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**Taking the Religion Out of Religious Conflict:  
Economic Theory and Other Motivations in Intergroup Violence**

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MESA Capstone

Winter 2018

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Thank you to Dr. Silwal and Dr. Lubin for their guidance and support,  
both through this project and our travels in Nepal.

I have neither given nor received any unacknowledged aid on this project.

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Abstract:

In matters of religious, ethnic, or political conflict, identities are relatively permanent and unchanging factors. Due to the constant nature of these identities, any increase in rates of conflict or violence must be due to the change in other, more dynamic underlying factors. This paper seeks to examine the alternative explanations of seemingly “religious” conflicts in both South Asia and the Middle East through the lens of identity, behavior and conflict economics. The paper attempts to highlight economic and political struggles within the greater context of the Hindu-Muslim and Israeli-Palestinian conflicts, both geographically and in accordance with majority/minority dynamics in a cross-country analysis. These two conflicts provide interesting case studies because of their post-colonial conceptions, the arbitrary establishment of borders and intensification of identity factors. The analysis is centered on a utility function, subject to an actor’s preference for consumption, “meanness”, and an identity parameter. The implications of the identity parameter are due to the weight held in the identity, and not the ideology of the religion itself. Incentives for “meanness” are influenced and manipulated by factors outside of the religion itself. The simplicity of the model is in its variables, and the complexity is in what changes the variables, demonstrates the importance of political, economic, and social manipulation.

### Introduction:

In regions across the world, there are pervasive, longstanding and ongoing tensions between different groups, often based in race, religion, ethnicity, or some other element of group identity. These identity-based conflicts are often viewed as extremely deep-rooted and inherent to the areas they affect, and are hindered by this lack of holistic understanding in potential strategies and solutions. The group tension, however, is not necessarily always manifested in conflict. With extended timelines and otherwise permanent identity factors (meaning the group classifications), there are often periods with little to no violence or outbursts of conflict. The Israeli-Palestinian conflict has spanned well over half a century, with each group maintaining its identity, however the decades have not all been filled with constant warfare and violence. Although the religious designation between Hindu, Muslim and other ethnic identities in South Asia has been well established over time, modern history has inflated the severity of the religious interaction. Violence is sparked by political or economic climate as well as a number of behavioral factors. While the tensions may found themselves in religion, ethnicity, or ideology, the manifestation and escalation of conflict at a certain point in time is based on other factors. Ideology and religious preference are deeply rooted and typically unchanging elements of a person's identity, so if incidents of conflict are occurring, but oscillating in frequency and intensity, another influential factor must be driving these changes. By analyzing the rationality and utility of identity groups, the dynamic nature of this classification of conflict can better be understood.

Both the Middle East and South Asia provide interesting case studies of well-defined and well-known identity conflicts and tensions. Contributing to the literature on conflict economics as well as identity economics, this paper will seek to devalue the traditional and superficial, primordial interpretations and analyses of religious conflict, and supplement it

with economic theory and social science literature. Ethnic, religious, and identity conflict all refer to the use of some baseline group classification and motivation to justify antagonizing intergroup tactics. Using existing studies on Israel and India, and applying other studies of identity and conflict to the two regions, the true motivation and contributing factors of conflict can be clarified. Seeing as this paper does not present any new evidence or correct the methodology of previous research, its potential for perfect application is limited. Instead, the paper will attempt to compile relevant and existing literature on the interaction between conflict and identity, in a meta-analysis and synthesis of previous studies. This paper is exploratory in nature, and will attempt to highlight strengths as well as weaknesses in its nuanced understanding of conflict and its attempt to remove religion from religious conflict.

While the two chosen regional conflicts are different in many ways, they also have an interesting amount of overlap. Much of initial upheaval and resulting tension surround the decisions of 1947. As World War II ended and the era of colonialism began to collapse, two new nations were established. Although these countries were established as Britain and other super powers were relinquishing authority and control all over the continent, the memory of their colonialist attitudes remains until this day. Along with the carefully constructed social orders and norms used to maintain order, colonialism also left its mark through arbitrary, inconsiderate borders leaving shattered communities and ethnic chaos. This irresponsible approach to Partition borders in South Asia and the rushed Israeli statehood process catalyzed identity factors in the regions that were not necessarily inherent to the various religions and ethnic groups involved.

In July 1947, the British Parliament announced the independence and partition of India and Pakistan. In November 1947, the United Nations passed a resolution partitioning land between the Arabs and Jews, and sanctioning the creation of a Jewish state. The

relaxation of British control and creation of sovereign states in these regions occurred approximately seventy years ago, and much of the initial problems incited by the plans are still relevant today. The violence in these two regions alone has caused many thousands of deaths, along with displacement, refugee crises, economic losses, and the constant stress of hatred and violence. The inability or hesitance to address and solve the fundamental conflicts in the regions is due to an inability to understand the complexity, and sometimes lack of complexity, in the variety of problems. Through the use of a theoretical economic model that highlights the role of identity in behavior, as well as existing research dealing with these factors, this paper will highlight the strength of a relatively new field of conflict economics, and its application and understanding of some of the most problematic regional conflicts.

