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Conflict and Resolution (Includes Comments on The Russia-Ukraine War)

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CONFLICT AND RESOLUTION

(INCLUDES COMMENTS ON
THE RUSSIA-UKRAINE WAR)

by

CARLOS OBREGÓN

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INTRODUCTION

As I am writing this book, Russia is invading Ukraine, and the world's beliefs in global institutions, peace, humanism, and social progress have been shaken again¹. For its dimensions, it is the most important war since the Second World War. But that does not mean, at all, that the world has been at peace the last seventy years. Since 1950 the world has had at least seventeen major armed conflicts². Conflict is endemic to human societies. As we all have experienced, conflict happens to be an element of social life at any level. Whether between individuals, groups or nations, conflict always occurs. There are distinct ways in which conflict happens, such as ideological confrontations, lifestyle disagreements, political differences, physical fights, economic competition, crime, or warfare. Conflicts always are disruptive, and always have a resolution. But the resolution may mean improvement, retrogression or even destruction of the involved social relations. Understanding why conflict is endemic to any social relation, under which conditions it is a positive element in social life, and when it becomes a negative one, is the main purpose of this manuscript. The answer, we argue, lies in the institutional social setting within which conflict occurs. Some settings are favorable to guide conflict into a constructive process of social change; others may induce conflict to create social retrogression and/or destruction. Moreover, the answer must be given in a dynamic setting, a conflict that may appear retrograde or destructive in a static setting may actually be constructive in a dynamic one.

Conflict resolution in a static framework necessarily implies winners and losers. Whatever is the object under dispute of the confrontation is taken by the winners (or at least most of it). In a dynamic setting, there may be cases in which both parties win, and other solutions where both parties lose. While in a static setting the only resolution may be a confrontation to define who gets what share of the pie under discussion, in a dynamic setting any movement to redefine the shares of the pie also change

¹ I would like to thank Dorothea Schael for her valuable comments.

² <https://www.infoplease.com/history/us/major-military-operations-since-world-war-ii>

the size of the pie. Therefore, what may seem a winners' strategy in a static sense, may end up being a loser's one in a dynamic setting. While in a static setting both the independence of the agents and the size of the pie are assumed as fixed, in a dynamic one agents may be interdependent and the size of the pie may be a function of the strategies adopted.

One frequent reason of long-lasting conflicts is precisely the illusion that the pie under discussion is given, and that whoever wins will get it (or a larger share of it). Frequently however, long-lasting conflicts prevent the adequate growth of the pie, and on many occasions even diminish it. A recurrent example is the assumption, usually by leftist or/and populist leaders, that the main reason for poverty and the inadequate level of living of most of the population in underdeveloped countries is the income concentration; and that therefore, the solution lies in income distribution policies, which frequently are adopted at the cost of an inadequate economic growth program. I have shown in a recent study that the cost of such policies may be very high³. The share of income both of the lowest decile (d1) and lowest quintile (q1) of the population 1980-2018 increased substantially in Russia, due to the income distribution policies adopted; while it decreased in China. Despite that, in relative terms the income of the lowest decile China versus Russia grew 362% and the one of the lowest quintile 406%. In China, at the end everybody was better off compared to Russia. The population's income, excluding the highest income decile, of China versus Russia grew 734% in the same period; and the one of the highest income decile 1306%. In this specific comparison, the cost of redistributing income in Russia was that everybody's income ended up worse off, including the one of the lowest income decile and quintile.

The above is a particular economic example, but similar situations happen often in other instances of conflict resolution. In game theory, it can be shown that there are many cases in which both agents end up worse off than when they started. In real life wars between nations, global financial crises, the environmental crisis, uncontrolled global crime, global pandemics, and underdevelopment and poverty, produce situations in which everybody ends up worse off. At the individual level there also are many instances in which divorces end up with everybody in the family being worse off; not only in the economic dimension, but also in human terms.

The main thesis in this manuscript is that in any human interaction there may be a positive dynamic towards conflict resolution, in which

³ Obregón, C. 2020. Three Lesson from Economists That Policy Makers Should Never Forget. Amazon.Com. Also available at Research Gate.com

everybody ends up better off (when mutual belonging can develop), or one in which someone, or even everybody, ends up worse off (when coercive aggression is the preferred route for the resolution). Furthermore, that conflict resolution can be improved substantially if it is analyzed in a dynamic context; which forces the players to understand the implications of the strategies adopted on the “size of the pie”, and that highlights the convenience of evaluating cooperative strategies.

Conflict is a complex social phenomenon that has to be understood through an interdisciplinary approach. In here we use an evolutionary perspective supported by the most recent scientific discoveries in economics, neurobiology, psychology, sociology, and political science.

The first chapter reviews economic conflict. While in traditional economic thought conflict was defined as the confrontation about the use of scarce resources, contemporary economics, using game theory, has shown that the amount of resources under dispute depends both upon the institutional settings of the game, and the specific strategies adopted by the agents in the game. Therefore, the focus has changed to the understanding of the quality and properties of the institutional arrangement.

Game theory provides an interesting lesson for conflict theory: even if the conflict is analyzed in dynamic terms, the result may still be suboptimal. The reason why this can happen is that one economic agent does not know what the others will do. And even if we hypothetically assume that: a) all economic agents are informed of what the optimum potential solution is; and b) communication between them to announce their future actions is allowed; it can still be the case that the optimum solution does not occur, because in addition to be informed about the other economic agent's future actions, the economic agent has to trust that they are saying the truth – knowing that the others may benefit from lying.

But trust is not a feature neither of the economic system, nor of the power system, it is a feature of the integrative system⁴. The main lesson learnt in the chapter about economic conflict is that it does not have a solution within the economic system itself; the solution requires an institutional arrangement bolstering trust, that necessarily involves the integrative system.

This chapter also argues that the main problem of the planet today

⁴ In this manuscript we follow Kenneth Boulding's framework of institutional economics, according to which the interactions of individuals within a society are not only explained by the existence of an economic system, but also by the prevailing norms of an integrative system and by the use of force or the menace of it within a power system. For definitions and further discussion of these three social systems see figures 3.3 and 3.4.

is that capitalism has become global, while the relevant institutional arrangement has remained national, or at best regional; with the consequence of the lack of a proper global institutional arrangement.

In the second chapter we explore interpersonal conflict from an evolutionary psychological perspective; we argue that conflict is intrinsic to any relation, and that whether it ends up in a constructive resolution or not depends upon the quality of belonging in the relation. We introduce the reader to the three ways of belonging and provide the evidence that in interpersonal conflict the quality of love – the first way of belonging – is decisive as to whether the resolution ends up being socially constructive.

