



UNITED STATES INSTITUTE OF PEACE

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to promote peaceful resolution to international conflicts

Economic Policy Critical for Conflict Prevention and Peacebuilding New USIP Book Examines Peace Economics

For Immediate Release

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(Washington)—Creating sound economic policy and a stable macroeconomic framework are central to peace negotiations and state-building efforts, yet few practitioners have the background needed to apply core economic concepts effectively in their work. To provide practitioners with a concise but broad overview of economic fundamentals as they touch on violence-afflicted states, the United States Institute of Peace releases “Peace Economics: A Macroeconomic Primer for Violence Afflicted States” by Jurgen Brauer and J. Paul Dunne.

In this first-of-its-kind resource, Brauer and Dunne

- explain key economic concepts and relationships in a lay-person's terms;
- present important issues, data, and metrics;
- outline roles and responsibilities of key institutions; and
- offer lessons for violence prevention, mediation, peace agreements, and post-violence management.

“The purpose of the primer extends beyond pure economics into the wider realm of social reconstitution, social contract, and social capital in the hopes of helping practitioners build a stronger and more stable peace. We need to shift the scholarly and public focus from the costs of war to the benefits of peace,” states Brauer.

The primer shows how difficult it is to develop economies in the wake of violence and outlines how to create incentives to secure a stable peace. The authors include illustrative cases that highlight missteps as well as good practices, and offer a set of peace treaty design principles—useful rules of thumb—for negotiators, economic policymakers, and those who find themselves in both roles.

“While the economic terms and execution of the post-World War I peace treaty helped lay the foundation for World War II, the post-World War II peace arrangements helped create the economic miracles of both Germany and Japan. The same logic applies to armed violence throughout the world today,” states Dunne. “The proper design and implementation of economic policies and their supporting institutions can be among the primary instruments for preventing armed violence.”

ABOUT THE AUTHORS

Jurgen Brauer is a professor of economics at the James M. Hull College of Business, Augusta State University, Augusta Georgia, and a visiting professor of economics in the Department of Economics, Chulalongkorn University, Bangkok, Thailand. **J. Paul Dunne** is a professor of economics at the School of Economics, University of Cape Town, South Africa.

ABOUT THE UNITED STATES INSTITUTE OF PEACE

The United States Institute of Peace is an independent, nonpartisan conflict management center created by Congress to prevent and mitigate international conflict through nonviolent means. USIP saves lives, increases the government's ability to deal with conflicts before they escalate, reduces government costs, and enhances national security. USIP is headquartered in Washington, DC. To learn more, visit www.usip.org.

Peace Economics: A Macroeconomic Primer for Violence-Afflicted States

September 2012

United States Institute of Peace Press

136 pp. • 6 x 9

\$19.95 (paper) • ISBN: 978-1-60127-138-9

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Peace Economics

Questions and Answers with the Authors

1. What is peace economics?

Peace economics is the branch of economics that studies the design of societies' political, economic, and cultural institutions and their interacting policies and actions to prevent, mitigate, or resolve any type of latent or actual violent conflict within and between societies.

2. What topics are covered in the volume?

The primer covers economic development, economic growth, macroeconomic stabilization, and global trade and finance in both theory and practice, with a particular focus on the ways in which violence and recovery from violence affect them all. Though the economic effects of violence are difficult to quantify for a variety of reasons, it is clear that war and other violent conflict have almost entirely negative economic effects, both during active fighting and long thereafter. However, carefully crafted peace agreements, well-designed economic policy, and effective aid can alleviate the economic damage done and thus reduce the chance of a relapse into violence.

3. How does this volume assist practitioners in navigating postconflict reconstruction?

In the economics of peace, there is a danger of missing the forest for the trees. Practitioners tend to focus on the trees: They are keen to answer the question of what to do when specific problems arise. The answer partly depends, however, on what the desired healthy forest is to look like. The economics of peace can be understood as an ecosystem, and fixing one's gaze on design principles, rather than context specifics, assists not only postwar reconstruction, but also violence prevention, mitigation, and building immunity and resilience to violence. Thus the purpose of the primer extends beyond pure economics into the wider realm of social reconstitution, social contract, and social capital in the hopes of helping practitioners build a stronger and more stable peace. One might think of this as peace engineering.

