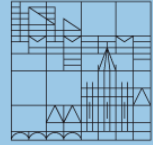


# **Globalization and Political Violence: Refining “Commercial Liberalism”**

DIW

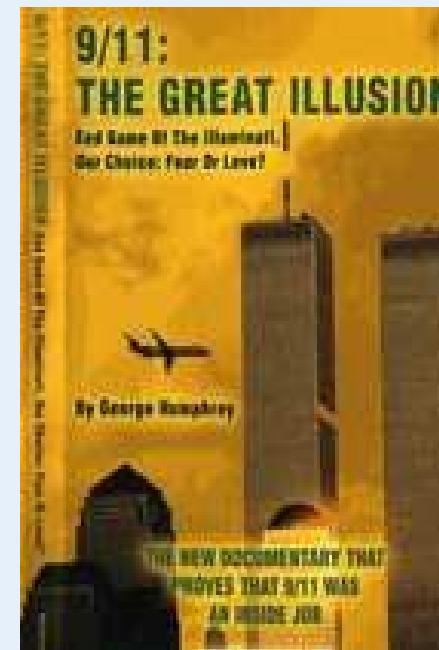
February 1, 2010

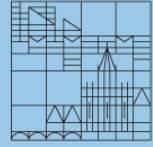


*„Commercial Liberalism“ – A „Great Illusion“  
or a vision in need of some refinements*

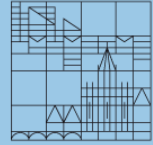


Norman Angell  
1910: The Great Illusion





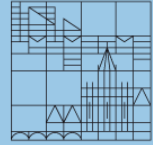
- What is Commercial Liberalism?
  - a) the Peace-through-Trade Thesis
  - b) the Trade Disruption Thesis
- Globalisation and interstate war
- Globalisation and Terrorism
- Globalisation and Domestic Instability
- The Trade Disruption Thesis: Political Violence and its effects on economic interactions
- Theoretical and empirical challenges



## Whom you should not blame for my performance



*Some of my co-authors on this topic:*  
from top left: K. Barbieri, M. Bussmann,  
G. Schulze; N. P. Gleditsch, M. Bechtel,  
N. Wiesehomeier, V. E. Tröger  
*and with the friendly support of, among  
others:* German Peace Research Foundation,  
European Commission, World Society Foundation

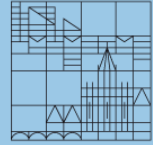


# Commercial Liberalism I: Peace through Globalisation

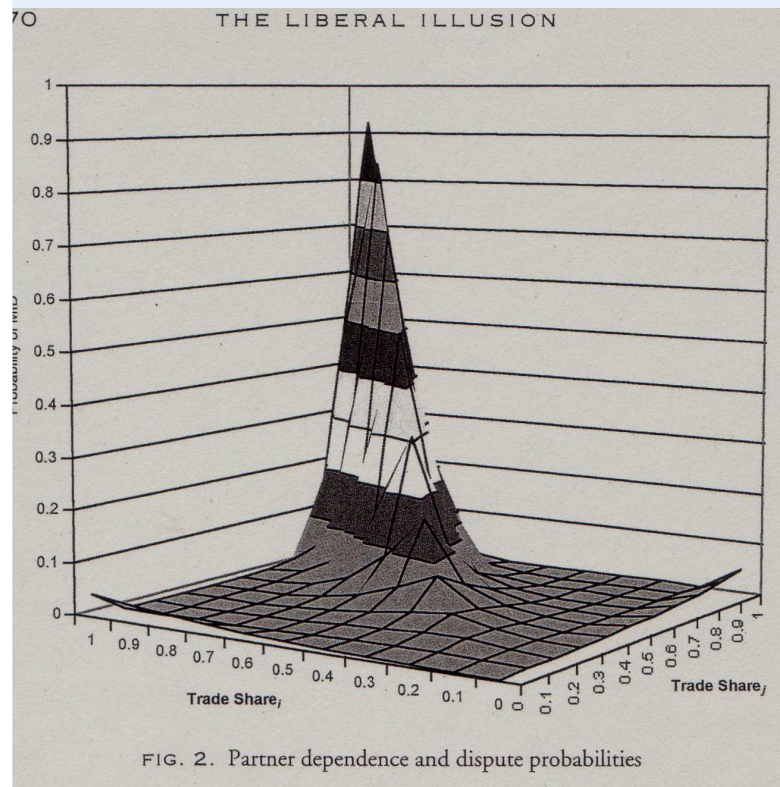
“Fearful of the domestic political consequences of losing the benefits of trade, policy-makers avoid the use of force against states with which they engage in economically important trade.”

“Liberalism...sees democratic governance, economic interdependence, and international law as the means by which to supersede the security dilemma rooted in the anarchy of the international system. For states not much linked by these ties, however, the threat of violence remains. In addition, liberal states must fear those illiberal states that remain outside the Kantian confederation.”

John Oneal/Bruce Russett 1999  
*World Politics*



# The counter-evidence of Katherine Barbieri and a replication/extension of her work

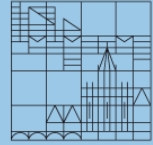


K. Barbieri 2002. *The Liberal Illusion*. Univ. of Michigan Press.

Independent Variables	Model 1	Model 2
Saliency_trade <sub>t-1</sub>	5.213*** (.625)	-3.176*** (.870)
Power_1 <sub>t-1</sub>		12.041*** (.475)
Power_2 <sub>t-1</sub>		10.235*** (.893)

“Commercial Liberalism” is re-established through the introduction of power variables (resources)

Source: Xiang, Ku, Keteku 2007. *Journal of Conflict Resolution*



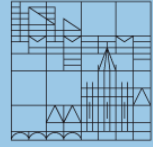
## Commercial Liberalism II: Trade disruption as a consequence of political violence

- W. Nordhaus 2002: “While historians have documented the many miscalculations involved in war, little has been written on faulty economic forecasts.”
- Whether war disrupts economic interactions is contested!  
Barbieri-Levy vs. Anderton/Carter

*French Trade with  
Germany, 1860-80*

Source: Anderton/Carter JPR 2001

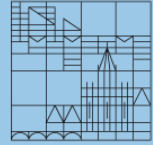




## The pop version of "Commercial Liberalism": Peace through McDonald's

- Thomas Friedman (NYT 1996): „*Golden Arches Theory of Conflict Prevention*“: No two countries with a McDonald's franchise had ever gone to war with one another
- Exception: Kosovo



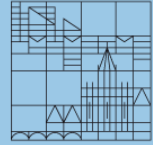


## Globalization and interstate war: the opportunity cost argument

“...the price of being belligerent is an implicit price that increases with the level of trade. *Ceteris paribus*, the greater the amount of trade, the higher the price of conflict, and the less the amount of conflict that is demanded.”