#### Theory and Modeling:

Much of economics seeks to understand and study the decisions of various actors in response to their preferences. Only recently have some economists begun to highlight the role of identity in these decisions. In an innovative effort to understand the role of identity in economic outcomes, Akerlof and Kranton (2000) develop a model of behavior. Their model addresses many relevant issues such as ethnic and racial tension, separatism, as well as how identity can be utilized in understanding these forces. This intuition is represented in an economic utility model using identity/self-image, actions of self and others, and consumption of goods and services, subject to a contingent income. For this analysis, the authors develop a utility function that measures preferences for alternative goods subject to the other relevant factors.<sup>1</sup> This early line of thought was extremely useful in understanding preferences and choices of actors that may not seem rational without the lens of identity.

Traditional economic theory will highlight the Rational Choice Model, where an actor is supposed to fully understand their preferences and goals and then make the most effective choice to maximize their benefit.<sup>2</sup> Researches have been trying to capture this rationality with much difficulty, as human choices are not always in line with the exact model. Charles Anderton (n.d.) asserts behavioral economics as a way to understand actors' deviations from the Rational Choice Model, subject to their identity parameter. He reiterates Akerlof and Kranton's concept of "identity utility" in developing a more formal utility function.

Utility, in economics, is a way of measuring the satisfaction someone gets from their choices of goods. It is best represented on a graph with indifference curves and budget lines. Actors have infinite bundles of goods that they would be equally happy or indifferent to (indifference curves) and a line constraining them to what they can afford (budget lines). To maximize their utility, they will choose the highest point on an indifference curve that they can afford. In Anderton's continuation of this identity based behavior model, an actor is faced with two alternatives: consumption goods and acts of meanness.<sup>3</sup> The model attempts to maximize the utility of these two goods subject to an identity parameter:

$$\text{Utility} = \text{Consumption} * \text{Meanness}^{\text{identity}}$$

Where identity is greater than or equal to 0, determining the ultimate preference for meanness towards an out-group. If their identity parameter is equal to zero, they receive no utility from meanness and can maximize their utility through consumption. An actor seeks to reconcile their ideal bundle of these goods against their income, and budget constraints.

$$\text{Income} = P_C \text{Consumption} + P_M \text{Meanness}$$

Where  $P_C$  is the price of consumption and  $P_M$  is the price of meanness. The value of the identity parameter can determine the actions with another group or identity, and level of

meanness. An actor wishing to cause harm to an opposing identity group has many tools in which to manipulate this equation. To increase meanness, they can increase the identity, decrease the price of being mean, or increase income. Identity can increase by raising the weight or importance of the identity factor (through propaganda, public humiliation, etc.), and thus the utility. The price of meanness can decrease, thus allowing for more, through social sanctions and government-regulated discrimination. Also, income can increase through subsidies to a dominant group via political power or economic rents. The role of the state in Nazi Germany is a blatant example of this utility manipulation: cultivating an identity factor and then lowering the price of meanness through subsidies.<sup>4</sup> To decrease preferences for meanness, the strength of the identity parameter must be decreased (countering violent/mean propaganda), the cost of harming an out-group ( $P_M$ ) must increase, or the income ( $I$ ) of the perpetrators must be limited through some form of sanctions.<sup>5</sup>

Both Akerlof and Kranton (2000) and Anderton (n.d.) cite a social psychology study that emphasized the role of experimental group classification in behavioral outcomes.<sup>6</sup> They look at the Robbers Cave experiment where two groups of eleven-year-old boys are separated for a week at an Oklahoma summer camp, and split into teams: Eagle or a Rattler. This minor separation between otherwise similar young boys (white, lower middle class, Protestant) cultivated enough of a difference in identity to create a conflict between the two groups when they reconvened. The boys developed a sense of opposing social norms and behaviors, devolving into hateful rhetoric and behavior, including violence, looting, and desecration of the opposing team's flag, during the second week's tournaments and competitions.<sup>7</sup> Other studies have found that this element of zero-sum competition is not needed for similar trends dealing with minimal group identities.<sup>8</sup> Anderton (n.d.) emphasizes how little intervention was necessary to evoke an "us versus them" attitude in an otherwise

homogenous group, but also their ability to work peacefully when faced with the potential for positive-sum outcomes later in the experiment.<sup>9</sup> The latter results are somewhat reassuring, as peace was attainable through cooperation and expectation of shared gain. Psychological literature provides much support for identity-based behavior, simultaneously undermining the actual importance of the identities and offering preliminary solutions.

