy were important, as well as military discipline which kept units functioning as a group while attacking and being attacked. Logistical support was further developed during this period: "Near Eastern logistics had for centuries permitted the conquest of vast empires and the movement of armies over great distances (Ferrill, 33).

"With the birth of civilization we have records of the use of large national armies on a scale far greater than anything we can imagine for prehistoric times. Partly this development was due to the tremendous population explosion brought about by the irrigation and cultivation of the great river valleys. Partly it may be attributed to the political power and authority of the new rulers who were a major by-product of that complex phenomena, the origins of the state. By the time of the New Kingdom (1550-1070 BCE) the pharaohs could certainly place an army of 20.000 in the field" (Ferrill 37). "...Throughout most of the history of the Western world, well down into modern times, an army of 20,000 was a major striking force" (Ferrill, 37).

States have struggled against each other for dominance on the one hand and survival on the other with control of land, people, and the state itself often at stake. More powerful states have attempted to defeat or dominate others. Successful, rich states have been attacked by outside states (often referred to as "barbarians" by those invaded) seeking to gain rich lands. Groups within a state may also want to take over the polity, including those previously conquered or otherwise oppressed. The conquerors assumed control of society including distribution of the benefits. Conquerors obtained income through such means as taxation, control of land and other resources, control of trading opportunities, labor control including slavery, debt peonage and work levies, and, through control of land ownership and later other means of production, bringing people to work for low wages to escape destitution. Control of society was in their hands including laws and punishment. Killing conquered men and other genocide did occur.

Conflict as a principal origin of slavery and serfdom. Marx writes that conflict by states is the origin of slavery and serfdom.

"The only barrier which the community can encounter in its relations to the natural conditions of production as its own—to the land—is some other community, which has already laid claim to them as its inorganic body. War is one of the earliest tasks of every primitive community of this kind, both for the defense of property and its acquisition.... Where man himself is captured as an organic accessory of the land and together with it, he is captured as one of the conditions of production, and this is the origin of slavery and serfdom, which soon debase and modify the original forms of all communities, and themselves become their foundation" (Marx, *Grundrisse*, quoted in Finley, 73-74).

Finley comments that Marx introduces "the notion that war was the basic factor in economic growth and consequently in the transformation of the social structure" and quotes Perry Anderson as saying the "full potential of the slave mode of production was the first time unfolded by Rome

in the early Empire, the 'predatory militarism' of the Republic having been its main lever of economic accumulation" (Finley, 74).

They are controlled by conquerors who then establish institutions which have some role in allocating resources. These societies were hierarchical societies, often with single leaders at the head, though some degree of power was shared to a broader group. This is in many respects a military structure which can either be for external or internal use (suppression of broad-based rebellion or by a rival power structure). It is a state and economic structure which does not allocate resources through a market but through its mechanisms of control, and which typically allocates a significant fraction of overall output for its own benefit.

The role of relative size. Relative size would seem to be one important factor in winning a war, and thus in participating in one. Finley cites Q. Wright

A study of more than 2500 'modern' European battles between 1480 and 1940 concluded that the frequency of participation by individual states ranged from 47% (France) to 2% (Denmark); that 'clearly the great powers have been the most frequent fighters', while small states usually preferred to accept whatever was in store for them, 'rather than enter a war which would probably make their situation worse and to whose result they could probably contribute little' (Q. Wright, A Study of War (2 vol, Chicago 1942) quoted in Finley (1987, 78).

Conflict was crucial to western expansion. Geoffrey Parker summarizes:

- ~In 1500, the states of western Europe laid claim to less than one-tenth of the world's habitable land...
- -By 1650...the West had already achieved military—and therefore economic—mastery in four separate areas: south, central, and north-east America; Siberia; some coastal areas of sub-Saharan Africa; and much of the Philippines. In addition, its ships sailed at will all over the world's oceans and, in most of them, managed to regulate and in some cases to control the seaborne trade of commercial rivals...
- ~By 1775 Europeans, or those of European descent, could lay claim to just over one-third [of the earth's habitable land], as well as all its oceans, and
- -By 1914 they had increased that total to almost 85 per cent of the world's habitable land.
- ~Even in the 21st century, though the area under their direct control has shrunk dramatically, the ability of Western armed forces to intervene directly and decisively by land and sea more or less whenever they choose serves to safeguard the economic interests of its component states and to perpetuate a favorable balance of global power (Parker, 10-11).

Factors crucial to western expansion through conquest. According to Parker (2020), the armed forces of the West have placed heavy reliance on superior technology, discipline, and an aggressive military tradition—almost always seeking the total defeat of the enemy. While other military traditions such as China and Japan also had these, Parker says the West differed in two crucial aspects: eclecticism, where the West was willing to adopt and integrate new military practices as necessary, and finance, to support the rising cost of military expenditure. He identifies two

important aspects to finance, the introduction of new taxes and "the development of new techniques for mobilizing credit—such as national banks, banknotes, letters of credit, and bonds—because few states ever manage to finance a major war out of current income" (Parker, 9). In England tax revenues increased six-fold in the century following 1689. "In 1783, when the unsuccessful American war came to an end, Great Britain's national debt stood at £245 million, equivalent to more than twenty years revenue" (Parker, 9-10). Because of the cost of war and the ability to finance it, "relatively few [Western] states were able to remain in the race for long" although some non-Western states did, with Japan being one example (Parker, 10). Parker recognizes the importance of other economic factors as well, especially the industrial revolution beginning in the early 1800s.