Solomon W. Polachek, *JCR*, 1980

Defense of the argument against Gartzke et al. 2001, *IO*, in Polachek and Xiang, 2010, *IO*: “...the opportunity cost argument is valid in a game theoretical framework...[it] implies no necessity to resort to the costly signaling argument to explain why trade deters conflict”.

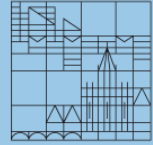


## **Problems of the opportunity cost argument and of some of its alternatives**

- Almost tautological/mercantilistic perspective
- Possible alternatives do not offer additional analytical leverage: e.g. signaling games
- The statistical and the formal models rely on different units of analysis
- Exceptions to the rule like World War I

### **Consequences:**

- ‘Unpacking’ the trading state
- Differentiating between mulilateral and bilateral forms of globalization (cf. P. Martin et. al. 2008, *Review of Economics and Statistics*)
- Governments depend on different domestic economic interests and the military (three sector models)

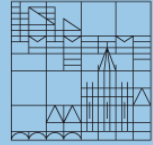


# Trade and conflict preferences in a Riccardo Viner setting

	<i>Tariffs</i>	<i>Hostility</i>
Export sector	-	-
Import-competing section	+	-
Military sector	-	+
Median voter	-	-

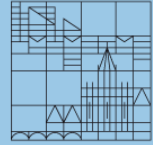
*Consequence for an opportunistic government:*

Maximization of support through the manipulation of two policy instruments



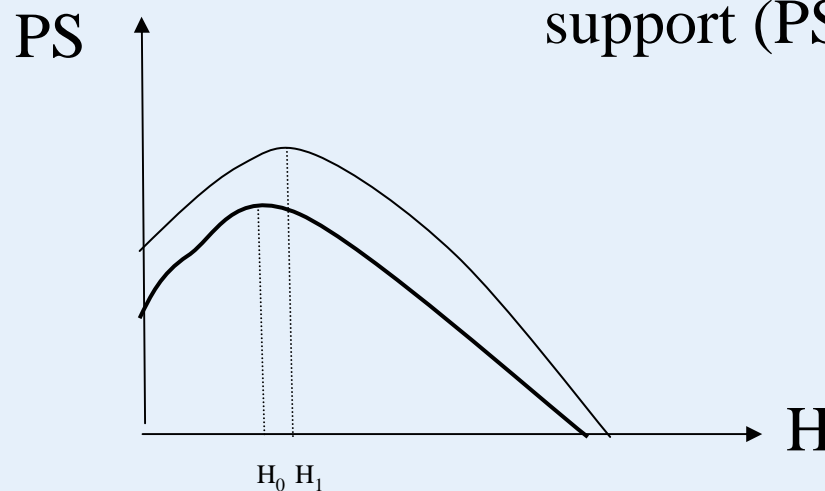
## Results of the formal analysis (Schneider and Schulze 2003, 2010)

- Commercial liberalism is correct – as long as the military sector is not important for government survival
- Implicit alliance between export sector and a military sector that lives on taxes in times of expanding trade ties. This means that globalization increases the hostility level of a government up to a certain point when it starts to lose the support of the export sector
- Extending a political economy model to the dyad (bilateral situation) does not make sense. Governments cannot reach a hostility/tariff optimum in a bilateral setting as they can always switch to another trading partner
- Monadic empirical models are mis-specified, but to a lesser extent than dyadic ones



# The Indeterminacy of political economy models

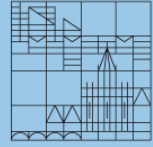
Two possibilities to maximize political support (PS) :



$$PS(\tau_0, H)$$

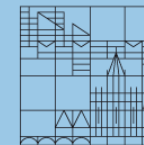
$$PS(\tau_1, H)$$

“The new optimal hostility level under this trade policy,  $H_1$ , may be on either side of  $H_0$ ; in Figure 1 it is larger than  $H_0$ . If the government were free to choose it would select the combination of  $\tau^*$  and  $H^*$  that maximizes overall political support”.\_Schneider/Schulze

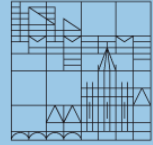


## **Empirical evidence in support of the monadic argument**

- Monadic analysis of risk of experiencing a conflict onset in a given country year, 1950-1992
- Explanatory variables (military expenditures, trade, chief executive with military background plus controls)
- Random effect logit models of conflict

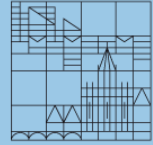


	(1)	(2)	(3)	(4)	(5)
<b>Hostility level</b>	<b>1 to 5</b>	<b>3 to 5</b>	<b>4 to 5</b>	<b>3 to 5</b>	<b>3 to 5</b>
<b>Openness</b>	<b>.0000782</b> (.0014919)	<b>-.0020635</b> (.001858)	<b>-.0034053<sup>a</sup></b> (.0021293)	<b>-.011327***</b> (.0036665)	<b>-.0015141</b> (.0020031)
<b>Polity</b>	<b>.0002858</b> (.009973)	<b>-.020019**</b> (.0095934)	<b>-.0201159*</b> (.011361)	<b>-.0072112</b> (.0193845)	<b>-.0187183*</b> (.0112881)
<b>Military expenditures</b>	<b>2.07e-08*</b> (1.25e-08)	<b>2.42e-08*</b> (1.27e-08)	<b>7.98e-09*</b> (4.40e-09)		<b>1.58e-08<sup>c</sup></b> (1.07e-08)
<b>Military leader</b>				<b>.4851474**</b> (.2359764)	
<b>GDP per capita</b>	<b>-7.89e-06</b> (.0000166)	<b>-.0000309*</b> (.0000183)	<b>-.0000457**</b> (.0000213)	<b>.0000496**</b> (.0000254)	<b>9.82e-06</b> (.0000221)
<b>Population</b>	<b>2.04e-06*</b> (1.13e-06)	<b>7.20e-07</b> (5.20e-07)	<b>9.16e-07</b> (7.96e-07)	<b>2.26e-06<sup>b</sup></b> (1.40e-06)	<b>1.26e-06</b> (1.50e-06)
<b>Security council</b>	<b>1.94018***</b> (.31295)	<b>1.29729***</b> (.27588)	<b>2.357919***</b> (.4542555)	<b>2.079922***</b> (.8182998)	<b>1.994752***</b> (.6679434)



## Globalisierung und transnationaler Terrorismus: das postmoderne Argument

- “Terreur contre terreur – il n’y a plus d’idéologie derrière tout cela”. Jean Baudrillard, 2001, *Le Monde*
- Kendall et al. 2002: Terrorism as the dark side of globalization
- Arundhati Roy 2001 : “Terrorism has no country. It's transnational, as global an enterprise as Coke or Pepsi or Nike.”
- Naomi Klein 2007: „What happened on September 11 2001 is that an ideology hatched in American universities and fortified in Washington institutions finally had its chance to come home“. *The Guardian*