The psychological reality is representational, and therefore psychological conflict resolution has to do with the emotional and mental flexibility to contemplate our past, present and future. The fact that psychological reality is representational means that, whatever is in conflict is also dependent upon the way it is representationally perceived by each agent. This has huge implications. Because it seriously complicates the interpersonal resolution of conflict, as the two agents may perceive reality in distinct ways which may have diverse grades of compatibility.

At the social level the human mind forms representations of the external reality that form value systems, religions, ideologies and concepts in general that do not always coincide between the agents; which means that there is not necessarily a real solution to the conflict. And even when representational differences are reconcilable, they certainly provide a new layer of complexity to conflict resolution.

The third chapter discusses social conflict versus social belonging. Conflict and resolution, we argue, is built-in within the evolutionary makeup of human beings. Conflict is due to four reasons: 1) The need of individuality of the genetic pool to maximize life's survival chances; 2) the competition for scarce resources; 3) that we were evolutionarily designed to belong to small groups; and 3) the representational nature of reality in the human mind. However, human beings were designed to survive as social beings and evolutionarily they have the potential to belong to the people near to them, to the social group and to the universe surrounding them. Therefore, solutions to conflict based on strengthening belonging are also an evolutionary makeup which is required for human survival. The quality of social belonging – the second way of belonging – defines whether the social resolution of conflict is constructive or not.

Failures in belonging however are frequent, and therefore resolutions through the economic and integrative systems are not always achieved;

in such cases power confrontations occur. The goal of humanity is to create societies that can cope with social conflict as a positive source of social change, while preventing conflict to induce power confrontations that may become very expensive in human terms – although unfortunately, in certain historical cases, they sometimes are unavoidable.

In the fourth chapter we argue that power conflicts arise when there is not found another solution to conflicts that start within the integrative or the economic systems; or when they are initiated within the power system itself. The power system is required to solve economic conflicts in the absence of an adequate integrative system, and it is also needed as a complement to the integrative system, to prevent and punish deviant behavior. However, power conflicts cannot be fully solved within the power system. The reason is that there is no way for the winner to maintain its position indefinitely, based only on the use of force. Because power conflicts cannot be solved completely within the power system, the aid of the integrative and/or economic systems is required in their resolution.

In this chapter we also review five unilateral theories of conflict resolution: 1) Freedom Theories. 2) Distributional Theories. 3) Ethical Theories. 4) Interests Theories. And, 5) Representational Theories. We argue that all these theories are useful to understand critical elements of the process of conflict resolution; but since power conflicts have always multifactorial causes, none of them taken alone can fully explain them. To explain power conflicts a multifactorial theory is required. At the end of this chapter, we summarize our own multifactorial theory of conflict resolution.

Chapter five uses the unfolding war between Russia and Ukraine as an example. First, it presents a chronological background of the war. Second, it discusses how it can be explained by the unilateral theories of conflict presented in chapter four; it argues that none of these theories offers a good explanation. Third, it explains the war using the multifactorial theory of conflict that we are proposing in this manuscript.

Our multifactorial theory of conflict discusses: 1) The role of the global institutional arrangement. 2) The psychological factors of the war. 3) The integrative system: global, in the West, in Russia and in Ukraine. 4) The economic system: global, in the West, in Russia and in Ukraine. 5) The power system: global, in the West, in Russia and in Ukraine. And 6) The multifactorial reasons for the aggression.

The multifactorial reasons for the aggression are divided into four groups: I) Long term, indirect causes: those causes that are in the background of why the conflict happened, but that are only an indirect cause

of the present confrontation. II) Long term, direct causes: those causes that are in the background of why the conflict happened, and are also a direct cause. III) Short term, direct causes of the conflict. IV) Immediate causes that precipitated the conflict. It is argued that despite the importance of the immediate causes of the conflict, the long term indirect and direct causes, and the short term causes, must be taken into account to understand why the Russian aggression happened.

This fifth chapter wraps up with a discussion on lessons to be learnt from the likely resolution of the war.

Finally, in the epilogue we argue that the ICT (Information, Communication and Office Technology) revolution has changed the global mode of production. ICT has allowed central management of a company - in a developed country - of a segmented production that takes place in several underdeveloped countries. It explains to a large extent China's economic success, and has created a new, highly interconnected economic world. Moreover, it has created a new global lifestyle, with communication and digital products that have changed the way we see each other around the world. However, the technological changes brought about by the ICT revolution have been very abrupt, and the global social institutions have lagged. Communications and the economic system have become global, but the integrative and the power systems have not. The global institutional arrangement is very weak and a common conceptual system hardly exists.

The consequence of the mismatch between the globalized economic system and the national, or regional at best, integrative system is that there is extra space for the power system to operate. The outcome of the weakness of the international institutional arrangement is a world's unintegrated society in which the rule of the most powerful still prevails.

In realistic terms, strengthening the global institutional arrangement will be very difficult, since today's political agenda is still based on the principle of the national interests - which predominate upon humanitarian values and any other international agenda. But something will have to change, because the increasing globalization makes the future prevalence of selfish national interests too expensive for the world, to be maintained without serious modifications. We will see what happens. Our purpose is to alert the reader and the world of the need to look forward to a different, better integrated global system.

CHAPTER ONE: ECONOMIC CONFLICT AND INSTITUTIONAL ECONOMICS

Economic conflict is the confrontation between two or more individuals (or groups) to defend their selfish individual (or collective) interests. There have been two extreme positions about economic conflict: I) For the neoclassical school, the confrontation is between individuals and the resolution is obtained by granting individual freedom. If individual freedom (which includes political freedom, freedom of expression and economic freedom) is granted, the economic conflict, it is argued, will be solved harmoniously by the free markets. According to this position individual freedom guarantees peace and progress. II) For the Marxist school the confrontation is between economic classes: proletariats versus capitalists. The resolution is obtained by the appropriation of the means of production by the proletariat (through a revolution); which conduces to the communist society in which peace and progress will be guaranteed. The communist society will evolve into a social humane society, in which all the individuals will be free, satisfying their true nature as species being.

None of these two extreme positions has been validated historically. In the real world, individual freedom in the West did not produce peace; economic conflicts often resulted in military confrontations. And individual freedom, while related to the economic progress of the West, did not produce progress in the developing economies, nor in the world at large. On the other hand, communist revolutions did not happen neither globally, nor in the developed countries, as Marxism forecasted; and in those developing countries where they were adopted, they did not produce neither peace, nor progress. Nor have these communist countries evolved into humane societies characterized by free individuals, in any sense of the word.