Anderton (n.d.) also cites the Akerlof-Kranton Curve, which shows that preference for meanness increases at increasing rates with the identity parameter. Essentially, actors become meaner as identity becomes more of an emphasized factor. The endowment effect in behavioral economics is also applicable to many conflicts, understanding that actors assign more value to what they already have (wealth, resources, dominance, political power, etc.). Asserting the prevalence and history of regional ethnic and political dominance, Anderton argues that many power dynamics and other economic, social, and political outcomes are the result of previous and ongoing endowments to various groups.<sup>10</sup> Those with power and dominance have incentive to maintain the status quo. Another potentially dangerous concept in behavioral economics is the prevalence of confirmation bias from impulsive analysis and illogical information. Once these biases are established, they can easily become extreme as well as polarizing.

This preliminary understanding of behavioral economics, and the role of both true and arbitrary identity classifications, provides a basis for understanding some of the biggest identity based and intergroup conflicts across the world. While the initial establishment and understanding of identity plays a crucial role in behavior and decision-making, these identities can be as superficial as random summer camp groups or as complex as deeply held religious and ethnic ties. The identity parameter discussed in the utility function can be manipulated, however it is due to a change in attitude about the identity and not the identity

itself. What changes the utility function and its behavioral implications are factors outside of the fundamental natures of the identity. While the conflicting identities cannot be erased from the onset of intergroup tension, it seems that the ideologies and belief systems are only important in the preliminary choice of or adherence to a group. By exemplifying the impact of identity in arbitrarily based tensions and only using identity as an indicator in a utility equation, the negligible role of ideology and belief systems can be better understood.

#### Rationality in Conflict:

While Anderton (n.d.) codifies the role of identity and preferences in his attempt to deviate from the Rational Choice Model, Ashutosh Varshney (2003) only skims the surface of the discussion by noting distinctions within rationality. In an analysis of ethnic or national conflict, he hearkens back to Max Weber's duality: value and instrumental rationalities.<sup>11</sup> These rationalities are both based in individual preferences and goals, however they have differing cost potentials. Varshney distinguishes between "the nationalism of exclusion," where a dominant group identity is used to oppress or impose values on others, and "the nationalism of resistance" where group identity becomes important because of outside domination, and identity preservation and necessity for resistance are intensified.<sup>12</sup> The deviation from traditional rationality is visible through the risks and costs inherent in the decision to resist the dominant group. Varshney's value rationality would account for the strength of group identity and cultural preservation.<sup>13</sup> Instead of theorizing about this duality, Anderton (n.d.) calculates it into an actor's utility. The emphasis put on identity is determined by the identity's role in their economic, social, and political status. If an actor was truly faced with exclusion from a dominant group, their limited consumption and increased weight of identity would necessitate resistance.<sup>14</sup> While he understood the power

of nationalism and identity, Varshney (2003) viewed the struggle necessary for dominated groups to maintain identity as outside of the normal understanding of rationality.

Implications of an Indonesian Case Study:

The theory, modeling, and utility calculations may seem too simplified for the complexities of ethnic violence, but many studies are beginning to think about conflict in this way. By analyzing the decisions, motivation, and actions of various secessionist groups, Leanne Piggott (2010) finds that religious ideology is not as potent of a factor as many would think, looking specifically at the use of terror in Indonesia.<sup>15</sup> She looks at the Free Aceh Movement (GAM) and the Free Papua Movement (OPM) and their different motivations, actions, and reactions in their separatist attempts. Piggott (2010) notes that most scholarly literature on terrorism has focused on the large, transnational, and ideologically motivated terrorist groups. While these groups would clearly be of interest to Western scholars, she believes they are severely limiting the understanding of terrorism, as most instances of terror are located and motivated in a domestic context. Ideologically focused organizations such as al-Qaeda have been the focal point of discussions of terror due to the wide net of potential victims, however, it is the actions of these locally based terrorist hubs, that are ultimately leaving the most casualties.<sup>16</sup>

While much literature does try to understand the rationality and motivation for transnational terrorism, this analysis becomes simpler when looking at domestic groups such as GAM and OPM. Where religious ideology may be cited in transnational terrorism, Piggott (2010) finds much more tangible and economic factors such as resources, wealth distribution, and exploitative practices to play a major role in terrorist campaigns.<sup>17</sup> Looking specifically at these secessionist groups, she finds that economic and political factors are

emphasized to justify terror and violence. In Indonesia, the end of the Soeharto regime saw much instability, both politically and economically, intensifying the separatist tensions in Aceh, East Timor and Papua.<sup>18</sup> Piggott (2010) notes that group *Jemaah Islamiya* fit the narrative of transnational, ideological terrorism, attempting to undermine and defeat secular Indonesia, and has thus overshadowed the locally based motivations.<sup>19</sup> Moving away from these immaterial, ideological battles provides much opportunity for a true analysis of actions and their motivations.