## In the absence of a clear theory some pictures

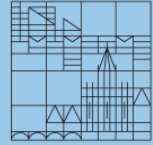


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TABLE 1  
Effects of Economic Globalization on Transnational Terrorist Incidents within Countries, 1975-1997

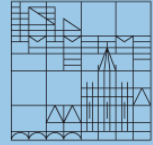
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>	<i>Model 7</i>	<i>Model 8</i>
Trade	-0.001 (0.48)	-0.0002 (0.13)		-0.001 (0.36)	-0.001 (0.44)	-0.001 (0.60)	-0.001 (0.36)	-0.002 (1.28)*
FDI	0.019 (0.80)		0.016 (0.70)	-0.007 (0.25)	0.019 (0.82)	0.024 (1.04)	0.020 (0.87)	0.035 (0.99)
Portfolio	-0.018 (0.97)	-0.019 (1.09)	-0.017 (0.94)	-0.021 (1.13)	-0.018 (0.98)	-0.022 (1.27)	-0.018 (1.00)	-0.050 (3.27)**
Economic development	-0.215 (2.16)**	-0.204 (2.09)**	-0.215 (2.15)**		-0.236 (2.16)**	-0.187 (1.28)*	-0.130 (1.06)	-0.293 (2.37)**
Partners' development	-0.644 (1.93)**	-0.623 (1.93)**	-0.628 (1.90)**		-0.644 (1.93)**	-0.725 (1.90)**	-0.640 (1.89)**	-0.799 (1.94)**
Size	0.341 (6.12)**	0.340 (6.30)**	0.350 (6.76)**	0.304 (5.35)**	0.341 (6.12)**	0.347 (5.85)**	0.351 (5.87)**	0.352 (4.42)**
Democracy	0.043 (4.09)**	0.043 (4.18)**	0.043 (4.15)**	0.035 (3.35)**	0.043 (4.09)**	0.035 (2.94)**	0.044 (4.22)**	0.045 (4.03)**
Government capability	0.631 (5.10)**	0.615 (5.06)**	0.627 (5.13)**	0.416 (3.64)**	0.631 (5.10)**	0.610 (4.35)**	0.571 (4.17)**	0.658 (4.33)**
Past incidents	0.020 (4.84)**	0.020 (4.88)**	0.020 (4.85)**	0.020 (4.83)**	0.020 (4.84)**	0.020 (4.40)**	0.020 (4.85)**	0.020 (4.76)**
Conflict	0.107 (0.84)	0.107 (0.85)	0.112 (0.87)	0.114 (0.85)	0.107 (0.84)	0.108 (0.83)	0.111 (0.94)	0.064 (0.56)
Europe	-0.240 (1.02)	-0.240 (1.04)	-0.243 (1.04)	-0.291 (1.26)	-0.240 (1.02)	-0.359 (1.58)	-0.090 (0.33)	-0.062 (0.21)

The evidence so far: Li & Schaub *JCR* 2004



# Preliminary research design

- Iterate data set (Sandler et al): Transnational terrorist incidents
- Distinction between the sender and target nations “Directed dyad analysis” (Unit of analysis: Dyad year)
- Dependent variable: Number of victims in the target state
- Temporal frame 1968-2003



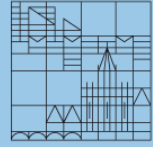
## Resultate einer negativen Binomialregression, 1968-2003)

Predictor	Coeff.	St. Err.	Z	Prob.	Conf. Interval (95%)	
Trade openness T	-.15	.01	-11.39	0.000	-.18	-.12
Trade openness S	-.02	.001	-14.58	0.000	-.02	-.02
Bil. trade T/GDP	-.09	.07	-1.35	0.179	-.22	.041
Bil. trade S/GDP	.26	.05	5.41	0.000	.17	.35
Cons.	.13	.11	1.14	0.26	-.09	.35

Number of obs  $\hat{N} = 325945$

Number of groups = 16492

Log likelihood = -8079.8874



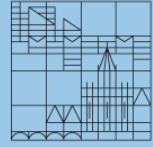
## The Peace Through Trade Hypothesis at the Domestic Level II

„...liberalization – especially when undertaken prematurely, before strong financial institutions are in place – increased instability...one fact remains clear: instability is not only bad for economic growth, but the costs of the instability are proportionately borne by the poor.“

Joseph E. Stiglitz 2002. *Globalization and its Discontents*. London: Allen Lane, p. 67.

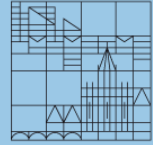


Joseph Stiglitz

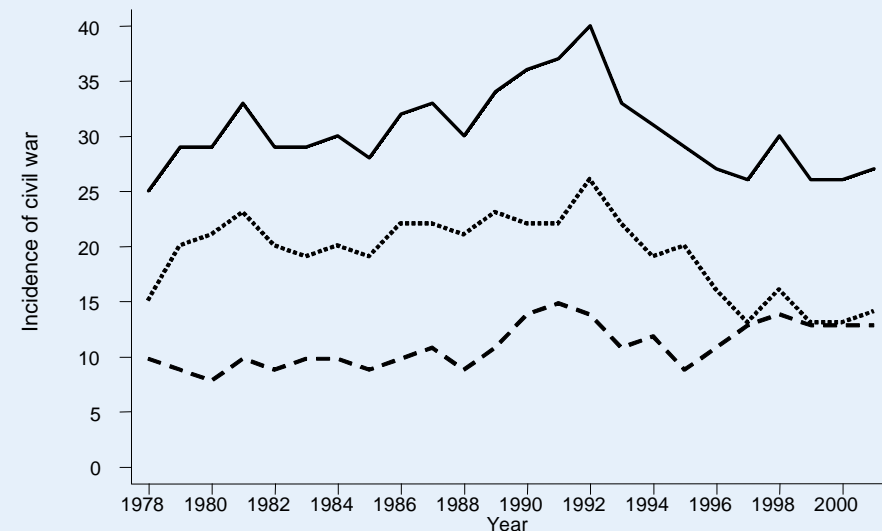
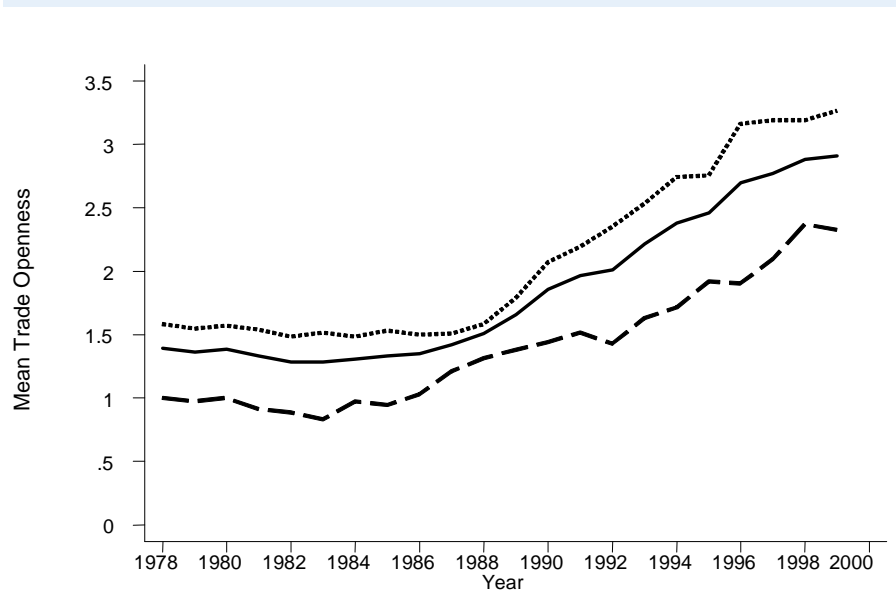