4. Why is it important to approach building peace from an economic perspective?

Designing peace from an economic perspective—and creating the institutions that can implement the policies stemming from peace agreements—ultimately calls for practitioners to adhere to that aim to redraw the social contract and reestablish social capital, both among leaders and between the eventual governments and the public. The principles cannot guarantee success, but as both theory and the legacy of negotiated peace treaties since the end of the Cold War have shown, designing policies with these principles in mind can improve the chances of creating a stronger peace.

5. What are the key principles of designing stable peace?

We detail twelve principles that designers of peace agreements should not fail to meet. If followed they should explain the successful making and the resilient keeping of peace.

Conversely, their absence or violation may explain the continuance or recurrence of war. The principles—steps toward a choice architecture of peace—should be viewed as a complete and mutually reinforcing package. Examples include:

- **The Principle of Authentic Authority**
Peace negotiators derive their authority to speak for others from culturally sanctioned ideas concerning forms of representation, the right to organize and assemble, and the ability of people to address their own problems as well as find indigenous solutions to them.
- **The Principle of Common Value Formation**
Common preferences transcend differences and produce a voluntary coming-together of like-minded actors who are likely to cooperate for mutual benefit.
- **The Principle of Self-Policing Enforcement**
It is generally more efficient and effective to supply parties with the ability to monitor each other than to rely on external monitoring although there may be exceptions when, for example, economies of scale make it worthwhile to outsource at least part of the monitoring function.



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Praise for *Peace Economics*

"The effect of violence on economic progress is very strong, yet it has not received appropriate attention. Jurgen Brauer and J. Paul Dunne have performed a great service by combining general economic perspectives with case studies to survey economic growth in its broadest aspects, in particular stressing the role of internal and external conflict."

—**Kenneth J. Arrow**, Nobel Laureate and Joan Kenney Professor of Economics and professor of operations research, Stanford University

"*Peace Economics* is essential reading for any person interested in understanding and assessing the costs of war and how to create real incentives to secure a stable peace. It illuminates the political economy of war and peace brilliantly. The twelve design principles for building peaceful institutions and the four policy lessons brilliantly provide policymakers and concerned citizens with economic and social tools to rebuild trust, social capital, and cooperative harmonious social and political relationships. I heartily commend this book to anyone interested in ensuring that the twenty-first century is an age of maturity and peacefulness."

—**Kevin P. Clements**, foundation chair and director, National Centre for Peace and Conflict Studies, University of Otago, Dunedin, New Zealand and past secretary general, International Peace Research Association (IPRA)

"The volume entitled *Peace Economics: A Macroeconomic Primer for Violence-Afflicted States* will be the bible for all peace economists. Jurgen Brauer and J. Paul Dunne, two of the most distinguished peace economists, have produced a timely, nuanced, and excellent book that painstakingly collects the artifacts of modern macroeconomics with relevant social and cultural ammunitions needed for developing the analytical foundation of peace economics. This volume will be an important and decisive step toward dismantling the sophistry of peace economics built solely on economic principles."

—**Partha Gangopadhyay**, editor-in-chief, *International Journal of Development and Conflict*, and associate professor, School of Economics and Finance, University of Western Sydney

"Most economics is peace economics in that it assumes away violence, but violence is endemic and economic processes do influence the incentive to use violence. This book takes the violence seriously and examines how macroeconomic policy can contribute to keeping or restoring the peace. It presents the basic economic principles in a way that is relevant to practitioners facing the challenge of reducing violence or trying to promote

postconflict reconstruction. The key policy lessons and tips are summarized at each stage and the final chapter looks at how to design and promote peace. Brauer and Dunne very effectively condense a large amount of technical material into a form that policymakers in states afflicted by violence will find very useful.”

—**Ron Smith**, professor of applied economics, Birkbeck College, University of London

“Why should economists care about conflict and violence? Brauer and Dunne have a very convincing answer: Not only has conflict economic costs and causes that hinder long-run development, but conflict is also part of the very nature of economics. Predation and plunder, as well as production and exchange, are means of resource allocation. This book is a mandatory reference for both academics and practitioners interested in the macroeconomics of conflict-affected states, and in how to make peace enduring and resilient.”

—**Juan Vargas**, professor of economics, Universidad del Rosario