Both GAM and OPM used terror and violence in their separatist campaigns, however their outcomes have diverged completely. With a ceasefire, arms surrender, and a Memorandum of Understanding, the GAM ended its campaign. In return for these actions, the Indonesian government decreased military presence in Aceh, increased their revenue from their own natural resources, and granted them autonomy in their low-level civil processes.<sup>20</sup> OPM, however, remains an active but extremely fractured organization. Undermined by a non-violent group of Papuan elite, OPM lost support and authority as the representative of the Papuan struggle. An Autonomy Law, with concessions such as increased resource revenue, emphasis on Papuan customary law, as well as symbolic representation on the country's flag, was unsuccessful and undermined by other policies.<sup>21</sup> The concessions made and implemented by the Indonesian government were successful in diffusing the situation in Aceh and GAM's terrorism. While Aceh did not secede from Indonesia, there was "a new social contract between the Acehnese and the central government"<sup>22</sup> that was enough to assuage their need for extreme tactics.

In an extension of this case study, Piggott (2010) looks at broad factors often involved in violent conflict and terrorism. She looks at two broad categorizations: societal factors and organizational factors. The former includes political, economic, and/or social

grievances or upheaval as well as a weak or failed social contract.<sup>23</sup> The latter includes group affiliation and differentiation, charismatic leadership, and legitimizing ideology. Piggott (2010) provides examples of these societal factors: repression, discrimination, exploitation, inequality, distribution of natural resource profit, poor governance, economic stagnation, etc. The organizational factors are focused much more on identity, group affiliation, and social issues. Effective understanding of the first wave of societal factors and their solutions could decrease the likelihood of having to address the organizational factors. In the Indonesian case study, economic exploitation and lack of political representation were the basis for separatist attitudes.<sup>24</sup> Low-levels of consumption allow for high levels of identity-motivated meanness in utility maximization.

The relative weight of the socio-economic and political factors makes sense when looking at the underlying motivations of any separatist conflict. Violence, conflict, and terrorism pose risks for both perpetrators and potential victims. An actor's maximum utility can be achieved through changes in multiple components of their calculation. Piggott (2010) believes, "conflict becomes probable when the rise in a group's expectations is not matched by a rise in its capability to realize those expectations" and that unaddressed grievances and frustrations will become politicized, incentivizing extreme tactics.<sup>25</sup> If a large group feels that government and society disproportionately disadvantage their identity, then separatism is appealing. Poor governance and lack of representation limits consumption and emphasizes identity, thus incentivizing meanness, conflict, and separatism. Diffusion of socio-economic and political hardships, such as the Indonesian Acehese concessions, increase an actor's consumption and thus decrease the need for meanness and the role of identity.

Economics of Hindu-Muslim Violence in India:

In a similar devaluation of the primordial analysis of religious and ethnic conflict, Anirban Mitra and Debraj Ray (2014) study Hindu-Muslim violence in India through an economic lens. The authors use micro-level data about incidences of intergroup violence in post-Independence India. They note the context of religious antagonism, however they feel that the use of religion to fully justify incidents of decentralized violence is incomplete.<sup>26</sup> They discuss the use of Hindu-Muslim violence to forward economic goals, whether through allocating surplus or reacting to the economic status of the other.<sup>27</sup> There is a strategic benefit to the blurred line of ethnic conflict, especially to frame otherwise decentralized or even economically motivated conflict.

To capture this complex interaction between religious and economic factors, Mitra and Ray (2014) look at conflict against household expenditure. They take numerical conflict data extracted from *Times of India* reports and match it with household surveys. They find that Hindu expenditures decrease the chance of conflict, and that Muslim expenditures increase the chance of conflict.<sup>28</sup> A rise in Hindu prosperity is negatively associated with religious fatalities, but a rise in Muslim prosperity would be positively associated with these same outcomes.<sup>29</sup> The authors assert “that if a group is relatively poor to begin with, an increase in the average incomes of the group” will increase the “violence perpetrated against that group” while the reverse has the opposite effect.<sup>30</sup> This result is relatively intuitive when understood as maintenance of the status quo.

The Hindu reaction to Muslim prosperity, in India, is a clear application of Anderton (n.d.)’s endowment effect, where actors add value to what they already have.<sup>31</sup> The findings of Mitra and Ray (2014) are very specific to their data and context, however they have the potential for widespread applicability. By limiting their study to India, the authors only

analyze a power dynamic in which Hindus are incentivized to maintain their endowed dominance. The results show Muslims as the disproportionate victims and targets of these economically motivated instances of conflict and violence, but this could be true of most minority groups, possibly even Hindus in Muslim-majority Bangladesh. The authors even found results completely reversing the direction of the trend in 1992 Calcutta, West Bengal, where demographic balances varied significantly.

