

PROBLEMS WITH INTERVENTION

PSC/IR 265: CIVIL WAR AND INTERNATIONAL SYSTEMS

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Overview

1. Give War a Chance
2. Moral Hazard
3. Your Own Worst Enemy

Benefits of War

- Wars produce stable resolutions to the issues at stake.
- Intervention can prolong tensions.

Disadvantages of War

- Pretty much everything else.
- War ends tensions because the other side is dead.

Realities

- Sometimes interventions don't work.
- That's the cost of doing business.

An Argument

- “United Nations interventions often end in catastrophic disaster. Therefore, we should not be supporting such interventions.”

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Effects of Intervention

- Negative externalities => incentives to intervene
- Unbiased intervention => decrease war's inefficiency

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Moral Hazard

1. Hypothetical action by party A would cause party B to take greater risks.
2. Party A cannot effectively monitor those risks.
3. Leads to inefficiency.

Insurance

- Suppose you do not have renter's insurance.
 - How careful will you be about leaving the coffeemaker on?
- Suppose you have renter's insurance.
 - How careful will you be about leaving the coffeemaker on?

Insurance

- The insured person has less incentive to care.
 - Insurance covers his worst case scenario.
 - So insured people will have more house fires.

Insurance

- But this drives up the cost of insurance!
- Leads to some people not to get insurance.
 - They would get insurance if the company knew they would check the coffeemaker, as premiums would be lower.

Great Recession

- Concern about bailout: propping up banks encourage other banks to take risks that cannot be monitored.

Rebellions

- Institutions often intervene when governments abuse citizens.
- But the abused might want an intervention.
- So there is incentive to induce abuse.

Rebellions

- Institutions could resolve the problem if they observed all actions.
 - But that is not so easy.
 - Firefighting versus police patrols

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Effects of Intervention

- This is supposed to be a happy result.
 - Both sides suffer less costs of war.
 - Outside actor suffers less negative externalities.
 - Intervention is welfare improving.

Selection Problem

- Intervention does not just affect realized wars.
- Possibility of future intervention affects the bargaining stage as well.

Selection Problem

- After factoring in the selection problem, intervention has mixed effects.
 - Sometimes improves welfare
 - Sometimes has no effect
 - Sometimes *decreases* welfare

Selection Problem

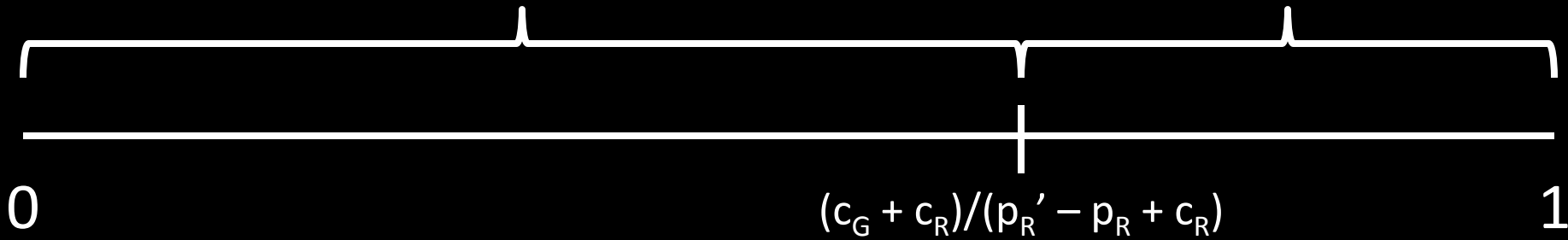
- Not an issue of irrational behavior or hidden actions
- Problem is that international bodies cannot credibly commit to not intervene

Review: Risk-Return Tradeoff

- If $q > (c_G' + c_R') / (p_R' - p_R + c_R')$, proposer makes the aggressive demand.
- Weak type accepts.
- Strong type rejects.

Peace w/o
Institutions

War w/o
Institutions



Intervention's Effect

- War pulls the sides apart
 - Saves war costs
 - We can represent this with new war costs $c_R < c_R'$ and $c_G < c_G'$

When Does War Occur?

- Calculation is the same!
- If $q > (c_G + c_R)/(p_R' - p_R + c_R)$, proposer makes the aggressive demand.
 - Weak type accepts.
 - Strong type rejects.