## Qualification of the Domestic-Level Peace Through Trade-Hypothesis

- Distinction between short-term and long-term consequences of liberalization
- Possible Compensation of Losers
- Ricardo-Viner model of trade policy making in combination with expected utility models of civil war (H. Grossman, P. Collier)
- Distinction between liberalization and openness and between trade and capital

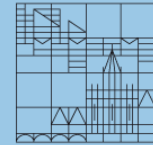


# Mean Trade Openness and Civil War Incidence, 1978-2000



*Note:* The figures are taken from Margit Bussmann, Gerald Schneider, and Nina Wiesehomeier. 2005. 'Foreign Economic Liberalization and Peace: The Case of Sub-Saharan Africa', *European Journal of International Relations* 11(4): 551-579.

All Countries — Without African Countries ..... African Countries - -

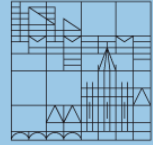


# Impact of Openness and Liberalization on the Risk of Civil War Onset

TABLE 1. Expected Influence of Different Variables on the Onset of Civil War

<i>Independent Variables</i>	<i>Expected Influence on Civil War Onset</i>	<i>Operationalization</i>
Trade openness <sub>t-1</sub>	-	(Exports + imports)/GDP
Positive growth in trade openness <sub>t-1</sub>	+	Yearly growth rate of trade openness if > 0; 0 otherwise
Negative growth in trade openness <sub>t-1</sub>	+	Yearly negative growth rate of trade openness if < 0; 0 otherwise
Liberalization in regulatory trade openness <sub>t-1</sub>	+	1 for liberalization, 0 otherwise
FDI openness <sub>t-1</sub>	-	FDI inflows/GDP
Government consumption <sub>t-1</sub>	-	General government consumption/GDP
Growth in government consumption <sub>t-1</sub>	-	Yearly growth rate in government consumption
Concessional IMF flows <sub>t-1</sub>	+	Concessional IMF flows/GDP
Non-concessional IMF flows <sub>t-1</sub>	-	Non-concessional IMF flows/GDP
Official development assistance <sub>t-1</sub>	-	Official development assistance/GDP
Level of development <sub>t-1</sub>	-	Log (GDP per capita)
Democracy <sub>t-1</sub>	+	Autoc-Democ + 11
Democracy squared <sub>t-1</sub>	-	(Autoc-Democ + 11) <sup>2</sup>
Population	+	Log (population)
Economic growth	-	Yearly growth rate of GDP per capita
Civil war in neighborhood <sub>t-1</sub>	+	Dummy variable
Peace years	-	Number of years since last conflict

Source: Bussmann/  
 Schneider 2007. *ISQ*

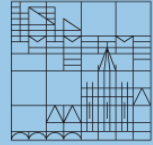


Trade	-0.0064**	-0.0090**	-0.0115	-0.0075*	-0.0071**
openness <sub>t-1</sub>	(0.0039)	(0.0044)	(0.0109)	(0.0048)	(0.0041)
Positive growth in trade openess <sub>t-1</sub>	0.9642***		0.8960***	1.1131***	1.0001***
	(0.3038)		(0.3843)	(0.3891)	(0.2718)
Negative growth in trade openess <sub>t-1</sub>	0.1478				
	(1.4618)				
Positive change in trade openess <sub>t-1</sub>		0.0316***			
		(0.0114)			

*Liberalisation increases the risk of conflict, but the effect is not large*

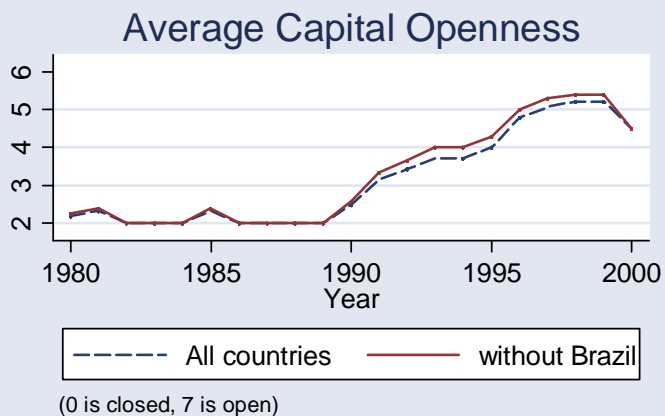
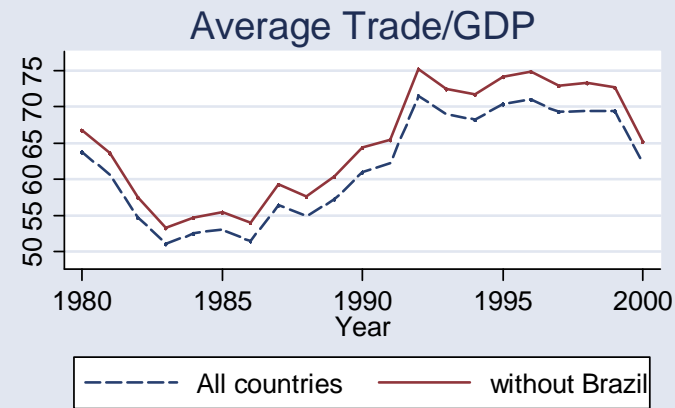
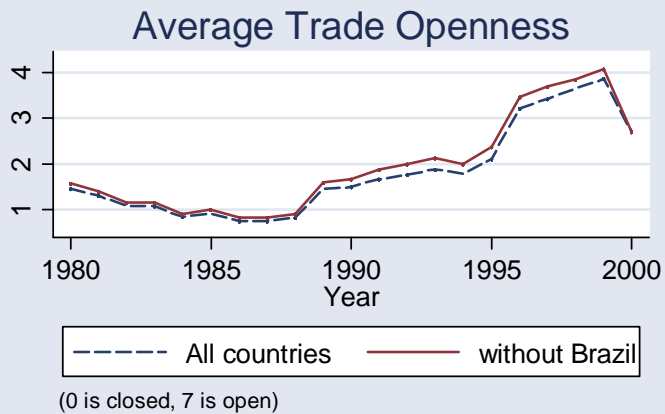
Random effects logit of conflict onset, controlling for country size, economic growth, democracy etc.