As we will show, there are no scientific bases to uphold neither the neoclassical nor the Marxist resolution of economic conflict. In here, we argue that economic conflict is consequence of the evolutionary struggle for survival and that, contrary to the arguments of the neoclassical and Marxist schools, there is no resolution that can be found within the eco-

conomic system itself. The resolution of economic conflicts necessarily implies also the integrative system and/or the power system – and always involves the institutional arrangement.

Whenever economic conflict resolution does not involve the integrative system, the solution is very suboptimal and creates a savage capitalism that easily degenerates into confrontations in the power system (such as military or criminal struggles). Economic conflict resolution can only have a reasonable solution if it involves a proper institutional arrangement.

This chapter is divided in two sections. In the first section, we review the theories of economic conflict resolution. In the second section, we discuss economic conflict in real life. We briefly present three critical cases: 1) Class conflict and income distribution; 2) misguided economic growth programs; and 3) globalization's conflicts.

THEORIES OF ECONOMIC CONFLICT RESOLUTION

In this section we discuss the theoretical scientific reasons why the neo-classical resolution of economic conflict is incorrect; and we do the same for the Marxist one. Finally, we defend on theoretical grounds an evolutionary institutional view of economic conflict resolution.

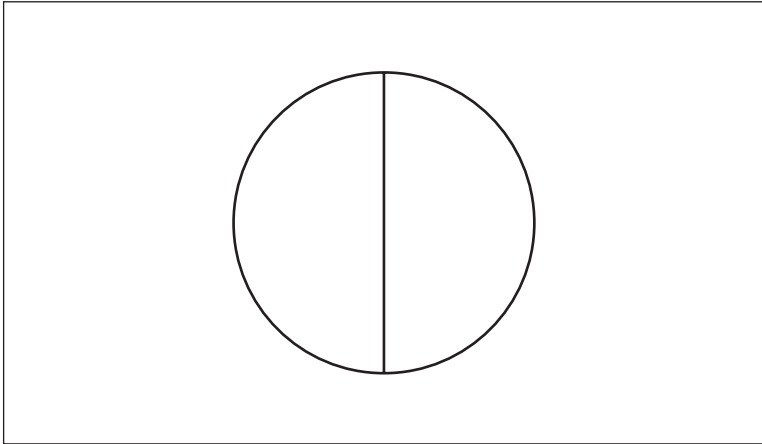
The Neoclassical Resolution to Economic Conflict

In order to express the contributions of traditional economics to the understanding of conflict resolution, the simplest approach is to understand conflict as the competition for scarce resources. Figure 1.1 shows a circle divided by half; if we assume that the circle represents the scarce resources under dispute, and that two economic agents are identical as to their competitive capacities (including personal abilities, financial means, information, strategical set, and all other resources) and as to their preferences, and that their preferences are independent, the division by half would likely be the solution⁵. It should be pointed out that the circle may mean a territory (which would make economic theory somewhat useful for war analysis), or a psychological or ideological field; thus there

⁵ Destructive strategies are excluded.

is some level of generality in the following analysis. Which however is insufficient, as we will show in the following chapters, to fully describe the nature of human conflicts.

FIGURE 1.1 CIRCLE DIVIDED BY HALF



The first thing to notice is that differences in initial endowments (income or wealth) may result in an division alternative to the solution in half; the wealthiest individual will clearly be able to occupy more of the area in the circle. Thus, the distribution of initial endowments clearly affects the solution.

The second thing to realize is that, even if we assume that the initial endowments and any other competitive capacities are the same, but we allow for the two individuals' preferences upon distinct areas of the circle to be different, the solution by half does not work any longer either. If, for example, we assume that the agent A prefers the north part of the circle, while the agent B is indifferent to any location within the circle; it can be shown that the solution would imply for agent B to obtain more than half of the total area in the circle, as long as it allows agent A to have more than half of the north region in the circle. In fact, what the agent A loses of the total area of the circle versus what he gains in the north area defines the economic price at which the two areas are exchanged.

The dependence of conflict resolution upon the initial endowments and the preferences of the economic agents was soon realized in economics.

The easy way to represent an economic conflict is the contract curve in an Edgeworth box, which Boulding called the conflict curve. The preferences of one individual over two goods are drafted against the ones of another. See figure 1.2. The tangential points between the curves show the contract curve—the Pareto points, defined as those in which any movement to improve one agent will mean for the other agent to be worse off. The conflict curve is a static game between two economic agents with given distinct preferences over two goods. It can of course be generalized to n agents. In a general equilibrium setting with n agents; given the endowments of any agent, the state of technology, and distinct individuals' preferences, and under a set of restrictive conditions, a unique optimal Pareto equilibrium can be found.

The conditions to establish one unique optimal equilibrium are however too restrictive to correspond to the real world. Information theory and game theory have shown the presence of multi-equilibriums; many of which are not even Pareto optimal. From the point of view of the theory of conflict this means that the resolution depends upon: a) the information set that the agents have; b) the settings of the game (in the real world, the institutional setting); and c) the strategies adopted by each agent. In terms of figure 1.1 what all this means is that the size of the circle is not given, and both the size of the circle and its distribution depend on the information set, the institutional arrangement, and the strategies adopted by the agents.

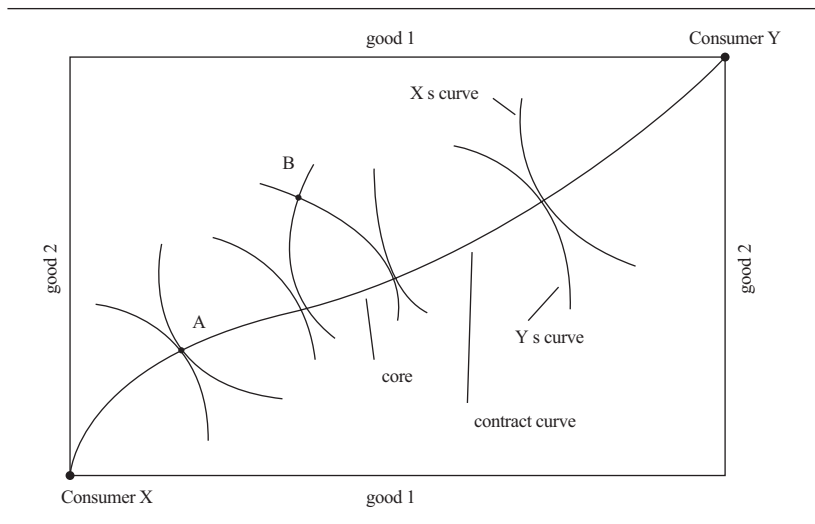
These results are fundamental to the understanding of the theory of conflict. The initial efforts of welfare economics and general equilibrium theory were channeled to show that economic conflict could be resolved by the market alone; the recent discoveries of information theory and game theory have shown that this is not the case. However, as we will discuss, that does not mean that institutions can replace the markets. Markets do play a crucial role in the solution of economic conflicts.

