

ROUTLEDGE STUDIES IN DEFENCE AND PEACE
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Analytical Peace Economics

The illusion of war for peace

Partha Gangopadhyay and
Nasser Elkanj

Analytical Peace Economics

The Middle East is at an unprecedented crossroads between the established Euro-centric system and the emerging Asian powerhouses like India and China. Their economies, policies and social structures are a halfway house between these two dominant groups and are an important case study to examine in order to highlight future prospects and problems of the global system. The Middle East is an important missing piece in a huge global puzzle. This book takes a significant step towards understanding that puzzle and offers solutions for how to fully integrate this missing jigsaw piece into the global economic system.

Analytical Peace Economics: the illusion of war for peace focuses on three critical issues in the Middle East that dominate discussions about their place in the global political economy: conflict, oil and (regional) development. Examining economic and social development in juxtaposition with conflict and peace, this book adapts, develops and applies historical, geographical, economic and psychological methods, creating a nuanced approach to the collective understanding of the economic and social dynamics in the region. By developing theoretical models and analysing empirical research, this book offers an economic analysis of the attempt to find peace through war and seeks to find alternative solutions.

This book will be of interest to researchers, policymakers and doctoral students of economics, finance and social sciences as well as advanced undergraduate students of peace economics and development studies.

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**Partha Gangopadhyay dedicates the book to his son Karno
Gangopadhyay
and
Nasser Elkanj dedicates the book to his parents and his three
sisters**



Contents

<i>List of figures</i>	viii
<i>List of tables</i>	x
<i>Foreword by G. C. Harcourt</i>	xiii
<i>Foreword by Steve Killelea</i>	xiv
<i>Acknowledgements</i>	xvi
1 Conflicts, development and progress: introduction	1
2 Insecurity from entitlement failures in the Middle East and North Africa	31
3 Interest group politics and defence spending	74
4 Dynamics of terrorism in a fragmented world: the Middle East and North Africa conundrum	96
5 Conflict management procedure and its application to the Middle East	126
6 Military spending: decision-making in anarchy and herd instincts	149
7 Equity, justice and peace: historical analysis	185
8 Summary and conclusion	203
<i>Appendix: a historical account of the conflicts in the Middle East</i>	212
<i>References</i>	258
<i>Index</i>	276

Foreword

The most important article I read as an undergraduate in the early 1950s was KW Rothschild's classic in the *Economic Journal*, 'Price theory and oligopoly'. In it, he argued that Clausewitz's principles of war contained the most appropriate structure within which to study the market behaviour of oligopolists. His arguments have had a major and sustained influence on my research ever after.

Now Partha Gangopadhyay and Nasser Elkannj, in this remarkable original book, *Analytical Peace Economics: the illusion of war for peace*, have gone in exactly the opposite direction to Rothschild. They use the technical advances on the frontier of economics and management science to illuminate the causes and consequences of conflict. Using a variety of approaches and much empirical and experimental work, Gangopadhyay and Elkannj analyse conflicts in the Middle East, the 'war on terror', the worldwide arms race, and the differential impacts of conflict on developing and developed nations, and on regions within them both.

The analysis is an enlightening combination of deep economic intuition, common sense, and high-powered economic and econometric analysis. The authors are careful to point out limitations of the analysis and the findings, and to suggest topics and areas for further research. Nevertheless, the book is a major step forward in our understanding of some of the most important and frightening issues facing the modern world, illustrating the strengths of clear thinking and evidence-based findings in modern economic analysis.

G.C. Harcourt,
School of Economics, UNSW Australia and the former
President of Jesus College, University of Cambridge,
1988–1989 and 1990–1992

Foreword

Peace is more than the absence of violence. In truly peaceful societies, there are high levels of what I refer to as 'Positive Peace', this is the attitudes, institutions and structures that promote resilience in society, enabling nations to overcome adversity and resolve internal economic, cultural, and political conflict through peaceful means. Compare the way in which two European countries have dealt with their economic crises over the past few years to demonstrate how a country with strong Positive Peace manages; Iceland was much more resilient than Greece, which is lagging behind in Positive Peace. Or in the case of natural disasters, compare the resilience of Japan in the face of the 2011 tsunami, to that of Haiti after the 2010 earthquake.