Discussion.

- 1. Conquest has been a central way in which exploitation took place. Its subsequent institutionalization took various forms. If self-interested groups will not confine themselves to exchange but will take what they want by force, and that that also is economics, then states willing to use force, and then administer and defend their land and all within, have been the most successful economic organizations in terms of resources and output in history. The basic idea that taking from others is a form of economic activity is not recognized by orthodox economics generally or in texts, in spite of a reasonable number of orthodox economists making this point.
- 2. Why, if there is a great deal of harm involved in conflict, has it been such a historically important activity? Conquest is the method which more powerful states gain control over substantial resources. Many states do so because they choose to. Others perhaps have conflict forced upon them, but then accept the challenge of winning conflict and establishing their control. A certain subgroup of states and other political entities dedicate themselves in substantial measure to conflict and accept the central role of conflict in increasing and maintaining their wealth and power. Military strength is also important in maintaining power. Once territory is conquered, unrest, including rebellion, must be controlled, and an authoritarian political and social structure is helpful in keeping both dominant and subordinate elements of society in line.
- 3. Contrast with Marxism. The harm arises from capitalism in Marxism, where here it arises from states, an institution with the power to coerce, that can take advantage of conflict, a coercive activity, and thereby obtain the rewards that harmful behavior can reap relative to productive activity. These two approaches are of course not mutually exclusive. To be sure, capitalism is responsible for the harm done in the structure of capitalism, but it is worth considering whether other social systems/states would typically employ this model. Would a socialist or communist state society be able to/wish to avoid dominating its neighbors? I think that some domination of neighbors is a real possibility. China is trying to recover territories which it once had, such as Hong Kong and Taiwan, exert greater control over the South China Sea, and establish at least some naval bases in other countries. When this happens, Marxist thought often assigns this as capitalist formations within a communist society, but it can also be considered as a state acting as a state. Relations between states, evidenced before capitalism, still have relevance today.

It does appear that Marxism focuses everything on capitalism. Pre-capitalist economic foundations are folded into and become part of capitalism. Certainly this is true. Capitalism is not a slave society in the same way that ancient Rome was. But it also obscures relationships of states that are based on relationships that existed between states in the past and continue in states, capitalist and non-capitalist, up to today. There are (at least) two important entities, "living systems," that play an important role in our lives and whose negative consequences should be opposed, the economic structure of capitalism, and the political structure where some states (and other political entities) use conflict as a principal way of advancing their interests. There is an independent role of political control of a state. Marxism downplays the role of the state in favor of capitalist control. But control of a state is a fundamental way that harm can exist, and it has been a, and often the, principal structure for harm throughout history.

4. Capitalism and Western nations have been opposed to socialism (and greater worker control generally) from the beginning, which has led to these nations initiating conflict with governments viewed as socialist or communist, which by now is established as long-lasting opposition. When does this long running Western government (and capitalist) opposition to communism and socialism start? The opening sentence of the 1848 Communist Manifesto gives an indication: "A spectre is haunting Europe — the spectre of communism. All the powers of old Europe have entered into a holy alliance to exorcise this spectre: Pope and Tsar, Metternich and Guizot, French Radicals and German police-spies" (Marx and Engels, 1). The Communist Manifesto was published during and contributed to the development of widespread political upheavals against monarchy and autocratic political structures. Another important event in this opposition was Western military forces within Russia opposing the Bolsheviks from the beginning of the Russian Revolution in 1918 until 1920.

Conflict Today: Four Key Sources

Conflict is an important activity. Four institutions provide important current information on key topics: world military expenditure by the Stockholm International Peace Research Institute (SIPRI), deaths by organized violence by the Uppsala Conflict Data Program (UCDP), forced displacement by the United Nations High Commissioner for Refugees (UNHCR), and the costs of the post-9/11 "War on Terror" wars by the Watson Institute of Brown University Cost of War Project.

World military expenditure (SPRI). SPRI estimates world military expenditure at \$2.1 trillion in 2021, or 2.2 percent of global gross domestic product. Military spending by the top 15 countries accounted for 81 per cent of global military expenditure, with the United States (38 per cent) and China (14 per cent) by far the two largest spenders. (Lopez da Silva et al. 2022).

Deaths by organized violence (UCDP). In 2021, there were more than 119,100 deaths in organized violence, a 46 per cent increase from the previous year, as registered by UCDP. The increase was largely driven by escalating conflicts in Afghanistan, Ethiopia, and Yemen. In 2021, there were ~54 state-based armed conflicts (over territory or control of government, where at least one party was the government of a state) resulted in nearly 84,000 battle-related deaths;]

~76 non-state armed conflicts resulted in over 25,000 deaths. There were 16 instances of conflicts between rival drug organizations in Mexico, with at least 18,700 deaths; ~40 instances of One-sided violence (the deliberate use of armed force against civilians by a government or a formally organized group) carried out by 40 actors causing at least 10,000 deaths. In Ethiopia, all sides to the conflict also carried out one-sided violence, causing almost 4,000 deaths, with the governments of Ethiopia and Eritrea killing at least 3,500 (Davies, Pettersson and Öberg 2022). Also see the UCDP website for additional information.