The violence and assertions of dominance in this study and in other regional power dynamics are not inherent to the ideological or religious identity. Instead, actors are reacting to existing social and political structures based on an assigned identity. Mitra and Ray (2014) note the long history of Hindu-Muslim violence and tension, which “reached a peak during the partition and then settled down to sporadic episodes with regular frequency.”<sup>32</sup> Religion and ideology are extremely fundamental and stagnant variables, which could not have possibly been dynamic enough to cause the rates of violence to change in this way. The weight society held in religious identity, on the other hand, is capable of being a dynamic variable. Religion may categorize an individual’s identity, defining in-groups and out-groups, but it is the political and social climate that would determine the role and implications of the identity in outcomes, such as the Muslim fatalities in this study.

#### Distribution of Violence in Gujarat:

Using the same codified *Times of India* dataset, authors Raheel Dhattiwala and Michael Biggs (2012) look at the most fatal Hindu-Muslim violent event to take place within a state since the independence of the country.<sup>33</sup> The authors refer to the many people who would view ethnic and religious violence as “endemic in India” and Gujarat, including a BJP member who described the violence as “part of Gujarat’s nature.”<sup>34</sup> Dhattiwala and Biggs

(2012) see these assumptions as primordial as well as insulting to the ability of humans to use rationality instead of myths in their decision making process. Conceding the “manipulation of ethnic identities” and its role in existing conflict, the authors argue against the inherent antagonism of the identities.<sup>35</sup> Using data on the 2002 violence in Gujarat, they look at the unequal distribution of violence across the state of Gujarat during the dramatic episode. Violence was positively associated with the size and rate of the Muslim demographic threat, as well as the proportion of young people experiencing economic hardships.<sup>36</sup> Dhattiwala and Biggs (2012) also analyze the strength of the BJP political party, its waning support in the region, and the potential role of ethnic antagonism in its rhetoric. The authors find the presence and strength of the BJP has conflicting roles in the onset of violence. The violence was most extreme where the party had a presence, but strong electoral competition. The violence was lowest where they had the majority of voter support.<sup>37</sup>

The findings associating the violence with the demographic and economic threat perceived from the Muslims is in line with personal assessments of utility and out-group treatment. The variances associated with BJP power dynamics show the utilization and manipulation of ethnic tension as a political tool. Understanding existing tensions, a governing force chose to capitalize political support by “accentuating ethnic identity,”<sup>38</sup> while quelling, or at least not inciting, violence elsewhere. Mitra and Ray (2014) were also able to capture the scapegoating, antagonistic attitude pervasive in relative economic outcomes, however Dhattiwala and Biggs (2012) build on this narrative by highlighting the role of government and its ability to manipulate these attitudes, specifically in the Hindu-Muslim context.

Economic Analysis of the Israel-Palestine Conflict:

By analyzing the history and evolution of the economic ties between Israel and Palestine, A. Arnon and J. Weinblatt (2001) attempt to determine an ideal economic agreement for future relations in the region. This paper was written in 2001, so it will not capture the more recent events. However, the paper successfully captures the creation and history of some of the major economic trends and institutions between Israel and Palestine (the West Bank and Gaza). The authors argue a discrepancy between the *de jure* regime put in place by The Paris Protocol and the *de facto* reality of the “imposed economic separation.”<sup>39</sup> The authors move from the typical political issues of negotiation to the discussion of sustainable economic relationships.<sup>40</sup> In their creation and implementation, the policies were designed to favor Israeli interests, taking five years after the 1967 war for the economic ties to become relatively stable.<sup>41</sup> Having been separated from the surrounding countries, the West Bank and Gaza were extremely reliant on Israel and its economic institutions. However, from 1968 to 1987 the ratio between Palestinians in the Israeli labor market against those working in the home territories went from 2 to 1 down to 1.2 to 1, which continued until the 1987 Intifada.