Source: Bussmann/Schneider 2007, *International Studies Quarterly*

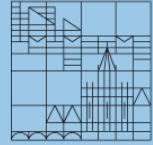


# Globalisation and Strikes in Latin America

## Economic Liberalization in Latin America 1980 - 2000



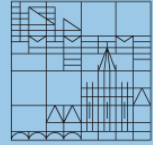
Source: Bussmann, Schneider, Wiesehomeier 2008 unpublished



## The effect of globalization on strikes is curvilinear...

	Total Strikes	Total Strikes	Total Strikes 1980-1989	Total Strikes 1990-2000
Inflation	0.0002	0.0001***	0.0001	0.0002***
	(0.0002)	(0.0001)	(0.0001)	(0.0001)
Democracy, $t_{-1}$	-0.0013	0.0330***	0.0974***	-0.0312
	(0.0134)	(0.0126)	(0.0177)	(0.0394)
Government consumption	0.0594**	0.0362**	0.1110***	0.0229
	(0.0281)	(0.0174)	(0.0305)	(0.0162)
Trade/GDP, $t_{-1}$	0.0043	-0.0065	-0.0016	-0.0152
	(0.0189)	(0.0072)	(0.0197)	(0.0103)
(Trade /GDP, $t_{-1}$ ) <sup>2</sup>	0.0001	0.0001***	0.0001	0.0001***
	(0.0002)	(0.0001)	(0.0001)	(0.0001)

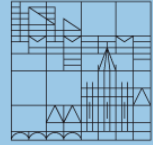
*Negativ Binomial Panel Regressions, 1980-2000*



## ...but the sector and its export orientation matter

	Agriculture	Manufacturing	Mining
Employment in	0.0118	0.0646***	
sector	(0.0110)	(0.0223)	
Sector's export share/ import share <sub>t-1</sub>	0.0360	-0.7364***	0.0008
	(0.0464)	(0.2734)	(0.0050)
Growth of sector's export share	-0.5750*	-0.2527	-0.1289
	(0.3349)	(0.1710)	(0.1953)
Growth of sector's import share	-0.3003	2.0635***	-0.0620
	(0.4334)	(0.7484)	(0.3397)
Constant	-0.9017*	0.1178	0.7431
	(0.5043)	(0.6623)	(0.5890)
Observations	173	171	164
No of states	13	13	11

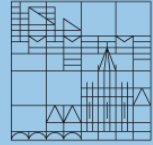
*Negativ binomial regressions, 1980-2000*



## **How War Negatively Affects Economic Activities („trade disruption thesis“)**

“Although contemporary liberal and realist theories disagree about the effects of trade on conflict, they appear to agree on the effects of conflict on trade. Both imply that trade and other forms of economic interchange between states will cease or be drastically reduced once states are engaged in serious conflicts with each other. The liberal hypothesis that trade deters conflict is based on the premise that conflict will substantially reduce trade or adversely affect the terms of trade. Realist theories imply that trade, particularly in strategic goods, will terminate between adversaries because of relative gains concerns ”

K. Barbieri and J. Levy in Schneider, Barbieri and Gleditsch 2003



## Qualifications of the the Disruption Thesis

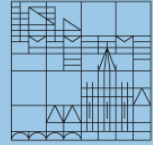
*Distributive effects in line with class conflict:*

R. Hilferding 1906: „Capital becomes the emperor of the world”.

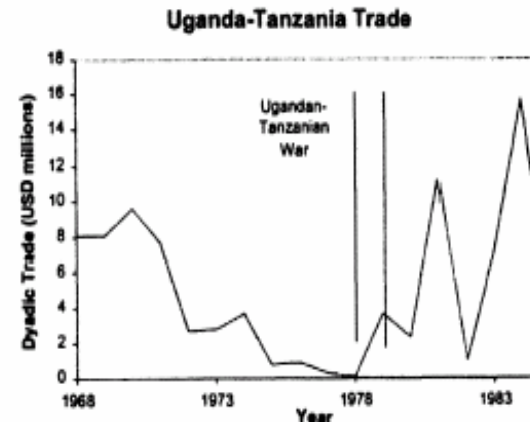
N. Sombart 1913: “War has encouraged capitalism.”

**“Military-industrial complex” – President**

**Eisenhower** “In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.”



# Barbieri/Levy: Trade Disruption does not exist

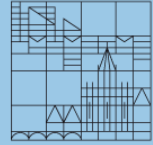


To summarize, our empirical analysis demonstrates that there is some variation in the impact of war on trade across the dyads in our sample. In a majority of cases, the outbreak of war appears to result in a decline in the level of dyadic trade, but for all but one dyad this decline is not statistically significant. In fact, we suspect that the real decline is even weaker than that suggested by our analysis based on official statistics, given the amount of illegal trade that may be conducted during wartime and excluded from official reports. Moreover, even when war

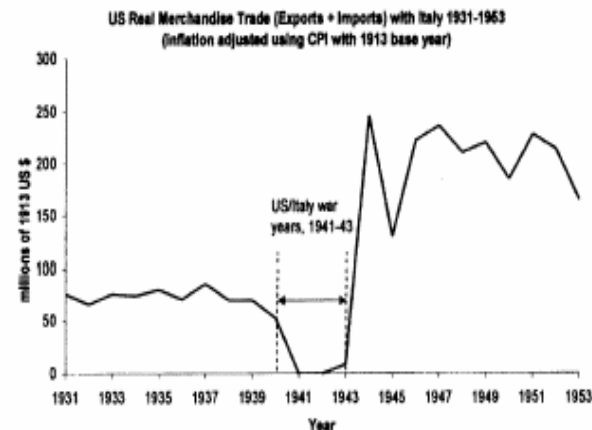
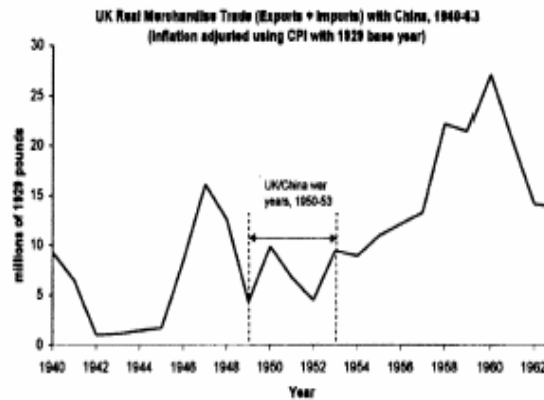
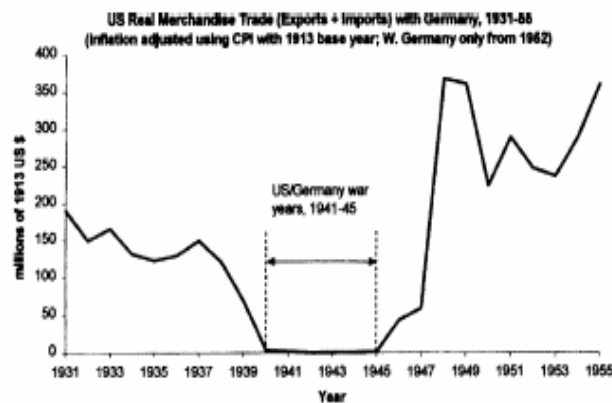
K. Barbieri/Jack S. Levy 1999.  
„Sleeping with the Enemy: The  
Impact of War on Trade“.  
*Journal of Peace Research* 36