Conflict Theory and Behavioral Economics

In traditional neoclassical economics, there is an implicit conflict between the economic agents, exemplified in a simple case by the contract curve in the Edgeworth box in figure 1.2. Such a vision assumes that economic agents are selfish, rational calculators defending their respective interests. But what happens if this assumption is not adequate? How does

economic conflict look like then? In fact, there may be no conflict, and a cooperative solution may be found. Behavioral economics has shown empirically that, in the “dictator game” in which the player A is a dictator that can give whatever he pleases and keep the rest, surprisingly enough 74% divide the money equally and in the punishment stage 81% choose to share \$10 with a fair allocator instead of \$12 with an unfair one. How do you explain altruistic and cooperative behavior?

FIGURE 1.2 THE CONTRACT CURVE



Behavioral economics was conceived mainly as a critique of the rational economic man of contemporary neoclassical economics, particularly in its free markets version⁶. The humans of behavioral economics are defined as non-rational, altruistic and social, cooperative individuals. Behavioral economics integrates psychology and economics and argues that we are “humans” and not “econs”⁷. “Humans” are not rational, they are

⁶ There are five Nobel Prize winners that can be associated with behavioral economics: Simon (1978), Akerlof (2001), Kahneman (2002), Shiller (2013) and Thaler (2017).

⁷ Good reviews of behavioral economics, ordered from simple to complex are: Baddeley, 2017; Tomer, 2017; Cartwright, 2018; and Dhami, 2016. Baddeley, M. (2017). Behavioral economics. A Very Short Introduction. Oxford University press.UK. Tomer, J.F. (2017). Advanced Introduction to Behavioral Economics. Edward Elgar, Northampton, Massachusetts. Cartwright, E. (2018). Behavioral economics. Routledge, New York. Dhami, S.

emotional beings who under some circumstances may take the wrong choices and therefore need help from the government. Behavioral economists argue that there are powerful socio-economic and psychological incentives. People obtain wellbeing from compensations other than money, whether intellectual gratification, respecting others, social conventions, and social status. That explains why: paying students to study reduces the quality of their intellectual effort; charging parents for picking up late their children from a nursery had the effect that more parents did it, because they felt free to do it, once they paid for the service; payments for blood donation reduce donations; and higher wages encourage more work only if they are related to be treated well by the employer.

Economic decisions, behavioral economists argue, are not only related to prices but to human relationships and social interactions. Behavioral economics has been very useful to understand certain economic decisions⁸, and has been crucial in the implementation of innovative policies in these cases⁹. Behavioral economics has brought value added to the

(2016). *The Foundations of Behavioral Economics*. Oxford University Press. Oxford, UK.

⁸ Behavioral economics' methodology to criticize traditional economics works as follows: 1) It shows that humans fail in their process of decision making, due mainly to the psychological characteristics of system 1 – as defined by Kahneman; 2) Intervention is required – in this case nudges are recommended. But, as we will show, the link between 1) and 2) is not necessarily well established. The following list of failures due to system 1 is not exhaustive, but good enough for our purposes. Decision failures due to psychological factors are: 1) Anchoring, 2) availability heuristic, 3) representativeness, 4) priming, 5) optimism and overconfidence, 6) status quo bias, 7) loss aversion, 8) psychologically overweighting rare events, 9) probabilities miscalculation, 10) reversals, 11) safety considerations, 12) endowment effect, 13) framing, 14) psychological memory, 15) time and adaptation as psychological dimensions, 16) regret, 17) mental accounting, 18) sunk costs, 19) inconsistent customer behavior in bargains, 20) the house effect, 21) the break even effect, 22) time inconsistent preferences i.e. hyperbolic discounting of the future, 23) altruistic behavior, 24) cooperative behavior, 25) punishing non cooperative behavior, 26) psychological fairness, 27) reciprocity, 28) conditional behavior, 29) lack of self control, 30) influences of advertising or other information, 31) conformity - peer pressure. Decision failures are also due to other three factors, mentioned by Thaler (2015): 1) economic transactions that do not allow for learning, 2) experts with conflict of interest, 3) lack of salience.

⁹ A list of principal behavioral economics interventions: 1) Save More Tomorrow; 2) A diversified portfolio: which automatically rebalances through time; 3) RECAP in mortgages; 4) RECAP in student loans; 5) RECAP in credit cards; 6) Nudges for the financial mistakes made in the 2008 crisis; 7) Prescription Drugs Plan for Seniors; 7) Presumed Consent for organ donation; 8) Disclosure of the main emitters of pollution; 9) Choosing a school; 10) freedom to buy or not the the right to sue the doctor for negligence; 11) Replace official marriages for civil unions; 12) Give More Tomorrow; 13) The Charity Debit Card and Tax Deductions; 14) Stickk.Com – to help people remind their commitments; 15) Quit Smoking Without a Patch; 16) Motorcycle Helmets; and 17) Gambling Self-Bans.

understanding of a relevant subset of economic problems like organ donation, individual saving decisions, and others¹⁰.

The empirical discoveries of behavioral economics necessarily open the question about the occasions on which economic agents behave selfishly, and on which other ones they behave in a cooperative and altruistic manner. The answer to this question becomes of critical importance for conflict theory.

On the one side, behavioral economics has shown that an important subset of economic problems cannot be explained with the assumption of the rational selfish calculator. But, on the other side, the notion of “humans”, as defined by behavioral economics, cannot explain either several empirical economic realities such as: 1) Why individuals do behave selfishly in large markets, even though they display altruistic and cooperative behavior in laboratory settings or in small groups - even in monetary transactions. 2) Why individuals can display altruistic and cooperative social behavior in some cases, like the dictator’s game in laboratory setting, or the high social expenditures in developed economies; and not do so in other cases, like the extremely low international aid (which is nothing else than a global dictator’s game in real life). 3) Why in some cases individuals can display very aggressive behavior, particularly to other “out-group” individuals not belonging to the in-group to which the individual belongs. 4) Why the companies with more global success are the ones which introduce new options to the customer and new ways to process information in a more rational way. 5) Why despite the presumed individual non-rationality, markets work so well both to allocate resources and to promote economic growth.