Displacement (UNHCR). The drastic worsening of people's lives is a major source of harm from conflict. For example, at the end of 2021, according to UNHCR, 89.3 million people were forcibly displaced worldwide as a result of persecution, conflict, violence, human rights violations or events seriously disturbing public order. (UNHCR 2022). This is more than double the 42.7 million people who remained forcibly displaced at the end of 2012 and represents an 8 per cent increase of almost 7 million people in the span of just 12 months. Using UNHCR categories, there were 27.1 million refugees, 53.2 million internally displaced people, 4.6 million asylum seekers and 4.4 million Venezuelans displaced abroad. More than one of every 100 people worldwide have moved from normal lives to the bleakness and desperation of a refugee situation. Seventy-two percent are hosted in neighboring countries; 83 percent are hosted in low- and middle-income countries. Sixty-nine percent of all refugees and Venezuelans displaced abroad came from five countries: Syrian Arab Republic, Venezuela, Afghanistan, South Sudan and Myanmar. (UNHCR, 2-4). According to the World Bank, 23 countries, hosting a combined population of 850 million people, faced high- or medium-intensity conflicts in 2021. (UNHCR, 5).

Activities and Costs of Post-9/11 War on Terror Wars (Watson Institute Costs of War Project) Since President George W. Bush announced a "global war on terror" following Al Qaeda's September 11, 2001 attacks on the United States, the U.S. military has engaged in combat around the world. The Costs of War Project has attempted to measure these costs. We present them in four different categories: involvement in "counterterrorism" activities; budgetary costs, deaths, and displacement.

U.S. Involvement in "Counterterrorism" Activities. From 2018 to 2020, the United States government undertook what it labeled "counterterrorism" activities in 85 countries (Savell 2001). She gives an overview of U.S. antiterrorism activities in 2018, 2019, and 2020 in four categories:

- 1. Countries where the U.S. conducted direct air and/or drone strikes against militant groups. There were seven, including Afghanistan, Iraq, Libya, Pakistan, Somalia, Syria, and Yemen;
- 2. Countries where U.S. service members engaged in combat, using force on the ground against militants. There were eight, including Afghanistan, Iraq, Kenya, Mali, Nigeria, Somalia, Syria, and Yemen. Additionally, this category includes four other countries (Cameroon, Libya, Niger, and Tunisia) with active "Section 127e" programs. Section 127e is a U.S. legal authority that allows U.S. special operations forces to plan and control certain missions, remaining in charge of, rather than simply at the side of, the African

counterparts they are ostensibly advising and assisting. Thus U.S. service members on the ground in these countries could have used force against militants via surrogates;

- 3. Countries in which the U.S. conducted formal, named military exercises to prepare for or rehearse scenarios of combatting terrorists (41 countries);
- 4. Countries whose military, police, and/or border patrol forces the U.S. Departments of Defense, State, or others trained and/or assisted to increase their capacity to combat militants (79 countries).

These categories are not comprehensive and do not include U.S. military bases used for counterterrorism operations, arms sales to foreign governments, or all deployments of U.S. special operations forces.

U.S. Budgetary Costs. Over the last 20 years, the United States has already spent and the Biden administration has requested about \$5.8 trillion in reaction to the 9/11 attacks. This includes the estimated direct and indirect costs of spending in the United States post-9/11 war zones, homeland security efforts for counterterrorism, and interest payments on war borrowing. Future costs for medical care and disability payments for veterans is the largest long-term expense of the post-9/11 wars, and these budgetary costs are estimated at \$2.2 trillion (Crawford 2021).

Deaths. At least 929,000 people have been killed by direct war violence in Iraq, Afghanistan, Syria, Yemen, and Pakistan. The number of people who have been wounded or have fallen ill as a result of the conflicts is far higher, as is the number of civilians who have died indirectly. Civilians (an estimated 387,072) have been the largest group affected, followed by opposition fighters, and national military and police. U.S military and contractor casualties were 15,252 for the period. (Crawford and Lutz, 2021).

Displacement. A report (Vine et al. 2021) estimates that at least 37 million people have fled their homes in the eight most violent wars the U.S. military has launched or participated in since 2001. These countries with the estimated total of refugees for each country and war duration are Afghanistan 6.3 million, Pakistan 3.7 million, Iraq 9.2 million, Syria 7.1 million, Yemen 4.4 million, Somalia 4.2 million, and Philippines 1.7 million. This exceeds those displaced by every war since 1900, except World War II. The study says that 37 million is a conservative estimate; the total displaced by these 8 wars could be closer to 48-59 million.

Conflict today: Measuring the incommensurable, the hidden cost of suffering.