The unilateral nature of the economic policy development is the driver of most of the inequalities and discrepancies. Subject to Israel’s integration policies, the Palestinians experienced “structural trade deficits” through “very low levels of exports (excluding labor services) and high levels of imports.”<sup>42</sup> The breakdown of the trade deficit is relatively unique for a dominant economic power narrative. Instead of high exports to and low imports from Israel (extraction and exploitation techniques), the economic structure forces the Palestinian territories into dependency. Policies and administrative rules created obstacles

for many Palestinians attempting to initiate economic activity or entrepreneurial endeavors.<sup>43</sup> Without outside access or competition, “60% of the West Bank’s exports and more than 90% of imports were to and from Israel” demonstrating the Palestinian’s “captive market.”<sup>44</sup>

While the economic situation and its evolution over time are clearly unsatisfactory, the ultimate source of blame and fault is controversial. While some Israelis cite violence and terror as the reason for the failure and collapse of the various agreements and visions, several Palestinians argue that the likely use of violence and tension in the transition should have been addressed in the plans.<sup>45</sup> Arnon and Weinblatt (2001) propose their own reasoning for the disappointing progress. They argue that there is a problem with the agreements’ “mechanism design” that stems from “the uneven balance of power between the two parties and the transitional nature of the agreements.” Where “Israel is a well-established state with a thriving economy and a large modern army,” they pretend to negotiate with an entity that “has limited autonomy and is making its first steps towards national sovereignty.”<sup>46</sup> The unequal power dynamic is clear in the design, details, and outcomes of the Protocol. Citing contract theory, the authors view the previous agreements as “incomplete” with no functional enforcement mechanisms, which they feel necessitates renegotiation.<sup>47</sup> Despite the existence of a committee to facilitate re-negotiation and proper implementation, Israel capitalized on vagueness and lack of specificity. For example, subject to the agreement they may have been “entitled to temporarily halt labor movements (say, in the cases of terrorist attacks),” however this manifested itself in frequent or permanent closures and even delayed tax revenue transfers to the Palestinian Authority.<sup>48</sup> Citing these harsh manifestations of the agreement, the authors propose extreme modifications to the Protocol and its implementation. They note Israel’s refusal to concede borders or power, despite the

temporary nature and mandated reassessment of the Protocol.<sup>49</sup> This hesitation is in line with the endowment effect, and exemplifies Israel's dominant role in the power dynamic.

On top of the vast economic inequality, the Protocol also ignores the Palestinian want of sovereignty. The authors discuss the use of economic interdependence in other countries and the resulting loss of sovereignty, viewing those agreements as the participating countries' prioritization of economic welfare and autonomy. However, "in the Israeli-Palestinian case, there is one-sided dependence and no interdependence and only Palestinian sovereignty is limited by the lack of reciprocity."<sup>50</sup> The Palestinian dependence and overall lack of interdependence must be addressed for the improvement of both the Palestinian economic situation and the relationship between the two groups.<sup>51</sup> Along with the other literature on ethnic and identity based conflict, Arnon and Weinblatt (2001) understand the role of "political causes" and "economic factors" in the situation. They assert the connection between the various factors, arguing, "economic integration will bring prosperity which will strengthen the support for peace; and the peace process will create the conditions for more integration and prosperity."<sup>52</sup> This may be a somewhat idealistic feedback loop, however it does highlight the role of the economic factors in both the problems and solutions. The authors believe that "scholars and politicians who advocate a full integration of the Palestinian and Israeli economies minimize non-economic factors such as the Palestinian yearning for independence and sovereignty."<sup>53</sup> The economic interdependence of Europe was a result of negotiations "between fully independent countries, which had previously experienced long periods of sovereignty and felt that they had reached a level of social and political stability that could allow the sacrifice of some elements of sovereignty in return for economic gains."<sup>54</sup> The Palestinian people are at a very different point in their utility calculation due to their long history of Israeli, Jordanian, British, and Ottoman occupation.

They have experienced neither sovereignty (identity) nor economic independence (consumption), and will prefer a solution that would allow them to cultivate both.

The Palestinians have endured “a heavy cost on their social fabric, their political, stability, their national pride and their overall national identity” and would compensate for these factors if given the opportunity to play a real role in determining and establishing their economic and political role.<sup>55</sup> Palestinians are faced with the same choice as any other out-group, identity, or minority. To survive economically, they must interact with Israel. To interact with Israel they must subdue their identity parameter and the meanness (resistance) that could help them gain sovereignty. The Free Aceh Movement (GAM) in Indonesia also accepted terms that would increase their consumption, in exchange for decreasing their identity parameter (ending the separatist campaign). The Palestinian situation may be more similar to the Acehnese in terms of autonomy; however, they still have the option to weight their identity parameter in reaction to their history of occupation and identity suppression.

### Colonialism and Intervention

As seen through many of these case studies, religious and ethnic violence are not as much about the fundamental ideologies held by the identity groups but the weight put on those identities (the numerical value of identity parameter). Behavioral and identity economics have proven the role of even arbitrary identity distinctions in individual or group choices and actions. As identities are so easily established, the key determinant becomes the importance of the identity. Oppressive structures such as colonialism often intensify the role of identity within various regions. These outsider forces are often ignorant and inconsiderate to the existing divisions, and have the potential to create ethnic and structural chaos during and after their infiltration.