<b>Variables</b>	<b>Argentina- UK</b> 1870-1992 Falkland (1982)	<b>UK- China</b> 1870-1913 Boxer Rebellion (1900)	<b>UK- Egypt</b> 1948-1992 Sinai (1956)	<b>Cyprus- Turkey</b> 1960-1992 Turco- Cypriot (1974)	<b>Greece- Turkey</b> 1886-1911 Greco- Turkish (1897)	<b>Uganda- Tanzania</b> 1968-1985 Ugandan- Tanzanian (1978)	<b>USA- China</b> 1870-1913 Boxer Rebellion (1900)
<b>Constant</b>	49.607 (67.717)	103.449*** (4.462)	137.963 (153.760)	-0.665 (20.135)	4.801*** (0.668)	11.129** (2.979)	5.860 (3.361)
<b>Trend</b>	3.577*** (0.990)	-2.091*** (0.242)	-20.528** (9.053)	0.322 (2.280)	-0.012 (0.093)	-1.179* (0.456)	0.908*** (0.186)
<b>War Level</b>	-462.398*** (90.619)	-2.254 (6.782)	-50.178 (150.310)	-11.343 (21.807)	-0.520 (0.717)	1.204 (3.511)	7.896 (5.604)
<b>War Rate</b>	30.299* (15.561)	5.252*** (0.736)	43.641** (13.459)	2.409 (2.619)	-0.026 (0.118)	2.330** (0.712)	0.149 (0.584)
<b>AR(1)</b>	0.755*** (0.062)	0.225** (0.079)	0.763*** (0.101)	0.000 (0.001)	0.256 (0.199)	-0.002 (0.004)	0.011 (0.013)
<b>R-Square</b>	0.78	0.81	0.83	0.21	0.28	0.50	0.79
<b>Adjusted R-Square</b>	0.77	0.79	0.81	0.09	0.15	0.34	0.76

Note: Standard errors appear in parentheses. \*p<=.05; \*\* p<=.01; \*\*\* p<=.001

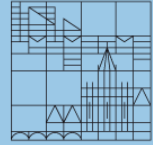


# The reply of Anderton/Carter: Yes, war disrupts trade



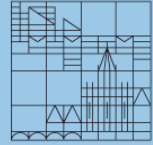
is based on a small number of cases. We have taken up these qualifications by applying an interrupted time-series methodology similar to theirs to the study of 14 major power and 13 non-major power war dyads. While the results are by no means uniform, we believe that the weight of the evidence presented above favors the trade disruption premise.

Charles H. Anderton/John R. Carter 2001. „The Impact of War on Trade: an Interrupted Times-Series Study.“ *Journal of Peace Research* 38