War causes immense harm to people. A Google search "death destruction displacement costs of war" directs the reader to the Brown University "Costs of War" website and gives us the costs of war already summarized. But these statistics somehow just roll off us. They are large, serious, yet somehow ignored or minimized. We could try to better understand the harm. Here is a story of one incident of death and destruction <u>U.S. Drone Strikes Are Said to Target Rescuers - The New York Times (nytimes.com)</u>. This does not really describe the harm beyond giving an estimate of the number dead. Rather what the story is about is the dispute about who was killed—civilians or militants.

And in economics we are used to evaluating things in monetary terms—dollars. \$704 million~\$10,000 for each death~ has been spent on death gratuities for the survivors of the 7,040 men and women in the military who were killed in the war zones (Crawford and Lutz, 2021). Perhaps a better measure is wrongful death settlements in law. According to legal desire.com, the average wrongful death lawsuit pays somewhere between \$500,000 to \$1 million or more (which we are considering as an informed estimate, but certainly not a statistical one). Using the \$1 million figure, the monetary expression in U.S. wrongful death terms of the 364,000 civilians killed by direct war violence in major war zones (Costs of War 2021) would be \$364 billion, and which as a cost can be compared with other costs of war such as U.S. war expenditure over the period. Of course, wars are not legally considered "wrongful death" and the survivors, with minimal exceptions, are bearing the costs themselves.

A study by Bilmes (2021) has estimated **the** future obligations (FY2023 -FY2050) for U.S. veterans medical and disability at \$2.2 trillion. There are no estimates for disability of civilians, but if we look at the ratio of civilians killed above 364,000 to U.S. military killed 7,040 (Costs of War 2021) it is 51. So, considering that civilian and military disabilities may well differ in intensity, support for civilian disabilities would be some multiple of \$2.2 trillion, if we supported civilian disabilities at the same level we supported the disabilities of our military. Of course we don't, but that is the point of these paragraphs, that the suffering of others is ignored as a cost.

The harm it does is minimized in Western political discourse and academic thinking. It is also minimized in states' calculation of when to go to war. And we need to understand harm to make basic comparisons which we are far from being able to do. For example, for the large group of people that need to be considered, is living under a dictatorship worse or better than on the other hand being one of the many displaced and living away from their homes, or living in war zones, with houses and jobs destroyed?

Conflict Today: Analysis

State-based conflicts including the role of outside intervention. Table 1 below shows one breakdown of state-based conflicts. State-based conflicts are conflicts between two parties, where at least one is the government of a state. One-sided violence – such as massacres or genocide – are not included. Conflicts between states, or colonial or imperial conflicts cause relatively high numbers of deaths but are few in number. The table shows that the largest number of conflicts have been civil conflicts (which if they are large enough—over 1000 deaths per year—are called wars).

Number of Active State-based conflicts, World, 1946 to 2020

| Type of conflict | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010 | 2020 |
|----------------------------------|------|------|------|------|------|------|------|------|
| Civil w. foreign intervention | 0 | 2 | 5 | 8 | 3 | 4 | 4 | 25 |
| Civil conflicts w.o. for. inter. | 11 | 16 | 16 | 30 | 44 | 32 | 32 | 28 |
| Conflicts between states | 2 | 1 | 2 | 3 | 2 | 2 | 2 | 3 |
| Colonial or imperial conflicts | 5 | 2 | 3 | 0 | 0 | 0 | 0 | 0 |
| Total | 18 | 21 | 26 | 41 | 49 | 38 | 38 | 56 |

Source: OurWorldinData https://ourworldindata.org/war-and-peace

Evidence on outside intervention in intrastate conflicts is provided by Patrick M. Regan (2002). He identifies 89 unilateral foreign interventions into civil wars (he refers to them as intrastate conflicts) between 1944 and 1994; a period where he identifies 138 intrastate conflicts taking place. Thus, with this data, 64 percent of intrastate conflicts had foreign interventions. An intervention is directed at changing or preserving the structure of political authority in the target society. This shift in power due to the entry of a foreign power is known to bring about civil war. Compiling this data was a significant project in itself; the list of interventions, the country targeted, the intervenors, and the side they chose, government or opposition, and success or failure of the intervention appears in the book's appendix. These interventions are typically done as a part of perceived self-interest (foreign policy objectives).

Christopher Blattman and Edward Miguel (2010) provide an overview of orthodox economic contributions to the study of civil war by orthodox economists, political scientists and others, with section two reviewing theories of armed conflict. Robert Powell (2004) shows a foreign power intervening can start a (costly) civil war due to the sudden shift in power. Moreover, this is an example of a broader problem called a commitment problem: that those involved in the conflict reasonably believe that one or more sides may not or will not stay committed to a solution that resolves conflict. In game theory terms, he considers this as an "inefficiency condition" which ensures that all of the equilibria of a stochastic game are inefficient. This is not a good result for a discipline that prides itself on the efficiency of "free market" solutions. In addition, foreign intervention leads to a greater likelihood of conflict, on a larger scale, and diminished possibilities for successful negotiation of a dispute between parties, because it is a more complicated negotiation and because of such reasons as the typically longer-standing opposition of the opposing international parties. David Cunningham (2010) analyzes how the intervention of external states can make wars substantially longer: another actor makes wars more difficult to end as they must be defeated militarily or agree to settle, and they can have less desire to settle than the local participants.