Therefore, in order to explain both the empirical realities mentioned in the above paragraph, and the empirical findings of behavioral economics, we need to go beyond the discussion of whether economic agents are “econs” (as defined by neoclassical economics) or “humans” (as described by behavioral economics). We need to go beyond the discussion of whether individuals are selfish or not, or rational or not. We need to get into a careful description of the social group, the institutions and the historical values of the culture of reference. Focusing only on the individual to explain social dynamics and economic relations is the wrong methodological approach. Social dynamics, as we will see, goes well beyond the individuals.

¹⁰ See Obregón, C. 2019, *Beyond Behavioral Economics: Who is the Economic Man*. Amazon.com, also available at [Research gate.com](https://www.researchgate.com)

A landmark study in the psychology of social groups is the “robbers cave” experiment¹¹, which showed how students became influenced by the in-group to which they belonged in the experiment, to the point of becoming extremely aggressive towards other students, considered the out-group. The aggression was due to a competition between the two groups for resources in a camping area. The experiment had to be stopped before the planned date for its conclusion, because of the high and unmanageable level of aggression that arose between the participants. This study leaves no question: we are social beings. We are influenced by others. The results of this study cannot be explained neither with behavioral economics nor with neoclassical economics. Individuals were socially cooperative, but only within the in-group, and they behaved selfishly and aggressive towards the individuals belonging to the out-group. Thus, individuals are neither always altruistic and cooperative, or selfish and aggressive – they behave differently in distinct situations. What this study basically showed, is that there are no permanent individual preferences; that they can be changed with the influence of the group - actually in a record time of less than a week.

To understand why the group is so decisive in defining the individuals' behavior, and to explain with the same theory both: 1) the five empirical realities mentioned earlier; and 2) the empirical findings of behavioral economics; we have to go beyond both behavioral economics and neoclassical economics. We need to review the findings of economic theory as to the relevance of information and institutions in the solution of economic conflicts; this we will do later on, when discussing the institutional resolution to economic conflicts.

The Marxist Resolution to Economic Conflict

To understand the theoretical flaws of Marxism, one must start by appreciating the limitations and misconceptions of classical economic theory. Classical economists explained capitalism based on two premises: 1) That economic progress was the consequence of the accumulation of capital; and 2) that this accumulation was the result of free trade and the capitalists' hunger for profits. Marx believed that an economy may accumulate

¹¹ Sheriff M. and OJ Harvey (1961), *Intergroup Conflict and Cooperation: The Robbers Cave Experiment*, Norma OK, University of Oklahoma, Institute of Intergroup Relations.

capital without having capitalists, thus he refused the second premise; but he accepted the first one.

For Marx, as for the classical economists, capitalism through capital accumulation has solved the problem of economic progress. Therefore, the only thing a communist society has to do in order to have progress is to accumulate capital. This is what the USSR did; however, it did not work. What we have learnt is that capital accumulation does not necessarily generate progress; because investment is not always truly productive. Whether it is or not, depends upon the characteristics of the model of economic growth adopted.

By assuming that economic growth was solved through the accumulation of capital, Marx believed that capitalism signaled the end of the human prehistory and the beginning of a human history. With progress resolved by capitalism, the question that remained was how to distribute the abundance, and this was the question that Marxism was solving. Marx's answer was that capitalism was unjust, and that it would destroy itself to give rise to a new economic system – communism.

What must be realized is that the problem of economic progress, that still was central in Smith, was assumed as already solved by capitalism by later economists. And in fact the world economy was growing as fast as never before. Therefore, Ricardo, Marx and the neoclassical economists focused their efforts on the distribution problem. Ricardo and Marx solved this problem through the labor value theory. Later on, the failure of this theory, for reasons explained below, implied the need for a new answer – that the neoclassical school found in the price theory in free markets. Which as we commented before also failed, because there are multi-equilibriums and therefore neither the level of employment nor the economic growth of an economy can be defined by the price system alone.

What Marxism and the neoclassical school have in common is the belief that economic growth is a natural byproduct of capitalism. The question about economic growth remained absent for many years of economic thought, and was not reopened until the publication of Nobel economist Robert Solow's famous 1956 seminal paper on economic growth, which actually formalized the fact that economic growth required the accumulation of capital (through savings). Solow's model leaves technology as an exogenous variable, and soon neoclassical economists explored the endogenous determinants of economic growth. They found four endogenous causes: 1) The quality of labor (talented individuals, education and so forth) – Baumol, Lucas and others; 2) learning by doing – Arrow

and others; 3) Science – Phelps, Nordhaus and others; and 4) Research and Development – Romer, Aghion and Howitt and others¹². Solow's model of economic growth inspired the communist growth model and the import substitution growth models, both based upon increasing savings. And both models failed, which showed that capital accumulation is not enough to obtain economic growth. Moreover, the communist model besides high savings incorporated: a very large market, high education, learning by doing, science, and research and development, and nevertheless it failed. Which showed that there are clearly institutional features that define economic growth, which were present in the only two successful models of economic growth that we have had so far: the Occidental model of economic growth and the Asian model of economic growth.

The Failure of Labor Value Theory

The main problem of labor value theory from an economic point of view is that it is a tautological proposition. It asserts that value comes from labor – but only from socially necessary labor, that is, labor that has been revalidated by the market. But then, it is a tautology, because to measure labor we need market prices first. And this tautology, by the way, as Marx already understood, is the only way out, because clearly value

