
This book contains eight chapters, in addition to an introductory chapter by the editors, based on research presented at a University of California-Irvine conference in 1994 entitled “Conflict and Rent-Seeking.” The common theme in the book is exploring the implications of relaxing the assumption that the “rules of the game” are well defined and enforced in models of economic behavior. One frequently used method, for example, is to allow economic agents to choose whether to use their resources for productive activities or predatory activities. Because this is an edited volume, I have chosen to do a brief review of each chapter separately.

In Chapter 1, the editors attempt to lay the foundation for the entire volume. They begin by observing that most economic models assume that man is a rational economic agent, but then constrain his choices to only productive behavior, even in cases where theft or warfare would be more beneficial to the individual. Is this simplifying assumption realistic? They give many examples from history, and also examples from modern day occurrences, that quickly convince the reader that conflict and appropriation are an important feature in the functioning of markets. Next, the central question that is to be the focus of each chapter in the book is proposed: is it possible to derive theories that can predict the behavior of economic agents under these conditions? The editors then discuss the main findings contained in the volume and show that indeed much can be learned by relaxing the assumptions of economic models to include conflict.

In Chapter 2, Jack Hirshleifer provides a thought-provoking analysis of anarchy. This chapter is a reprint of an article published in *The Journal of Political Economy* in 1995. Perhaps the most important contribution of his analysis is the demonstration that anarchy can be a stable equilibrium system. The central determinant of whether a society remains in anarchy is whether there are diminishing returns to resources used in conflict. With diminishing returns, no one group can overtake the others, and thus some resources will still be devoted toward productive activities. When increasing returns
are present, however, one side will dominate the situation, rendering anarchy unstable and imposing a dictatorship.

In Chapter 2, Ronald Findlay models the determinants of the optimal geographic size of empires. Findlay employs the standard opportunity cost approach, where the cost of getting new land and subjects, by using labor in military conquest, is mainly determined by the opportunity cost of these resources in productive activities. The model begins by assuming that the empire has a fixed amount of labor to be employed either in agricultural production (on the current land of the territory) or in the military to acquire new land that can be brought into agricultural production. Thus, increased output can be achieved either by devoting more labor toward production on current land, or by using more labor to capture new land that can be cultivated. All factors, including land, are subject to decreasing returns, and the objective is to maximize output of agriculture. A stable equilibrium is reached when the marginal product of labor in agriculture equals the marginal product of labor in the military, which is a reflection of the marginal productivity of the land captured in conflict. The model is extended to allow for a manufacturing sector that uses labor and capital, but not land, in production. The conclusion from this extension is that the more important the manufacturing sector, the less incentive there is for the empire to expand its military and territorial size. The final extension allows the capture of new territory also to bring into the empire new workers.

In Chapter 4, Herschel Grossman and Minseong Kim attempt to characterize the necessary conditions that must be present for an individual to become a pure predator, that is devoting all of his time to predatory activities and none to production. The model is structured with one agent who is a predator and one who is the prey. The predator has the choice of using his resources either in productive activities or in predatory activities. The prey has the choice of using his resources either in productive activities or to defend himself against the predator. Their first main result is that if the predator is sufficiently poor compared to the prey, then the wealth of the prey can induce the predator to specialize in predatory activities. This result, however, also depends upon the effectiveness of the predator’s offensive weapons against the defensive weapons of the prey. If the predator’s offense is not very effective against the prey’s defense, then the low productivity of predatory activities will result in the predator choosing not to specialize in predatory activities, and instead devoting at least some resources toward production. The most interesting result is that if the predator’s offense is very effective against the prey’s defense, then the predator need not specialize in predatory activities because the predator can extort a great deal of wealth with little effort. Thus, the implication is that for a person to become a pure predator, his offense must