U.S. interventions to keep communist, socialist, or nationalist governments from taking power. We have seen in the previous section the central role the U.S. government plays in the "war on terror." Another fundamental area has been U.S. interventions to keep communist, socialist, or nationalist governments from taking power, even with strong democratic support.

Berger et al. (2013) find that more than 30% of countries were subject to CIA "successful" covert interventions between 1947 and 1989. The interventions were "successful" in the sense that they installed a new leader or preserved the power of an existing one. As noted above, this shift in power due to the entry of a foreign power is known to bring about civil war. Of the 89 foreign interventions identified in the Regan study above, 35 of them were by the United States.

William Blum in his book *Killing Hope: US Military and CIA Interventions Since WWII* (2022) identifies 55 U.S. military and CIA interventions since WWII to the early 1990s. His summary of these interventions:

- ~Endeavored to overthrow more than 50 foreign governments, most of which were democratically elected.
- -Grossly interfered in democratic elections in at least 30 countries.
- -Attempted to assassinate more than 50 foreign leaders.
- ~Dropped bombs on the people of more than 30 countries.
- -Attempted to suppress a populist or nationalist movement fighting against an intolerable regime in 20 countries (Blum, 390).

Has this escaped our attention? The U.S. government has worked to keep its activities secret. The CIA has been involved in financing elections and other support of non-socialist candidates. Military aid and training have been presented as training and modernization, not preparations for coups or other activity. With local military undertaking the coup or other activity, which has included murder, torture and large-scale imprisonment or exile, the U.S. government has been able to maintain deniability. The CIA has developed exaggerated stories of communist involvement using significant resources, its local contacts (often financially supported), and after generating enough stories has been able to broaden acceptance of the story to the wider press. The United States government has certainly been willing to do this.

Other factors have also been working. There has been a strong and often virulent internal anti-Communism since at least WWI. During the Red Scare of the 1920s, suspected Communists were investigated, and laws were passed sanctioning the firing of workers. Legislation, including the Hatch Act, prohibited hiring and sanctioned firing of any person with communist beliefs. After WWII there was McCarthyism and the House Committee on Un-American activities in the 1950s to the 1970s, which fanned the fear of Communism and led to people being fired and prevented from working in several industries, including academia. As part of their anti-communism, Republicans and other groups regularly accuse those holding progressive ideas and the ideas themselves, of being socialist or communist, which some proportion of Republican and other voters do respond to. Edward Herman and Noam Chomsky's book, *Manufacturing Consent* (1988) shows how mainstream media support U.S. policy. The United States is enshrined by many in the U.S. as being the beacon of democracy, which makes it difficult to accept the occurrence of U.S. anti-democratic acts. And strong patriotism can make valid criticisms not important to many. "My country right or wrong."

We will not be able to depend on the U.S. government to avoid such interventions. Henry Kissinger said in 1970 before the U.S. government carried out an overthrow of the Allende government in Chile, "I don't know why we need to stand by and watch a country go communist because of the irresponsibility of its own people" (quoted in Blum, 209). Such intervention has been the policy of every U.S, government since the end of WWII, with the possible and partial exception of the Carter administration.

How did the United States arrive at such a position? In addition to reasons given above, the Monroe Doctrine has played an important role as justification. President James Monroe said in 1823 that European nations should no longer involve themselves in the Western Hemisphere through, to take an important example, trying to reconquer colonies that they had lost. This

subsequently has been used by U.S. governments to establish a sphere of interest in the Western hemisphere and to invade countries in the hemisphere when necessary, which included situations of non-payment of debt owed to the United States and other countries. In the words of the Office of the State Department, Office of the Historian (undated)

By the mid-1800s, Monroe's declaration, combined with ideas of Manifest Destiny, provided precedent and support for U.S. expansion on the American continent. In the late 1800s, U.S. economic and military power enabled it to enforce the Monroe Doctrine. The doctrine's greatest extension came with Theodore Roosevelt's Corollary, which inverted the original meaning of the doctrine and came to justify unilateral U.S. intervention in Latin America (State Department Office of the Historian online, undated).

This justification was most recently used by President Trump's administration to explain action against the Venezuelan government of Nicolás Maduro. In the words of the then White House national security advisor John Bolton: "In this administration, we're not afraid to use the phrase 'Monroe Doctrine.' This is a country in our hemisphere; it's been the objective of presidents going back to Ronald Reagan to have a completely democratic hemisphere" (quoted in Taylor, 2019).

Western countries have played an important role in establishing structures of harm in developing countries. Pre-WWII, colonial rule was certainly designed principally to benefit the colonizers. Post-WWII, the colonial structure gave way to independence, but in many cases not without a struggle and not without continuation of the colonial parties' relationship, on more favorable terms for the newly independent countries, but not without continuation of some structures of harm. Even more importantly, with its action against communism and socialism and "terrorist" movements, the United States became the new power reducing the freedom of decision and action in developing countries.