¹² Science: Phelps 1966, Nordhaus 1967, Shell 1966 and 1967. Talented individuals: Baumol 1990 and Murphy, Shleifer, and Vishny 1991. Learning by doing: Arrow 1962. Research and development: P. M. Romer 1990, Grossman and Helpman 1991, Aghion and Howitt 1992, D. Romer 2001. Phelps, E.S. (1966): "Models of Technical Progress and the Golden Rule of Research", *Review of Economic Studies* 33, pp. 133-146. Nordhaus, W.D. (1967): "The Optimal Rate and Direction of Technical Change", in Shell, K. (ed.): *Essays on the Theory of Optimal Economic Growth*, MIT Press, Cambridge, pp.53-66. Shell, K. (1966): "Toward a Theory of Inventive Activity and Capital Accumulation", *American Economic Review* 56, pp. 62-68. Shell, K. (1967): "A Model of Inventive Activity and Capital Accumulation", in Shell, K. (ed.): *Essays on the Theory of Optimal Economic Growth*, MIT Press, Cambridge, pp. 67-85. Baumol, W., 1990. "Entrepreneurship: Productive, Unproductive and Destructive". *Journal of Political Economy*, 98 (5 part I) 893-921. DOI: 10.1086/261712. Murphy, K.M., Shleifer, A., and Vishny, R.W. "The Allocation of Talent: Implications for Growth" *Quarterly Journal of Economics*, 106 (2) , 203-530. DOI: 10.2307/2937945. 1991 Arrow, K.J. (1962): "The Economic Implications of Learning by Doing", *Review of Economic Studies* 29-3, pp. 115-173. Romer, P.M. (1990). "Endogenous Technological Change", *Journal of Political Economy* 98, pp. S71-S102. Grossman, G.M., y Helpman, E. (1991): *Innovation and Growth in the Global Economy*. MIT Press, Cambridge. Aghion, P., Howitt, P. (1992). "A Model of Growth Through Creative Destruction", *Econometrica* 60, pp. 323-351. Romer, D. (2001). *Advanced Macroeconomics*, 2a ed., McGraw Hill, New York.

does not relate to labor hours not revaluated by the market¹³. Marx's announcement of the necessary historical decay of capitalism was rooted in his labor value theory – which indicated a necessary fall in the rate of profits. The logic is as follows: as capital grows in relation to labor, and value is given only by labor – value/capital falls; this explains the falling rate of profit. The prediction has turned out to be false in the real world. The reason why is very simple, the tautology implied in the labor value theory is incorrect – value is not uniquely defined by labor; it is also created by capital and by technology. Ex-post one can define a tautological relationship between labor and value, but ex-ante it does not hold. As capital increases with labor given – value in fact grows. And as technology expands with both capital and labor given – value grows. Therefore, the same amount of labor in two economies with distinct amounts of capital and diverse technologies would relate to different values. What happened in the real world is that, as capital grew in relation to labor, value increased because of the additional capital and even further because of a very fast technological expansion. Thus, value/capital did not decrease – the rate of profits did not fall; and capitalism in the advanced economies never collapsed, as Marxism had forecasted.

The Institutional Resolution to Economic Conflict

Institutions matter, neither full employment nor economic growth are uniquely defined within the economic system. Economic relations are embedded in the whole set of social institutions that define the conditions under which such relations happen.

Conflict Theory and Information Economics

Information economics focuses on the causes of coordination failures due to which the neoclassical equilibrium is not obtained¹⁴. Which means that the solution of the economic conflict cannot be obtained through the

¹³ Remember Marx's critique of Proudhon's labor value theory.

¹⁴ Information economics has produced five Nobel laureates: Mirrless and Vickrey, 1996; and Akerlof, Spence and Stiglitz, 2001.

neoclassical price system, but also depends upon the information set that the economic agents have.

This literature shows the possibilities of multiple equilibriums, of which one or several can be sub-optimal; and, nevertheless, the markets, and even the existing institutions, may be insufficient to move the economy away from the sub-optimal equilibrium to an optimal, neoclassical equilibrium. In addition, the sub-optimal equilibrium can create path dependence¹⁵. And temporary shocks can have long-term consequences, there is hysteresis¹⁶.

The models used in the study of the information economy are dynamic, either with continuous or discrete decision variables. In some cases, the economic actors are identical; in others, they differ in their benefit functions (payoff); and in others, they differ in their strategy sets. The inefficiencies of information give rise to a large set of economic externalities, that can not be resolved through private arrangements, such as: 1) information; 2) group reputation effects; 3) effects of agglomeration; 4) spillovers of knowledge, and 5) pecuniary. The sequence is that there are multiple Pareto equilibriums that can be ranked according to their degree of efficiency; one of these equilibriums is superior to all the others in the sense that it is better for all, but the other inferior equilibriums exist, with their corresponding vector of prices, that do not move the system out of the inferior equilibrium. Information economics has been applied to diverse economic problems, among them, financial crisis¹⁷ and underdevelopment¹⁸.

¹⁵ Engerman and Sokoloff, 1997, Hoff, 1994, Mookherjee and Debraj, 1999. Engerman, S.L., y Sokoloff, K.L. (1997): "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States", in Haber, S. (ed.): *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and México, 1800-1914*, Stanford University Press, Stanford, pp. 260-304. Hoff, K. (1994): "The Second Theorem of the Second Best", *Journal of Public Economics* 54, pp. 223-242. Mookherjee, D., Debraj, R. (1999): *Contractual Structure and Wealth Accumulation*, Boston University, inedited manuscript.

¹⁶ 21 Tirole, J. (1996). "A Theory of Collective Reputations (with Applications to the Persistence of Corruption and to Firm Quality)", *Review of Economic Studies* 63-1, pp. 1-22.

¹⁷ Greenwald, B., Stiglitz, J.E., (2003): *Towards a New Paradigm in Monetary Economics*. Cambridge University Press. Cambridge.

¹⁸ 23 Hoff, 2000; Hoff and Stiglitz, 2002. Hoff, K. (2000): "Beyond Rosenstein-Rodan: The Modern Theory of Coordination Problems in Development", in Pleskovic, B. (ed.): *Proceedings of the XII Annual World Bank Conference on Development Economics*, World Bank, Washington. Hoff, K., Stiglitz, J.E. (2002): "Modern Economic Theory and Development", en Meier, G.M., y Stiglitz, J.E. (eds.): *Frontiers of Development Economics. The Future in Perspective*, 3a ed., World Bank/Oxford University Press, Washington, pp. 389-485.

There is a very close relationship between an insufficient information set, the inadequate institutional arrangement, and the uncertainty regarding the future. Knight and Keynes explored the consequences of uncertainty for obtaining economic equilibrium and for the determination of employment levels, but none of these authors managed to formalize their thinking¹⁹ properly. Theorists of underdevelopment have argued for a long time that it was due to development traps such as low industrialization, low research, and inappropriate institutions; but they did not formalize their thinking either. The great contribution of information economy is that it formalizes: 1) that the economic equilibrium depends on the institutional arrangement; and 2) that the growth path of a given economy also depends on the institutional arrangement. A critical message is that today's market prices and institutions may not deliver neither the desired economic equilibrium, nor the required long term growth path.

Information economics argues that whatever institutional interventions have to be done, must be analyzed in a dynamic path. Information economics proved that even with strong rationality assumptions, markets do not necessarily produce either full employment or the desired growth path.

The main lessons learnt with information economics is that conflict resolution is highly dependent upon the information sets that the agents have, and that resolutions have to be analyzed in a dynamic path. In terms of the circle mentioned at the beginning of this chapter, both the size of the area within the circle and its distribution are dependent upon the information set that the agents have.

