

Class War Games
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The term “class warfare,” banished for many years to the far left of our political discourse, has gradually moved toward its center. President Obama, pushing for higher taxes on millionaires, now seems happy to describe himself as a warrior for the middle class.

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The term also has new valence in the economics profession. Once deployed primarily by those influenced by the Marxian tradition, the concept of class war fits neatly into the new field of conflict analysis, which often applies the tools of game theory.

In many games, as well as wars, teams compete for prizes. Competition can include efforts to influence the rules of the game, or to simply snatch the prize and run.

Collective conflict is hardly a new idea — James Madison invoked it in the Federalist Papers, defining factions as citizens “united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community.” He went on to describe the primary source of factions as the “various and unequal distribution of property.”

Yet for most of the late 20th century, economists focused their attention on forms of competition that took place within a very specific institutional context: voluntary exchange in markets. Questions about how individuals obtained the resources they took to market received relatively little attention.

Milton and Rose Friedman’s classic book, “Free to Choose,” captured the spirit of this approach. John Roemer’s much less accessible but also classic “Free to Lose,” a modern revision of classical Marxian theory, deftly illustrated its limitations.

But it was Jack Hirshleifer of the University of California, Los Angeles, an economist with no affinity for Karl Marx, who virtually created a field of conflict analysis with a collection of essays poetically titled “The Dark Side of the Force.”

In these essays, he emphasized that the pursuit of self-interest often motivates individuals to join strong groups in order to prey on weak groups. Indeed, he argued that individuals opt for voluntary exchange only if it offers them greater gains than coercive expropriation.

Economists who have built on Professor Hirshleifer’s approach include Herschel Grossman, who taught at Brown University, and Michelle Garfinkel and Sergios Skaperdas of the University of California, Irvine, authors of “The Political Economy of Conflict and Appropriation.”

Modern conflict analysis remains largely preoccupied with abstract models of the emergence of social institutions. But social scientists can draw on its conceptual toolkit to explore the relationships among unexpected political alignments, economic stagnation and partisan stalemate.

Political loyalty is likely to be determined by strategic calculations of future benefits rather than objective characteristics, like income or wealth. Such strategic calculations rely on imperfect information, including guesses about other people's choices. Uncertainty about the economic future can contribute to political inertia and a tendency to rely on allegiances that worked well in the past.

Even small changes in our vocabulary can change perceptions. Ironically, Republican efforts to denounce tax increases for millionaires helped bring the term "class warfare" back into vogue; Warren Buffett, one of the country's most successful capitalists, has wryly warned that his class is winning (even as he supports proposals to change the tax code).

Many Americans today aren't really sure what class they belong to, but they are increasingly interested in figuring this out. The class war game is on.

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