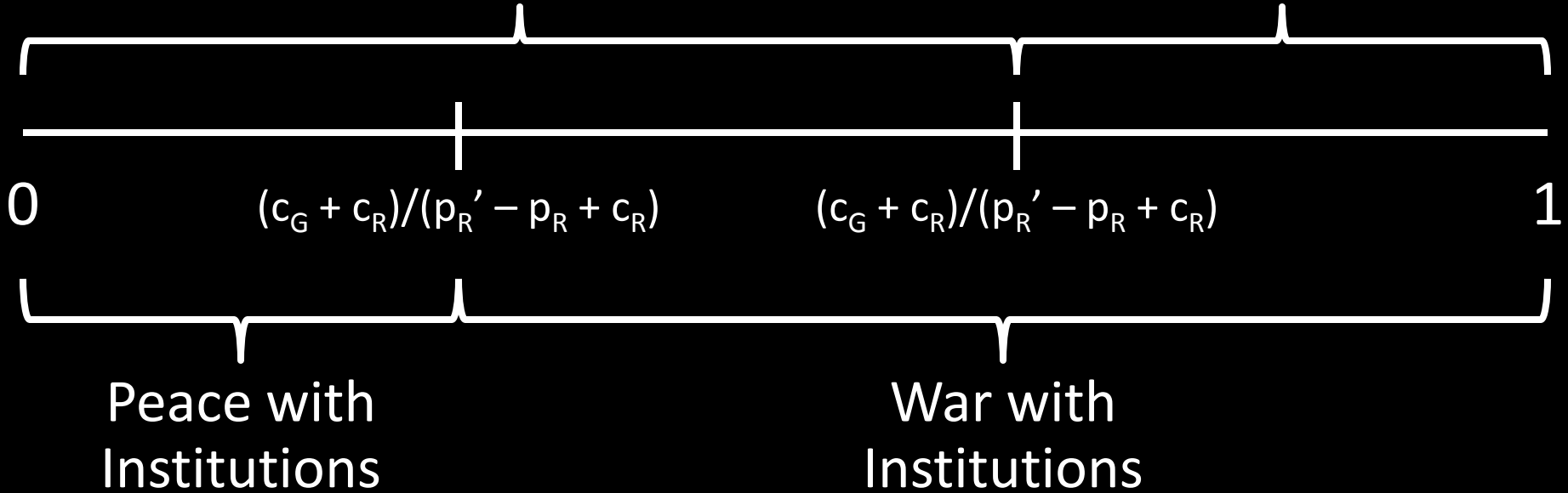
The Difference

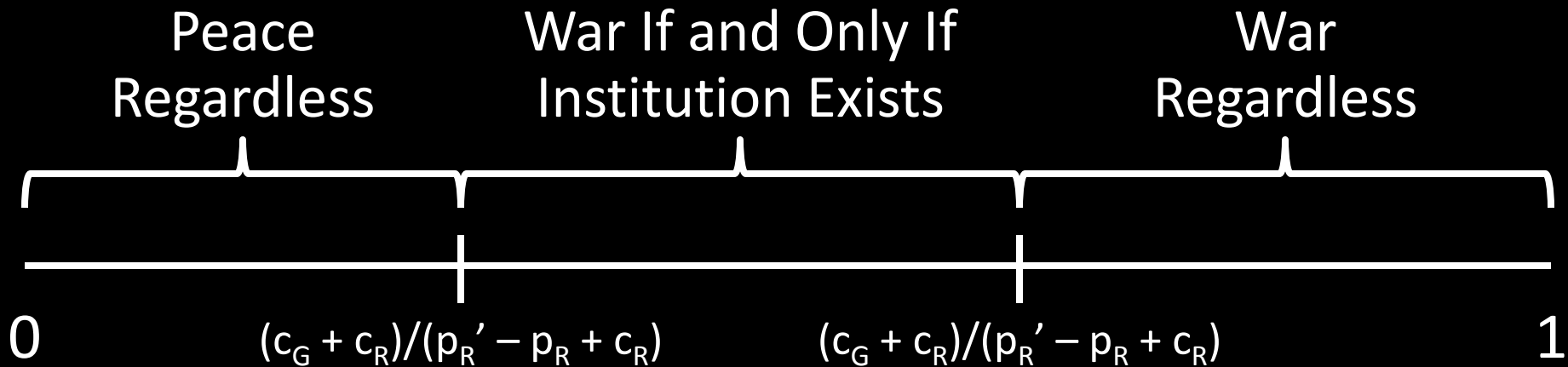
- Critical threshold is *lower* with the intervention.
- $(c_G + c_R)/(p_R' - p_R + c_R) < (c_G' + c_R')/(p_R' - p_R + c_R')$



Peace w/o
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Low Costs

- Proposer will be aggressive with demands no matter what.
- Institution helps!
 - Has no effect on war initiation
 - Saves on the costs

High Costs

- Proposer will be conservative with demands no matter what.
- Institution is irrelevant.
 - War does not occur.
 - No realized costs or externalities to reduce.

Medium Costs

- Without institution, proposer wants to be conservative.
 - War does not occur.
- With institution, proposer wants to be aggressive.
 - War occurs.
 - So the *institution causes war*.

The Problem

- Institution would like to only intervene in wars that occur naturally.
- But all wars have externalities.
 - So institutions have to intervene if possible.
 - Parties recognize this during bargaining.

It Gets Worse

- The more effective the institution is, the more wars it will cause.

Summary

- Institutions have mixed effects.
 - Sometimes increases efficiency
 - Sometimes has no effect on efficiency
 - Sometimes decreases efficiency

Implications

- Post Cold War: U.S. starts heavily investing in these types of institutions.
- But institutions cause the exact problems they seek to minimize.
- Perhaps we should not invest as much.