Conflict and Game Theory

Game theory has shown that there are not only multi-equilibriums, but that many of them are not Pareto optimal – they are Nash equilibriums²⁰. The main message is that once the game is set, it defines the conditions under which economic agents operate – basically none of them knowing what the other economic agents will do. And since there are no coordinating agencies, many of the economic decision are not globally optimal

¹⁹ See Obregón, C., 2021. *Keynes Today*. Amazon.com. Also available at Research gate.com

²⁰ Nine Nobel prize winners have had very relevant contributions in game theory: Harsanyi, Nash and Selten (1994), Aumann and Schelling (2005), Hurwicz, Maskin and Myerson (2007) and Tirole (2014).

– because they are optimized conditioned upon what economic agent A thinks the other economic agents will do. Therefore, such decisions in fact may produce many diverse suboptimal equilibriums. Notice that, even informing the participants that it is possible to achieve a Pareto optimal solution will not help; because the fact of the matter is that they cannot communicate with the other participant, or participants, to be able to establish a pact of no aggression and/of cooperation to the common goal of reaching the Pareto optimal equilibrium. And even if they can communicate, they need to be able to trust what the other participant, or participants, said he/they will do; in many cases, knowing that not complying with the committed behavior will bring extra benefits - that can be substantial- to the no-compliant agent.

Given the game, agent A does not know what agent B (or other agents) will do; and a movement of A towards the Pareto equilibrium may put him/her in a worse position than the one in which he/she started, if B decides not to cooperate – this can easily be shown in the “prisoner’s dilemma”²¹ game.

There is a close relationship, as we mentioned, between the game, the institutional arrangement, the set of information, and the uncertainty as to the future. Both the wrong game, and the incorrect set of information, can be seen as the equivalent of having the inadequate institutional arrangement. And the uncertainty as to the future may also be seen as the lack of confidence in the institutional arrangement to manage properly future events.

Tirole has given a good example to explain what occurs in the real world: he shows that both a corrupt economy and a non-corrupt economy have stable equilibriums²². In a non-corrupt economy, the optimal individual strategy is to be non-corrupt; but in a corrupt economy it is to be corrupt. That is why both equilibriums are stable. Notice that the equilibrium has little to do with the individuals’ preferences. Even if we assume that all the individuals in the corrupt economy would rather live in a non-corrupt economy, the corrupt economy will persist, as long as there are no institutional features (including market prices – because markets are in itself an institution-) that allow the individuals to act in a non-corrupt manner. This example can be extrapolated to full employment

²¹ The prisoner’s dilemma is a standard example of a game analyzed in game theory that shows why two completely rational individuals might not cooperate, even if it appears that it is in their best interests to do so.

²² Tirole 1996, *op.cit.*

or to the right development path; almost all, if not all, of the individuals rather have full employment and proper economic development, yet their individual optimal behavior may not take them there. Institutional interventions are required.

Game theory, like neo-institutionalism, and information economics, focuses on the settings that define the game; and not on the individual characteristics of the economic agents (as neoclassical economics and behavioral economics do). Even strong rational agents, in the wrong game, will produce suboptimal equilibriums²³.

Again, in terms of the initial circle, both the area of the circle and its distribution partially depend upon the settings of the game, which in the real world can be understood as the institutional setting. Economic conflicts cannot be resolved exclusively by the neoclassical price system based upon selfish individual calculators, nor are they always easily solved by the cooperative behavior of altruistic individuals. There are many possible solutions for an economic conflict that are related to the distinct game settings – which in the real world correspond to diverse institutional arrangements.

Conflict and Institutional Economics

Both neo-institutionalism²⁴ and behavioral economics argue that the contemporary neoclassical vision of how the economy works is wrong, and both agree that institutions are needed. However, their vision of the economic dynamics of the social system is diametrically opposed. Neo-institutionalism focuses its analysis on the institutions, while behavioral economics focuses it on the limitations of the individual. For neo-institutionalism the analysis of social dynamics and economic equilibrium starts with the institutional arrangement, the individual economic agent is always a given datum. The individual is always creative, and he is the source of economic progress; but whether there is progress or not depends upon the proper institutional arrangement. A proper institutional arrangement is one that allows for individual creativity to be expressed.

²³ Some of which are named Nash equilibriums in honor to its discovery by this Nobel prize economist.

²⁴ Several neo-institutional economists have received the Nobel prize: Coase (1991), Fogel and North (1993) and Olstrom and Williamson (2009).

For the behavioral economists, on the other hand, the individual economic agent cannot always identify what his/her best interest is and needs the help of institutions. For neo-institutionalism proper institutions are required; but not to guide the individual, just to let him express his/her creativity. For behavioral economics the individual has to be guided, and institutions are responsible of this guidance. For neo-institutionalism the individual is a fixed datum and there is nothing wrong with him/her, economic problems such as underdevelopment arise due to improper institutions. For behavioral economics individuals have to be guided and institutions must decide what is best for him/her – because even though the individual is given a choice, it is predictable which choice he/she will make depending upon how the institution frames the question or the circumstance.

Neo-institutionalism has been influential to such a degree that nowadays the thesis that the market is delimited by an institutional arrangement is generally accepted. Despite this, it is still not clear what exactly is meant by institutional arrangement and there is discussion about this²⁵. In general, neo-institutionalism has been predominantly influenced by the analysis and study of the institutions of Western economies. The vision of institutions is derived from the microeconomic analysis of transaction costs, the analysis of property rights, and the development of contract theory. Coase's proposal²⁶ that neoclassical economics without friction does not correspond to the real economy -which is characterized by transaction costs (costs of searching and obtaining information, costs of negotiating and deciding, and costs of monitoring and make contracts effective) - led to important changes in the study of the industrial organization in the contributions of Alchian, Williamson and others. In this friction economy, the system of property rights defines the incentives of economic agents. North, for example, makes a historical analysis of the consequences of different systems of property rights. In this type of institutional economy, asymmetric information problems as well as incentives are central, and contract theory becomes basic for the analysis. The agent's theory²⁷ studies the information problems between the con-

²⁵ Obregón, C.; 2008. *Institucionalismo y desarrollo*. Pensamiento Universitario Iberoamericano (PUI), México. Available in Amazon.com and in Research Gate.com

²⁶ Coase, R.H. (1937). "The Nature of the Firm", *Economica* 4, pp. 386-405. In Stigler, G.J., y Boulding, K.E. (eds.): *Readings in Price Theory*, Richard D. Irwin, Homewood, 1952.