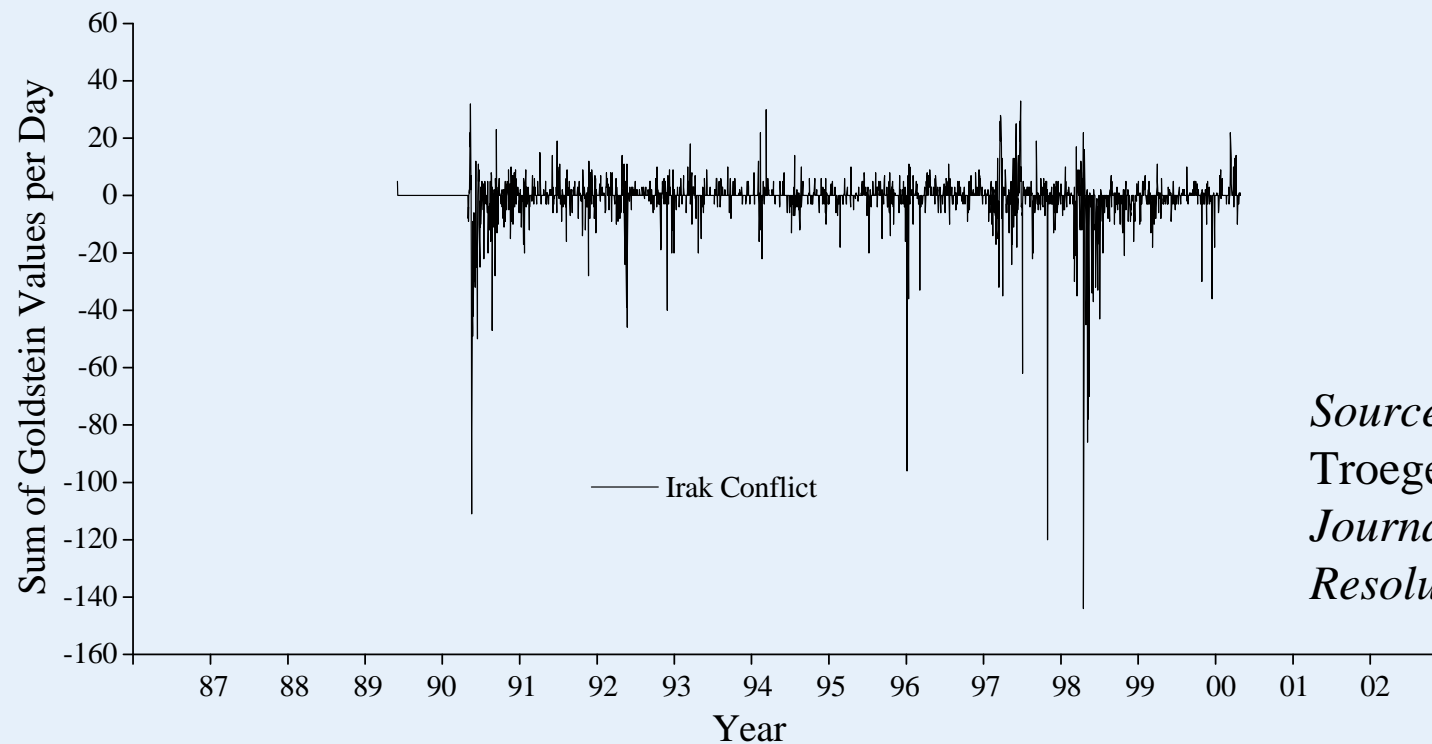


## Limitations of the trade disruption literature

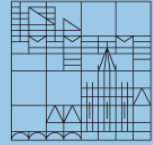
- Trade is sticky
- Sampling problem not clearly resolved
- High level of temporal aggregation
- No attention paid to the redistributive effects of war
  - economies can profit from an intensification of conflict in the short run in the form of war rallies
  - some sectors like the defense sector might profit from war



# Stock market rallies as a consequence of the conflict between Iraq and the US and its allies



*Source: Schneider /  
Troeger 2006  
Journal of Conflict  
Resolution*

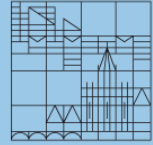


## Reactions of the Dow Jones Industrial Index to three conflicts, here Iraq

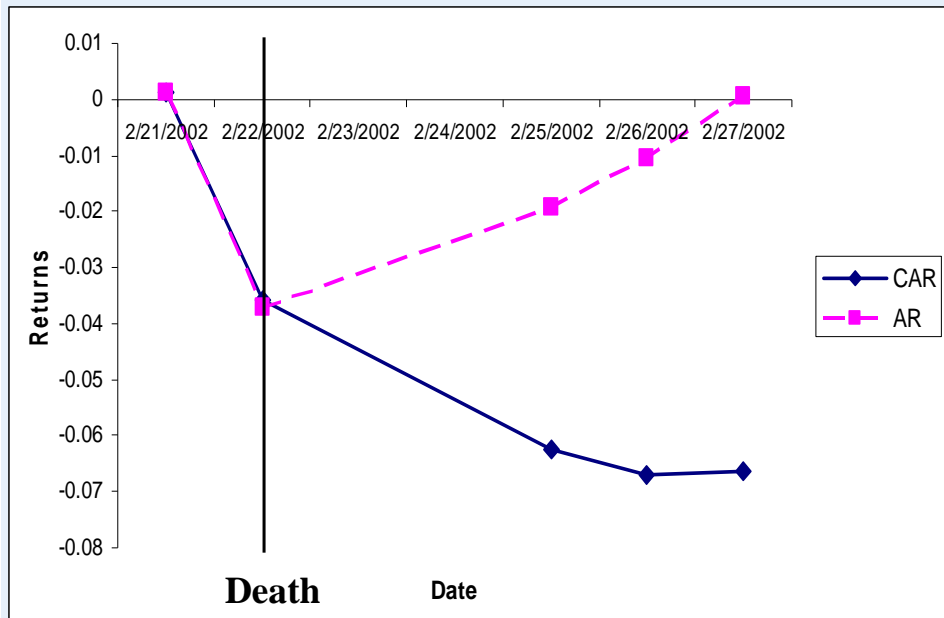
Lagged dependent variable	-0.019 (0.020)
Gulf: cooperative events	-0.314* (0.181)
Gulf: conflictive events	0.268*** (0.104)

(T-GARCH models, daily data)

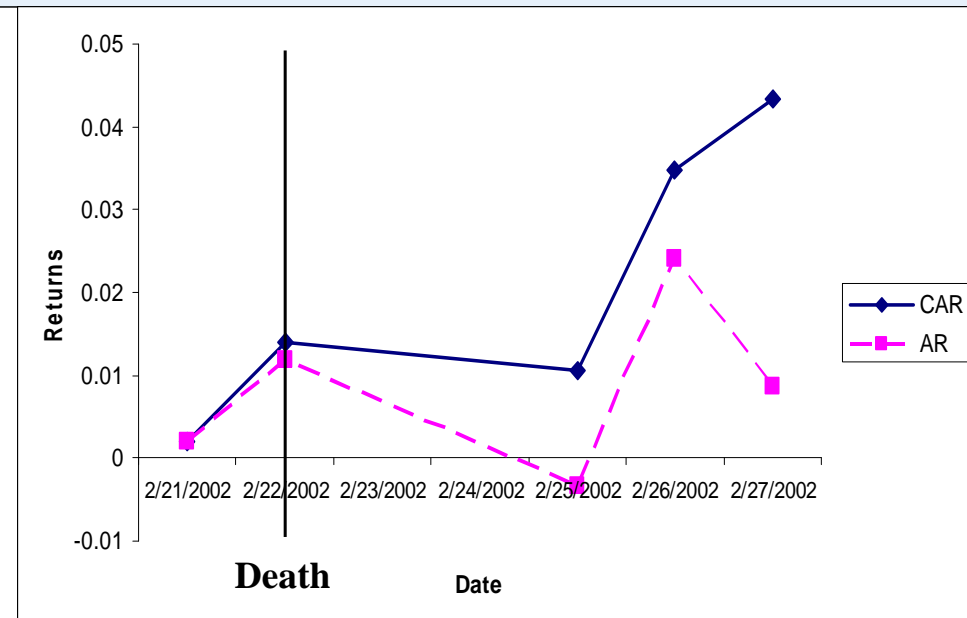
*Source:* Schneider /  
Troeger 2006  
Journal of Conflict  
Resolution



# The Impact of Savimbi's Death on the Stock Returns of Diamond Mining Companies

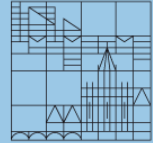


*Companies licensed in Angola*



*Control group*

Note: The figures show the abnormal returns and the cumulative abnormal returns in the days before and after the death of Jonas Savimbi on February 22, 2002. The cumulative Angolan decline amounts to 7 percentage points for the "Angolan" portfolio. The figures are taken from Massimo Guidolin and Eliana La Ferrara 2007. 'Diamonds are Forever, Wars are Not. Is Conflict Bad for Private Firms?', *American Economic Review* 97(5): 1978-1993



## Redistributive effects of conflicts

- Examination of the cumulative abnormal returns of the European armament sector
- Analysis by Nina Fakner (Diplom thesis)

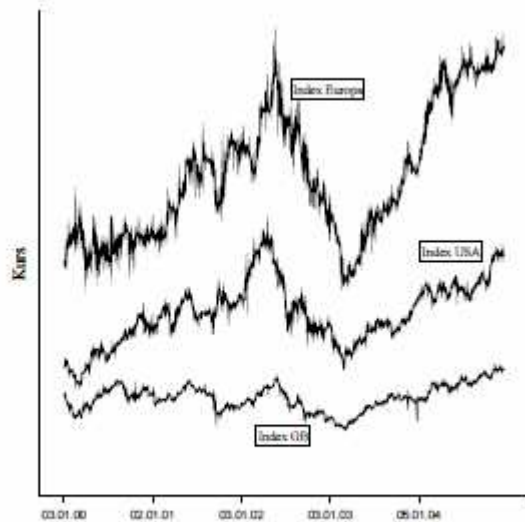


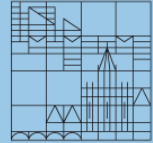
Abbildung 5-3: Kursverläufe der Rüstungsindizes

Source: Schneider, Bechtel, Fahrholz  
2009. Krieg, Kooperation, Kursverlauf.

