

Causes of War

The Less Pacific Side of Trade

January 22, 2015

Today's Agenda

- 1. A note on the flu.**
- 2. Why trade might cause war after all.**
- 3. The Anglo-Dutch Wars.**
- 4. Student presentation on "The Capitalist Peace".**

A Note on the Flu

If you have the flu:

- 1. Please stay home.**
- 2. You don't need to inform me or provide a doctor's note unless you are scheduled to present or there is an exam that day.**

Why

Trade Might Cause War

after all

Why Trade Should Prevent War

(a brief review)

Drawing from the theory of comparative advantage:

- 1. All states are better off if they trade.**
- 2. States at war don't trade.**
- 3. Therefore, loss of trade raises the cost of war.**

What That Model Is Missing

- **Mercantilism**
- **Colonialism**
- **Transaction costs**
- **Financing war**

Mercantilism

The theory that trade is a zero-sum game.

- Exporting is winning.**
- Importing is losing.**

Why Would a False Belief Persist?

Mercantilist world < Laissez faire world

**BUT: If everyone else is a mercantilist,
Mercantilist policies > Laissez faire policies**

Jargony version: mercantilism is *Pareto inefficient* but is an *equilibrium*.

Colonialism

Mercantilism

- Want to export**
- Want more productive capacity**
- Want more territory**

And the supply of territory really is fixed.

Transaction Costs

Trading relies on shipping—there must be a middleman.

And it's good to be the middleman.

Transaction Costs and Privateering

Privateering raises the transaction costs of trading through other countries' intermediaries.

Financing War

- 1. War is expensive.**
- 2. States need money to keep fighting.**
- 3. Exports, and tariffs on imports, bring in money.**
- 4. Therefore, global trade prolongs wars.**

The comparative advantage model

Trade between two states prevents war between them.

These alternatives

Global markets increase the spoils of war.



The

Anglo-Dutch

wars

England's Navigation Acts

- **Passed in 1651, modified in 1660 and 1663.**
- **Imports to England must arrive via England or country of origin**
- **Certain colonial goods can be exported only to England or other English colonies**
 - **Sugar, tobacco, cotton**
- **Imports to English colonies must arrive via England or other English colonies**

Global Markets and the Anglo-Dutch Wars

- **Mercantilism**
- **Colonialism**
- **Transaction costs**
- **Financing war**

For Next Time

- **Read Howard, chap. 4**
- **Read Tilly, "War Making and State Making as Organized Crime" (on Blackboard)**

Image Sources

- Pacific Ocean: Kevin Schraer, via [Flickr](#)
- Influenza virus: [Wikimedia Commons](#)
- UK flag: [Wikimedia Commons](#)
- Netherlands flag: [Wikimedia Commons](#)