

Prof. Corneo – Topics in Public Economics: Theories of War and Peace

This course is a reading course yielding 6 ECTS. Each participant has to present in a detailed way an important research article and to actively discuss the presentations made by the other participants. Grades depend on presentation and discussion. The course in the winter term 2025-2026 deals with the public economics of international relations.

The course is on Wednesdays 4 – 7 p.m. and takes place in room HS 108a in the building of the Economics Department of the Freie Universität (Garystr. 21, 14195 Berlin).

Date of beginning: October 15, 2025, at 16.15.

Information requests on the course can be addressed to: Giacomo.Corneo@fu-berlin.de.

Papers to be presented by the students will be assigned from Part I of the syllabus below: Models of Arms Build-Up and War.

I. Models of Arms Build-Up and War

1. Basic strategic settings

War as a possible equilibrium outcome of interactions between states in a context of international anarchy.

Required: Kydd, A. (2015), International relations theory: The game theoretic approach, Ch.1-3, CUP, Cambridge.

2. Why war?

The outcomes after a war are worse for each side than what a negotiation could have achieved that prevented that war, with its waste and destruction. If wars are ex-post inefficient, why do they occur?

Required: Fearon, J. (1995), Rationalist explanations for war, International Organization 49, 379-414.

3. Mechanism design and peace keeping

In some situations, international organizations (e.g. the UN) have the means to enforce peace agreements and / or states have other means to commit to their international treaties. Would then the full exploitation of bargaining possibilities guarantee peace?

Required: Bester, H. & K. Wärneryd (2006), Conflict and the social contract, Scandinavian Journal of Economics 108, 231-49.

4. Why so much military?

Guns and a country's bargaining power: What are the reasons for global waste in form of arms build-up?

Required: Garfinkel, M. & S. Skepardas (2006), Economics of conflict: An overview, Sect.3, Handbook of Defense Economics, Elsevier.

5. Nuclear missile war and deterrence

First-strike advantage and possibility of deterrence from the most destructive variety of war.

Required: Intriligator, M. & D. Brito (1984), Can arms races lead to the outbreak of war? Journal of Conflict Resolution 28, 63-84.

Suggested: Mayer, T. (1986), Arms races and war initiation, Journal of Conflict Resolution 30, 3-28. Long, A. & B. Rittenhouse Green (2015), Stalking the secure second strike: Intelligence, counterforce, and nuclear strategy, Journal of Strategic Studies 38, 38-73. Hachiya, M. (1955), Hiroshima-Tagebuch, Hyperion Verlag, Freiburg. Hersey, J. (1985), Hiroshima, Alfred Knopf, New York.

6. The security dilemma

Uncertainty about opponent's motivations and the role of cheap talks.

Required: Baliga, S. & T. Sjöström (2004), Arms races and negotiations, Review of Economic Studies 71, 351-69.

7. The spiral model

Signalling by (not) building weapons and the dynamics of fear.

Required: Kydd, A. (1997), Game theory and the spiral model, World Politics 49, 371-400.

8. NATO enlargement

Alternatives to the spiral equilibrium for explaining the expansion of NATO.

Required: Kydd, A. (2001), Trust building, trust breaking: The dilemma of NATO enlargement, International Organization 55, 801-28.

Suggested: Gaddis, J. (1998), History, grand strategy and NATO enlargement, Survival 40, 145-51.

9. Reputation for resolve

Asymmetric wars between a far-sighted empire and a sequence of short-sighted colonies.

Required: Fudenberg, D. & J. Tirole (1991), Game theory, 367-74, MIT Press, Cambridge.

Suggested: Weisiger, A. & K. Yarhi-Milo (2015), Revisiting reputation: How past actions matter in international politics, International Organization 69, 473-495.

10. Diverging domestic interests and military policy under democracy

Within a state, citizens usually have different opinions about military policy. While some may profit from war, others may lose. In a democracy, all opinions should count and affect the policy choice. What can explain the fact that sometimes war is in the interest of a minority and yet it is democratically chosen?

Required: Corneo, G. (2006), Media capture in a democracy: The role of wealth concentration, *Journal of Public Economics* 90, 37-58.