What creates peaceful societies also creates the optimum environment for many other conditions considered beneficial: strong business environments, superior ecological management, better gender rights.

Positive Peace also builds the capacity for resilience and the possibility and incentives for non-violent alternatives to conflict resolution. Stronger Positive Peace reduces the level of violence within a society in two ways. First, it removes the source of grievances that could generate violence, and second it means that legitimate and effective non-violent resolution avenues are on offer. A decrease in violence will also lead to a virtuous cycle. Less is spent on violence containment, allowing more funds to be invested in other growth expanding opportunities, thereby helping to further improve peace.

Personally, I find the study of peace most rewarding and have been surprised by how little we actually know about peace. That is why the ambitious research contained within this book is a vital contribution to our understanding of the most crucial issue of our time. I commend the inquiry and determination of Gangopadhyay and Elkanj in seeking to find an answer to one of humanity's most enduring and consequential of questions: What is the solution to war?

Steve Killelea, Executive Chairman and Founder,
Institute for Economics and Peace, Sydney, Australia

We are in an epoch different to any other in human history. The problems we face are global in nature and require cooperation on a scale unprecedented in human history. To solve these urgent challenges – over-population, climate change, ever-decreasing bio-diversity, and migration crises – we need to bring about peace. Because without peace humankind will never be able to achieve the levels of cooperation, trust, inclusiveness and social equity needed to bring about solutions to global challenges.

I am a strong proponent of the need to study, advocate and act on peace and focus on bringing a strategic approach to raising the world's attention and awareness around its importance to humanity's survival in the twenty-first century. This is why I am fascinated by the revelations unearthed in *Analytical Peace Economics: the illusion of war for peace*. Through the intellectual endeavours of Partha Gangopadhyay and Nasser Elkanj, we are brought closer to an understanding of how to bring peace about. We learn about the influence of politics on conflicts, the causes and consequences of terrorism in the Middle East and North Africa, the use of participatory conflict management procedures, and the role of economic inequality in conflicts.

Certainly, I agree with the authors when they say that, 'Before the 1950s, work in the area of conflict was performed in the main by political scientists. This has changed with the growing awareness of economists about the impacts of conflicts on the economy.'

Although societies that are peaceful, socially cohesive, stable and safe are undeniably worthwhile in and of themselves, they also make economic sense. Research by the Institute for Economics and Peace consistently finds that more peaceful societies are also more prosperous. In fact, when the economic impact of violence and the fear of violence are considered on a global scale they are equivalent to at least US\$ 14.3 trillion. Basically, 13.4% of GDP is lost to violence every year. Then, of course, the pivotal role of peace in encouraging prosperity extends to broader social outcomes, such as education, health and overall well-being.

Acknowledgements

To write an acknowledgement is usually a pleasant surprise. It is a surprise because it means that the writing process for this research monograph is coming to a grinding halt – finally, indeed. It is pleasant for the very reason that the process of writing, just like any other long journey, is critically anchored to an optimal stoppage point where the extrinsic motivation for seeing the outcome of research is in perfect balance with the intrinsic motivation behind plugging away at the monograph. Predictable though this may have been, just like life itself, the fact that it was a priori predicted, does not make it easy to live it post-hoc, or a posteriori. What remains to be seen in future days is whether the pleasure from having seen the final product will be followed by enjoying concrete, critical, rational and constructive criticisms of our collective, often lop-sided, efforts in writing this monograph. During the long incubation period many people have contributed to this product. We are going to hand-pick a few lest the emphasis is misplaced. We would like to thank, for both accepted and rejected advice, Jurgen Brauer, Manas Chatterji, Mansoob Murshed, Steve Killelea, Raja Junankar, John Lodewijks, Alex Mintz, Raul Caruso, Rahul Nilakantan, Daniel Hyslop, Camilla Schippa, Biswa Bhattacharya, Oscar Hauptman, Bobby Banerjee, Yanis Varoufakis and Sriram Shankar. The book would not have reached its current form without detailed comments from anonymous referees and Keith Hartley. It is an opportunity for us to humbly express our deep gratitude to the late Michael Intriligator and the late Walter Isard, two Goliaths in our field, for their active and unflinching support to our research from the very first day of this project.