Conflict and the teaching of economic development

Let us now turn to development economics. I will emphasize economic development texts—not the only possibility—because this is how knowledge is transferred to a new generation. The four texts drawn upon are Perkins, Radelet, Lindauer, and Block (2013), Ray (1998), Todaro and Smith (2012) and Cypher (2014). The first three have a generally orthodox economics approach and I will use Todaro and Smith as an example in this paper, while Cypher has a more heterodox approach.⁶

Conflict and its mistaken categorization. Todaro and Smith do have some discussion of conflict; how it affects those who must live in situations of conflict (708-717). While this is certainly important, it misses the deeper critique of conflict. In orthodox economic theory, military and related expenditures are considered as productive activity. In political theory and ordinary political discussion, it is an aspect of foreign policy.

What it is, from both points of view, is a productive activity. This is a fundamental mistake, and it is not understood by orthodox economics, nor consequently by Todaro and Smith. Conflict is not a productive activity and calling the resources used for conflict "national defense" does not make it one. Let us consider a simple act of conflict. The "simple" Hirshleifer model of production vs. conflict measures in terms of productive resources used. With conflict, there is no additional

production of a good. There is one side taking away enough from the other side to make it a gain for the one side only. What is lost is *all* the production that could have happened if both sides had engaged in only productive activity. (And in the real world there is also a loss due to people and productive resources actually being harmed.) In spite of Hirshleifer and other orthodox economists making the point, *orthodox economics does not recognize that conflict is not a productive activity but an activity that reduces production and creates harm.* Military and other conflict-related expenditure are not actually goods that benefit people through use. At best, if not employed, military expenditure is a waste of productive resources. When employed, it also harms people, usually a large percentage of those involved. This harm did not come because of a "force of nature" like a volcano. Rather, it is due to human agency and patterns of behavior which humans have created and presumably could tame, and it is because of this central role of human agency that it should be classified as harm. This does introduce a major new source of harm in the orthodox economic model. One must consider what "goods" are used for; they may be used for harm, and when "goods" are used for harm they are not goods.

The above considers the act of conflict as a "taking away." But what if the "taking away" has already happened to a group. What is the status of "taking it back"? When the American revolution occurred people throughout the world welcomed the shift from the divine right of kings to the "self-evident" truths announced in the Declaration of Independence

...that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.~That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, ~That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness. (https://www.archives.gov/founding-docs/declaration-transcript)

This statement has three separate important ideas: 1) "all men are created equal and endowed with unalienable rights" 2) "to secure these rights, governments are instituted among men, deriving their just power from the consent of the governed" and 3) whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government. These were certainly revolutionary words, when applied to governments in Europe, as the American Revolution and Marx did, and to governments throughout the world. The point here is that "taking it back," or establishing rights that have never been granted, is, I think, broadly held as a legitimate reason for conflict. This exception would be limited, however.

I think the most common general reason that defense is considered a good for a state is that there is a possibility that the state may be attacked by another state and preventing this is a good. But this sets aside the whole history of conflict, which certainly has harm as a central feature, one group dominating another. To avoid the whole discussion and understanding of conflict to blithely categorize "defense expenditure" as a good, as government economics and other economics texts do, is a mistake.

Colonialism and the establishment of independent countries. Todaro and Smith do have a significant number of pages on colonialism (2012 69-70, 84-89, 503-504). Nonetheless they miss the essential point. A concluding observation for Todaro and Smith in their principal section on colonialism is "We have learned that conditions prevailing in a developing country when European colonialism began had a large impact on the subsequent history of inequality and institutional development in the nation..." (91). This misses the fundamental point about the world. There has been a continuous type of harm/exploitation and oppression that both developed and developing nations have confronted both internally and externally over the centuries right up to the present. It has certainly evolved but is still here. What we need to see is how harm has played out in every society, and how this harm has extended from one nation to another. Harm plays a key role in developing countries and this is not developed in Todaro and Smith. Nor specifically is the harm that developed countries do to developing countries.⁷

The importance of the anti-colonial revolution. Before a further discussion of harm in developing countries, I would like to emphasize the importance of this anti-colonial movement/revolution in history.

After WWII, colonial empires began to come to an end in Africa and Asia. About 36 new states began with the promise that government would be democratic and the economic and social benefits distributed broadly. This was an event of comparable importance to the American Revolution and subsequent events for the development of freedom and better lives, now for people in developing countries. We turn below to structures of harm in developing countries, but such harm is only part of the wider story, which is also one of freedom of determination and better lives for the broad spectrum of people there.

Structures of harm in developing countries. Despite real gains from national liberation, there has also been the persistence and historical development of economic and social systems where harm plays a significant role. Understanding this, which encompasses much more than conflict, is an important task of development economics.