Suggested: Kull, S., Ramsay, C., & Lewis, E. (2003). Misperceptions, the media, and the Iraq war, *Political Science Quarterly* 118, 569-598. Kuperman A. (2013), A model humanitarian intervention? Reassessing NATO's Libya campaign, *International Security* 38, 105-136. Melzer, N. (2021), *Der Fall Julian Assange*, Piper.

11. Bellicose political leaders as an extortionary device

If military threats are credible and countries can extort wealth from others in exchange for peace, it may make sense for the domestic citizenry to delegate political authority to a leader that is biased toward war.

Required: Jackson, M. & M. Morelli (2007), Political bias and war, *American Economic Review* 97, 1353-73.

II. Natural and Cultural Origins of Collective Aggressivity

12. Fight in animals

Required: Hammerstein, P. & O. Leimar (2015), Evolutionary game theory in biology, in *Handbook of game theory*, p. 588-592, Elsevier.

Suggested: Maynard Smith, J. & G. Parker (1976), The logic of asymmetric contests, *Animal Behaviour* 24, 159-175. Grafen, A. (1987), The logic of divisively asymmetric contests: Respect for ownership and the desperado effect, *Animal Behaviour* 35, 462-7.

13. Fight and war in simple human societies

Required: Knauff, B. (1991), Violence and sociality in human evolution, *Current Anthropology* 32, 391-428.

Suggested: Majolo, B. (2019), Warfare in evolutionary perspective, *Evolutionary Anthropology*, 1-11.

14. War in history

Required: Howard, M. (2001), *The invention of peace and the reinvention of war*, ch. I-IV, Profile Books, London.

Suggested: Baumol, W. (1990), Entrepreneurship: Productive, unproductive, and destructive, *Journal of Political Economy* 98, 893-921.

III. Normative Perspectives on War and Peace

15. Ethical justifications of waging war

Are there “just” wars and how can they be defined?

Required: Frowe, H. (2011), The ethics of war and peace, ch. 3-4, Routledge, London.

Suggested: Chomsky, N. (2003), Hegemony or survival: America's quest for global dominance, New York: Metropolitan Books, p. 11-49. Tolstoy, L. (1886), What I believe.

16. International law

The UN Charter outlawed war except in cases of self-defence. Did this have any effect on state behavior?

Required: Guzman, A. (2008), How international law works: a rational choice theory, ch. 2, Oxford: OUP. Dörr, M. (2019), Prohibition of use of force, Max Planck Encyclopedia of Public International Law,

<https://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e427?rskey=O5hEOG&result=1&prd=MPIL#>

Suggested: van Aaken, A. & I. Stradner (2021), Economic analysis of international law, in: Rossana Deplano and Nicholas Tsagourias, Research Methods in International Law: A Handbook, Edward Elgar Publishing (pp. 366-384). Posner, E. & A. Sykes (2013), Economic foundations of international law, ch. 12, Cambridge: HUP. Mearsheimer, J. (1994-1995), The false promise of international institutions, International Security 19, 5-49.

17. Averting omnicide

Doomsday machines currently exist in the USA and Russia. What are they? Why haven't they been dismantled yet?

Required: Ellsberg, D. (2017), The doomsday machine. Confessions of a nuclear war planner, Part II: The road to doomsday, London: Bloomsbury.

Suggested: Russell, B. (1959), Common sense and nuclear warfare, ch. X, London: Allen & Unwin. Diaz-Maurin, F. (2022), Nowhere to hide, Bulletin of the Atomic Scientists, <https://thebulletin.org/2022/10/nowhere-to-hide-how-a-nuclear-war-would-kill-you-and-almost-everyone-else/#post-heading>

18. Citizenship and peace

Required: Einstein, A. & S. Freud (1932), Warum Krieg? Briefwechsel. Corneo, G. (2023), Alert citizenry as an antidote to war, DP 2023/9, FU Berlin.

Suggested: Kant, I. (1795), Zum ewigen Frieden. Lorenz, K. (1963), Das sogenannte Böse, Kap. 14.