Tabella 5-6: Ergebnisse der Ereignisstudie für den europäischen Index

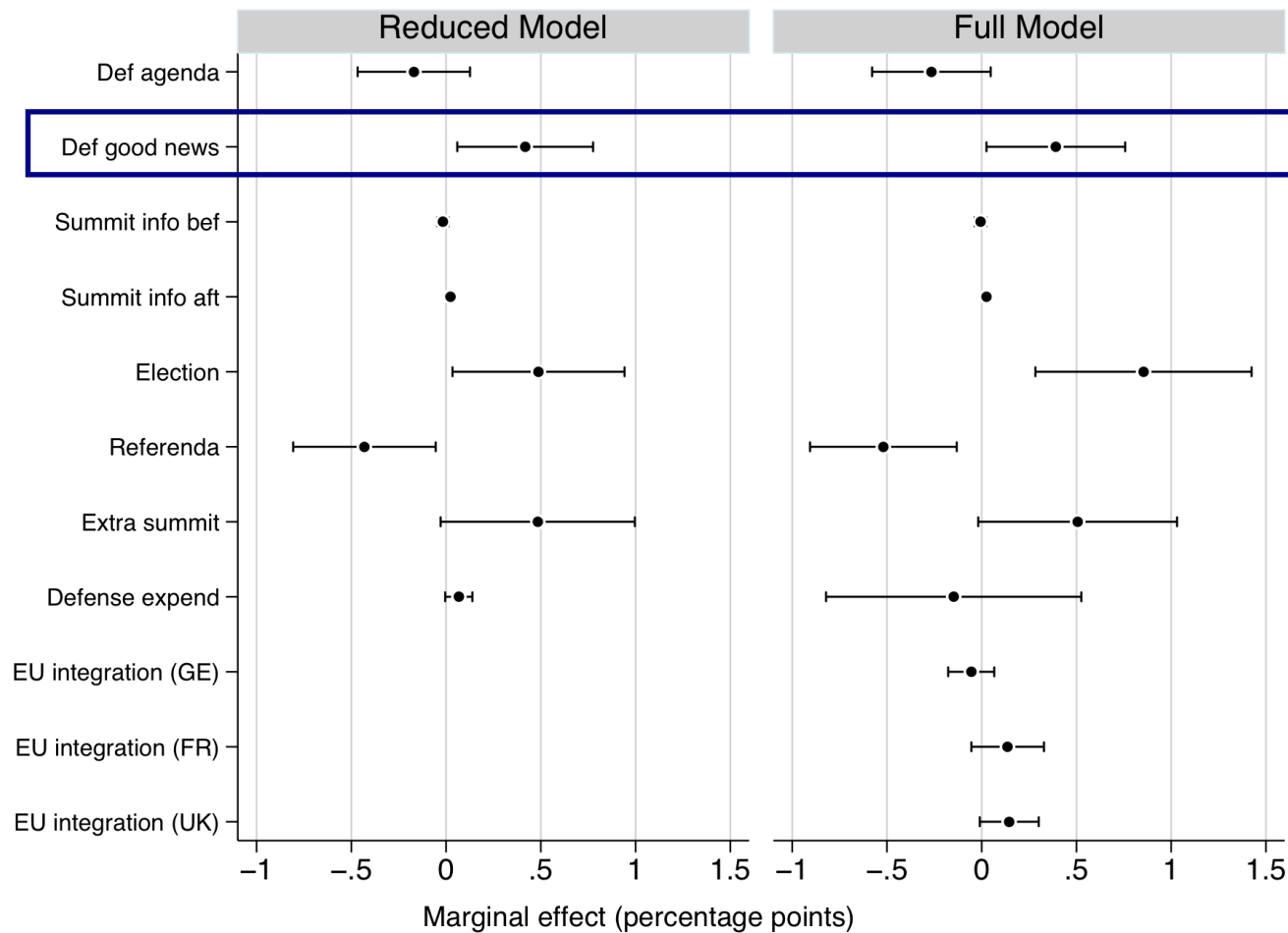
Ereignisfenster		0.1	0.2	-1.1	-1.2	-2.1	-2.2
Mil. Ereign. Afgh.	RS-Test						0.079
	KAR>0		0.002		0.000		0.000
	KAR<0		0.004		0.001		0.000
Friedl. Er- eign. Afgh.	RS-Test						
	KAR>0		0.003	0.000	0.001	0.000	0.000
	KAR=0		0.005	0.001	0.001	0.000	0.000
Mil. Ereign. Irak	RS-Test						
	KAR>0					0.004	
	KAR<0					0.008	
Friedl. Er- eign. Irak	RS-Test						
	KAR>0						
	KAR<0	0.059	0.000	0.025			0.035
	KAR=0		0.000	0.05			0.069

Gezeigt werden p-Werte der nichtparametrischen Tests je Ereignisfenster.



# Regression Results [DV: Abnormal Return]

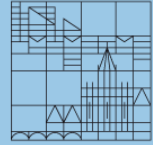
Source: Bechtel/Schneider 2010. Eliciting Substance from `Hot Air`. *IO* (April)



**Summits which strengthen the ESDP increase the relative return performance of the European defense sector.**

	Reduced	Full
R <sup>2</sup>	0.04	0.06
Prob	0.000	0.000
N	1554	1554

GLS point estimates (with random effects) shown together with 90 percent confidence intervals computed from Huber/White (heteroskedasticity robust)



## “Commercial Liberalism: Theoretical and empirical challenges

- An American colleague’s reaction to a survey article “Strange paper for someone who claims to be a true believer in *Commercial liberalism*”, but you need better theoretical foundations
- Capitalist peace as an alternative? (Schumpeter, Weede, Rosecrance, Gartzke, Mousseau, MacDonald u.a.): But see Besley/Perrson (*JEEA*, *AER*): Development is a right hand sind variable
- The literature on the costs of war is overly aggregated and needs to consider the (short-term) redistributive effects of violent conflict