The leaders of the new nations faced challenges establishing new governments. Colonies were administered in a way that benefited the colonial nations. Consequently, the colonial institutions that they inherited had "structures of privilege" built in. The movement for national liberation was often, even typically, opposed by colonial powers. Also, as the rulers of the state, leaders of the new nations could turn ruling power into gains for themselves and their supporters, including long-term, anti-democratic, rule. The "dead hand of the past" has also played an important role. There has been a very unequal distribution of income in developing countries for centuries. Productive + harmful economic systems have been a key cause of this unequal distribution of income. The distribution of income and productive assets is not just due to the operation of the productive economic system, as standard economics would have it, but is due in substantial part to a structure of harm. In developing countries, control of the countries and resources by a minority over the centuries has also resulted in serious income inequality. This lower level of income for poor people is not, for many, just missing out on a few luxuries. It is a major cause of malnutrition. It is a major cause of poor health—many basic services such as clean water, waste disposal, and essential

health services are not available at all. It is a major cause of poor education. It is not only a matter of "providing" poor people with more human capital and other resources as economic analysis focusing on production would say, it is a question of correcting a system which is structured against poor people.

As a result, the benefits of national liberation have been limited by the existence of productive + harmful economic systems in developing countries. My article "Vested Interests and the Common People in Developing Countries: Understanding Oppressive Societies and Their Effects" (2017) introduces types of harm and their impact on people in developing countries. This paper, while a reasonable introduction to the topic, is not sufficient for a full discussion. What would be needed is another full paper on the broader topic of harm in developing countries and the topic of this too-long paper is conflict. But let me make several important points. (All the major categories of harm mentioned in the beginning of this paper are relevant for developing countries as well.)

1. Democracy vs. conflict. The fundamental change from a productive + harmful society is a democratic one and designed to provide broad access by citizens to the benefits of society including increased welfare and greater liberty. The people of a society are empowered to make their own choices through an orderly process, typically involving elections. This is the antithesis of conflict, which ideally would only be taken, if necessary, to establish a democratic society. Yet we have seen that there is a significant amount of conflict in the world, most of it in developing countries, and that this causes substantial harm to people. Conflict is a strong indication that democratic processes are, at a minimum, not fully established. As discussed above, the United States has had a role in such conflict, establishing governments favorable to itself, frequently by using local country, often military, allies.

Consider how this is treated by economists writing on history from an orthodox economic perspective (neo-institutional), including Daron Acemoglu and James A. Robinson (2012), and Douglass North, John Joseph Wallis, and Barry R. Weingast (2009), authors frequently referred to in Todaro and Smith. Both have described very well a productive + harmful economic system, referred to as a limited access order by the first group and natural state by the second. North, Wallis, and Weingast use limited access order or natural state.

A natural state... form[s] a dominant coalition that limits access to valuable resources—land, labor, capital—or access to and control of valuable activities—such as trade, worship, and education—to elite groups. The creation of rents through limiting access provides the glue that holds the coalition together, enabling elite groups to make credible commitments to one another to support the regime, perform their functions, and refrain from violence (North, Wallis, and Weingast, 30).

However, both sets of authors also describe a second group of countries that has emerged—an open access order for North, Wallis, and Weingast and inclusive for Acemoglu and Robinson, with about 15 percent of the world's population—those that live in developed countries. Both groups' conclusion is that developed countries have become rich because they are open access orders. This characterization ignores two things: first, the simple fact that developed countries played a major role in establishing "natural states"—this productive + harmful economic system—in developing

countries; secondly, it ignores the benefits they have gained by doing so, and the harm imposed on developing countries. This role is not brought out in either book but is an important concern for heterodox economists through the study of imperialism, relations of dependency, and institutional analysis of harm, to name just three areas.

- 2. Restricted freedom. The essential revolution in all countries is democratic: people, through an orderly process, typically involving elections, make essential choices about the direction of their society. This is the antithesis of restriction of civil liberties and political rights. "Freedom in the World" gives a measure of these restrictions. It is Freedom House's annual global report on political rights and civil liberties covering 195 countries. Separate scores are awarded for political rights and for civil rights which, weighted equally, are used to determine the status of Free, Partly Free, and Not Free. Of the 195 countries of the world, in 2021 Freedom House evaluated 38.4 percent of the countries as Not Free, 41.3 as Partly Free and 20.3 as Free (Freedom House 2022). This indicates that there have been significant limitations to establishing civil liberties and political rights to citizens of national governments. However, the Freedom in the World analysis does not bring out or take account of the United States' or other developing countries' role in creating these negative results. It is a country-by-country analysis which does not take account of country actions influencing other countries.
- 3. Control/appropriation of productive resources. People at the top of government, or those who have significant control over the government but who are not government officials, such as international corporations or allies of high government officials, can and do obtain resources coming into the government. Government revenue is not entirely devoted to beneficial services for the citizens but used to benefit those in control of the government. Such activity is often referred to as corruption, but it is also correctly identified as harm. The expectation is that government resources will be used for the benefit of the nation, however very large amounts of such revenue are often used to enrich those who control or have influence with the government. Taxes owed to the government are avoided, and the system of justice is biased toward the rich and/or powerful, enabling them to bend the law in their favor. People at lower levels of government can obtain income too, by not providing services which they are paid to provide, by charging for services which they should provide, or by taking goods, such as medical supplies or automobiles/trucks, which should be used for government service.