Attempting to understand these forces, Matthew Lange and Andrew Dawson (2009) analyze the role of colonialism in future outcomes. In response to arguments connecting colonialism and civil violence, they collect data and run statistical tests to determine the true culpability.<sup>56</sup> The authors motivate their study by asserting that previous studies may have been too biased against colonialism, actively searching for proof of the colonial hypothesis and the “ways that it continues to subjugate, exploit, and demoralize individuals living in former colonies.” They summarize the many mechanisms cited in post-colonial literature, including artificial identity structures, hierarchies, borders, and the potential power struggles after independence.<sup>57</sup> Their biggest critique and correction of previous post-colonial literature is the failure to compare results to non-colonial countries.

The results in the Lange and Dawson (2009) study are mostly consistent with the “colonial hypothesis,” with most of their variables highlighting the connection between colonialism and future conflict. They find the largest colonial effects in antagonistic group identities, labor distributions, and ethnic hierarchies.<sup>58</sup> They find evidence of the British “divide-and-rule policy” through lasting communal violence.<sup>59</sup> They feel their results reiterate and confirm those of Carroll (2001) who believed that British colonialism “and its legacy of nurtured local hatreds can be seen wherever the Union Flag flew, from Muslim-Hindu hatred in Pakistan and India, to...Jew-Arab hatred in Modern Israel.”<sup>60</sup> Lange and Dawson (2009) note the lack of significance for some previously argued colonial legacies such as political rebellion and civil war.<sup>61</sup> However, the significance of specifically British colonialism on inter-communal violence is in line with both regions being analyzed in this paper.

In another analysis of colonial effects, Bernhard, Reenock, and Nordstrom (2004) study the effect of colonialism on the stability of political institutions. In their motivation, they assert the need to understand the history of colonialism and its role in modern

democratization.<sup>62</sup> Viewing decolonization as “one of the landmark developments of the postwar era,” the authors recall the optimism for the regions to develop, democratize, and modernize.<sup>63</sup> The authors classify the various types of colonization, coding India as British Overseas Colonialism and Israel as a British Settler Colony. They disaggregate the effects into economic development, social fragmentation, and the role of the state in various levels of society.<sup>64</sup> The high levels of fractionalization stemmed from the creation of structures, boundaries, and social organizations designed to benefit the colonial power.<sup>65</sup>

While earlier studies found some correlation between British colonialism and democratic legacies, the results became less significant over time. Bernhard, Reenock, and Nordstrom (2004) find “that a colonial past generally diminishes a democracy’s prospects for survival, and that “the negative legacy of colonialism seems to be a product of underdevelopment and higher levels of social fragmentation, and the relationship between the state and civil society.” The previously generalized democratic success of British colonies is a result of the last factor of societal organization, but any success is contingent on the development and social structures.<sup>66</sup>

These studies are two of many that show the long lasting and ever present effects of colonialism and decolonization. The initial presence of the inconsiderate and oppressive structures as well as the resulting extraction has been a detriment to the affected regions socially, economically and politically. With a variety of iterations of colonialism and a variety of affected regions, it is difficult to pinpoint the true extent of colonial effects. British colonialism was known for capitalizing on vulnerability and manipulating existing divisions within the regions they occupied. The arbitrary borders, and lack of autonomy, magnified the existing divisions in the regional social structures, catalyzing ethnic tension. While colonialism did not necessarily invent the group identities, it raised the weight the identity

held, by making it a measure of welfare, autonomy, and incentivizing meanness towards the out-group to maintain social order.

The end of colonialism did not mean the end of Western intervention and authority across the two regions. The performance of power merely changed its appearance. Whereas empires sought land, expansion, travel routes, authority, and blatant representations of power and control,<sup>67</sup> post-colonial power had to mask its blatant self-interest. Major superpowers continue to exert control on the regions in strategic ways. The United States maintains its role in many Middle East crises, being labeled as “the principal arbiter of western policy in the Middle East.”<sup>68</sup> Despite nuclear capabilities, India, Israel and Pakistan hold a lower, de facto, classification and lack of leverage and authority.<sup>69</sup> While the perceived absence of harsh outside forces has allowed the two regions to develop some sense of autonomy, they are still faced with remnant colonial attitudes and outside intervention. It is important to identify the historical and modern factors that have the potential to influence individual and governmental decision-making, while controlling for their role in future outcomes.

#### Conclusion:

Economics is the study of how actors make choices, especially when constrained by other factors. It is generally understood that individuals make the best decisions, subject to their preferences, information, and capabilities. Using research, data processing, and economic theory, economists attempt to predict and understand a variety of outcomes and capture overarching trends. A fundamental principle of economics is *ceteris parabis*, meaning “other things remaining equal” and it is used to isolate interactions between variables. When possible, economists attempt to control for extraneous details, so as to truly understand the

underlying forces of any given outcome. Modeling complex theories in simplified models is the goal. These standards and ideals of economic analysis have prevented and deterred necessary scholarly attention to the field of conflict economics. The difficulty in control, isolation, and data collection make it extremely difficult to study and understand both widespread and localized problems. These obstacles often lead people to view tension, conflict, and violence as pervasive and inherent to different regions.