One imperfect measure of this appropriation is the Corruption Perceptions Index (CPI) of Transparency International. In the 2021 CPI, of 180 countries tracked, two-thirds score below 50 out of 100 in its index, which Transparency International says indicates serious levels of public sector corruption (TI 2022). While such corruption/harm exists, the role of the private sector, or outside governments seeking to control resources or the government itself, historically and currently, is not measured or brought out. Heterodox analysis has been a major source of analysis of issues involving control of the state with excellent examples being Ellen Meiksins Wood's Empire of Capital and Robert Fatton Jr.'s Predatory Rule: State and Civil Society in Africa.

One final thought

The theory of philosophy of Leibnitz, the inventor of calculus, was that God, the great maximizer, created the best of all possible worlds, and that evil that remained was "necessary evil." The philosopher T.H. Bradley's comment was "this is the best of all possible worlds, and everything in it is a necessary evil."

Orthodox economics' basic model is a productive one. In that productive model, each actor seeking to maximize profits or satisfaction leads to a type of best of all possible worlds, a Pareto optimum, where no one can be made better off without making someone worse off. But harm is in fact an important part of reality. A central point of this paper is that when self-interested groups don't confine themselves to exchange but will take what they want by force, then states willing to use force have been the most successful economic organizations in terms of resources and output in history. Other aspects of capitalism, such as market power, and states, which can allocate resources to those who control the state, also structure alternatives to benefit themselves and are major sources of harm as well.

So, when we consider economics when harm is taken as part of the system, what is present is not Pareto optimality, but maximizing behavior leading to an outcome where the strong benefit and the weak are harmed, a system which has created a very large amount of harm in the world.

Footnotes

- 1. This is the fourth paper in a series possibly leading to a book developing the idea of harm (or exploitation and oppression) as a major category of economics. Other authors with a similar view and their overall term used to describe the process include Nancy Folbre (2020), manifold exploitations, Mariana Mazzucato (2018), value extraction, and Dean Baker (2016), rent. In addition, the Monthly Review approach to Marxism has been inclusive in analyzing the various types of harm that capitalism inflicts on people.
- 2. The Times Concise Atlas of World History (Barraclough 1982) is very useful in visualizing and understanding the importance of conflict and the rise and fall of states and empires. The atlas covers the geography of world history in 182 pages. It is divided into 4 parts and noted below are the number of sections in each part that deal with the rise and fall of states. (Other sections deal with such things as trade, religion, and the transmission of disease.) Each section has 3-6 maps that deal with specific aspects of the period such as wars, the rise of specific states/empires, or the map of states in a particular area.

Early man and the civilizations of the ancient world. From prehistory through the later Roman empire, about 500 CE. Nine of 15 sections.

Decline and recovery: the emergence of a new world. From about 500 CE to about 1500 CE. 14 of 16.

The rise of the West. 1500 to WWI. 26 of 28 sections.

The modern world. The 20^{th} Century and for some sections parts of the 19^{th} as well. 15 of 16 sections.

- 3. The deaths counted in this report do not include all conflict deaths, only those that can be attributed to a specific type of conflict, which cannot always be done. All events of each type of conflict recorded for the year can be viewed in the appendix to the report. State-based conflicts are counted beginning at 25 battle related deaths per year. Beginning at 1000 deaths per year, they are considered wars.
- 4. Wrongful death settlements include cost of the funeral and burial, medical bills for treatments or emergency medical care provided to the victim during his or her last illness or injury, loss of financial support, including wages and benefits that would likely have been earned by the deceased person if he or she had lived, and the value of lost services such as support, care, companionship, training, education, personal advice, and other potential services the deceased would likely have provided for his or her family. See https://legaldesire.com/what-is-the-average-wrongful-death-settlement/.
- 5. In Regan's compilation of 138 conflicts, we estimate that 107 were wars (taking 1000 average deaths per year or more that the conflict continued as a conflict considered a war).
- 6. As a preface, I would like to point out two things: The current academic system of teaching economics in the United States has a long sequence of courses taught from an orthodox economics point of view and almost exclusively from the point of view of the United States, except perhaps for international trade and economic development courses. Thus, in the economic preparation of economic students, the economies of something like two-thirds of the countries of the world are treated in a one-semester course which focuses on one topic—economic development—an important topic to be sure, but certainly not the only one of interest. This particular system of courses is designed in an economic framework where things are published

where they can be published at a high price, which means the United States and other developed countries.

- 7. Nor are the contributions of heterodox economists recognized. Marx, and the subsequent analysis of Marxist economists, to take the major example, is absent from the discussion. There are three pages in Todaro and Smith on "The International Dependence Revolution" which is quickly dismissed in favor of "The Neoclassical Counterrevolution: Market Fundamentalism (2012, 122-130). The only type of institutionalism used in their analysis is new institutionalism, not institutionalism.
- 8. Open access orders include: 1) A widely held set of beliefs about the inclusion of and equality for all citizens; 2) Entry into economic, political, religious, and educational activities without restraint; 3) Support for organizational forms in each activity that is open to all (for example, contract enforcement); 4) Rule of law enforced impartially for all citizens; 5) Impersonal exchange.

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