Generalizations such as these make potential strategies and solutions seem intangible or impossible. This is the case with previous understandings of identity-based conflict, or conflicts derived from some understanding of group classifications and motivations. Those with primordial understandings of these conflicts would be justified in their hesitation to search for a sustainable solution. Identity is often established through religious or ethnic ties, which are viewed as fundamental and unchanging factors. If the problem is merely a deep-seated hatred and antagonism, resolution seems unlikely. Hence, the first step is to simplify the issues, while maintaining a true understanding of the problem.

This simplification is achieved in the form of a utility maximizing function. These are used to determine an actor's preference for various amounts of goods subject to a budget constraint. This can be as simple as apples and oranges. Once a person knows their income, they can decide how many apples and oranges they can buy. They must also decide their preferences for the distribution of apples and oranges. They may prefer more apples than oranges, all apples or oranges, or half of both. Those preferences are inherent to the person, and they calculate how much they want of each against how much they can afford. Anderton (n.d.) uses the same apples and oranges thought process, but asks the actors to choose between consumption goods and acts of meanness. By multiplying acts of meanness by the identity parameter, he exemplifies the role identity plays in an actor's want of meanness. If

they do not view their identity as important, meaning they do not participate in any in-group/out-group dynamics, then they can buy and consume as much as their income allows. If identity is somewhat important or extremely important, their preference for meanness will increase exponentially.

This identity utility model is relatively simple, if not intuitive. Its complexity arises in the variety of factors that can influence, change, and manipulate its variables. Each variable moves both positively and negatively, affecting the final utility calculation in different ways. Identity can increase through propaganda, humiliation tactics, or even minor separations (as seen through the Robbers Cave experiment). Income can be rewarded to a dominant group. The relative price of meanness can decrease due to either lack of punishment or blatant encouragement. The relative price of consumption can be subsidized. These are just a few changes that would push a group to prefer and perform meanness.

Indonesia is an interesting case study to begin to capture this analytical approach. In a time of political and economic instability, separatist attitudes and movements were intensified, and terrorist tactics were utilized. The various groups felt that meanness and violence would maximize their utility, as the Indonesian government's extractive tactics limited their consumption. Concessions and policy changes, at least temporarily, quelled the violent attitudes and actions of one group, whereas the unaddressed group maintained its terrorist and separatist campaign.

Two studies look at various elements of the Hindu-Muslim violence in India. The first finds, subject to the specific context of India, that increased Muslim prosperity increased the resulting fatality rates from ethnic violence, while increased Hindu prosperity decreased the later fatality rates. The Hindus antagonized Muslim prosperity, increasing the implications of the out-group identity. The second study looked at the uneven distribution

of Hindu-Muslim violence across the Gujarat state in India. Contrary to claims about a putatively fundamental religious antagonism, not all districts experienced the same levels of violence. They found this to be a reaction to the demographic and economic threat of Muslims as well as the political tactic of a political party. Both of these studies show the delicate interaction between consumption, identity, and proclivity for meanness.

Another study looks at the existing economic agreements and practices between Israel and Palestinian territories. They look at the unilateral nature of the agreements and the economic dependency the policies force onto the Palestinians. In an analysis of the shortcomings and failures of the past protocols, they discuss necessary elements of a permanent and sustainable future agreement. The unique history of the region necessitates allocation of both political and economic sovereignty. The various prescribed solutions do not deal with religious or fundamental questions, but the economic and social factors that would maximize the Palestinian utility calculation.

Two studies look at the historical role of colonialism and its inconsiderate treatment of borders, social structures, and political institutions. The remnants of irresponsible colonial presence along with modern intervention in the regions assigns some culpability to the manipulation of identity factors that pushes the regions to inter-group conflict.

Behavioral economics only needs minor divisions and group classifications to understand identity conflict and behavior. These cleavages have been experimentally developed in otherwise homogenous groups, so the use of religion is only an extension of the inherent need to make divisions. The intensity of conflict is not inherent in the religions or ideology, but in the manipulation of the previously mentioned factors. Where they can incite violence, they can also relieve violence. Overcomplicating and generalizing the issue

prevents the development of realistic and sustainable solutions to a widespread and universal problem.

## Endnotes

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- <sup>5</sup> *Ibid.* p. 22.
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- <sup>21</sup> *Ibid.* p. 101.
- <sup>22</sup> *Ibid.* p. 103.
- <sup>23</sup> *Ibid.* p. 93.
- <sup>24</sup> *Ibid.* p. 94.
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