²⁷ Fama, Alchian, Demsetz, Stiglitz and Holmstrom.

tractors, while the relational and incomplete contracts theory²⁸ studies the information problems between the contractors and an interested third party, a judge for example.

The historical roots of the ideas of neo-institutionalism reside in the North American institutional thought of Commons. This author defined the institution as the collective action in control of individual action²⁹. Commons placed a special emphasis on the study of the transaction as a transfer of ownership. It is notable that there is no influence of Veblen's thinking on neo-institutionalism, and this is particularly due to the vision of this new school, which considers history and institutions only from the point of view of the institutional arrangement that characterizes the West; so that a broader and more general historical point of view, like Veblen's, was left aside. More on this point, below.

In fact, the idea that markets work under uncertainty and lack of information and that, therefore, economic decisions depend upon an institutional arrangement, has a long tradition in economic thought. Even though this idea never managed to dominate the mainstream of economic thought, it was always defended by various economists throughout the history of economic thought³⁰.

Neo-institutionalism is a great contribution to economic thinking, uncertainty and lack of information make institutions essential. Neo-institutionalism has allowed a new vision of the harmony of Adam Smith. Coase, Alchian, Williamson, North and others have had a great influence on contemporary economists. The most recent growth models explain the non-neoclassical convergence based on institutions. Information economy finds in the institutions the explanation of the possibilities of multi-equilibriums. Sen's moral economy sees in the establishment of institutions -for example, democracy or individual freedom- the path of economic progress. But, despite its great success, neo-institutionalism is far from being an integrated discipline with a precise, unique vision. There are important contradictions, for example, Williamson versus North. At one extreme, neo-institutionalism has adherents who consider it an extension of the

²⁸ Macaulay, McNeil, Williamson and Alchian.

²⁹ Commons, 1934, p.69. *Institutional Economics: Its Place in Political Economy*, University of Wisconsin Press, Madison/MacMillan, New York.

³⁰ In this tradition one can point out, among other authors, Smith, Malthus, Marshall, Keynes, Knight, Marx, Schumpeter, Veblen and Boulding. See Obregón, C; 1984. *De La Filosofía a la Economía*, op.cit.

neoclassical model³¹, which should be expanded and include more restrictions. At the other extreme, some other exponents of neo-institutionalism consider the new paradigm as antithetical to the neoclassical model and incompatible with it³². There is not a well-integrated view, of general acceptance, that we could call the neo-institutionalist model of the economy, which could constitute a true alternative to the well-developed neoclassical model. However, neo-institutionalism clearly delimits the neoclassical perspective, even giving rise sometimes to opposite conclusions³³.

Neo-institutionalism shares with most of the other new schools the concept that underdevelopment is the result of the absence of the institutions that the West has. For this school, the Western individual's creativity is the motor that generates historical change; and progress is generated by establishing institutions that adequately motivate respect for private property, democracy, and for law and order in general. The problem with this vision is that it prevents the study and understanding of the historical evolution of other societies, which do not consider the individual as a central figure in their social dynamics³⁴.

From the point of view of economic policy, neo-institutionalism allows to understand problems such as the firm, oligopolies and others, for which it has been very useful. However, as regards to the international policy of patent protection, the case of its importance for global development has been exaggerated by some exponents of this school. Rodrik has pointed out that such a protection is not always justified from the point of view of the interests of the underdeveloped countries³⁵. North's contribution on the resilience of informal institutions allows to explain why in certain cases the export of Western institutions to underdeveloped countries does not work properly (this is the historical example of India or Mexico); and this was a great contribution. But what North does not explain are the strengths of these informal traditional institutions that, mixed with heterodox new formal institutions, have produced economic

³¹ Dahlman, C.J. 1979. "The Problem of Externality", *Journal of Law and Economics* 22, p. 141-162.

³² Furubotn, E.G., y Richter, R. (2003). *Institutions and Economic Theory. The Contribution of the New Institutional Economics*, University of Michigan Press, Ann Arbor.

³³ As for example in anti-oligopoly regulation and the auction of public monopolies.

³⁴ This topic is developed with breadth in Obregón, C; 2008 *Globalización y subdesarrollo*. PUI, México. Available in Amazon.com and in Research Gate.

³⁵ Rodrik, D; 1999, p.148. *The New Global Economy and Developing Countries: Making Openness Work*, John Hopkins University Press, Baltimore.

success stories in countries like China and other Asian countries, that never fully adopted the Western institutions³⁶.

Neo-institutionalism showed that economic development is a function of the institutional arrangement; but it failed to prove that Western institutions are indispensable for such development, nor that the establishment of Western institutions in underdeveloped countries promotes economic development.

Neo-institutionalism, alike the neoclassical school, sees development as a natural process. Development occurs naturally once the appropriate institutions are implemented. Seeing development as a natural process, however, has diverted the attention of economists from the study of two central problems, that have not been sufficiently studied: 1) the analysis of how development could be generated from the current conditions of the underdeveloped countries, and from their own, specific historical institutions; and 2) the possibilities and development consequences of reordering the international institutional arrangement that exists between developed and underdeveloped countries. The framework of neo-institutionalism, even though it constitutes a great advance, continues to be influenced by the predominating epistemology of economic thought, that of the economy of reproduction. This epistemology conceives economic development as a natural consequence of individual economic freedom – which is supposed to produce progress and accumulation of capital. Therefore, neo-institutionalism has restricted the analysis of underdevelopment to the absent Western institutions in the underdeveloped countries that impede individual economic freedom. This epistemological position has precluded the analysis of other routes to development, like the one followed by China and other Asian countries.

³⁶ Rodrik represents an advance on North as he recognizes the importance of the strength of domestic institutions to stimulate development, but there is still in Rodrik the insistence on seeing the institutions of other countries as a transition to the optimal institutions, which are the Western ones; and to explain the success stories based on these institutions, i.e., respect for private property and democracy. Rodrik's proposals are presented more extensively in Obregón, 2008 *Teorías Del Desarrollo*, Amazon.com. Also available at Research Gate. The reality is that Asia developed mostly without democracy and that in China respect for individual rights is very limited, and of course there is no democracy. These societies are competitors of the West, not their followers; they have adopted from the West the minimum necessary to integrate globally and compete, but basically they continue to be societies with values and institutions that are very different from the West. Openly analyzing these differences is relevant, and changes our focus on the problem of underdevelopment; see also Obregón, C; *Institucionalismo y Desarrollo* 2008, and *Globalización y Subdesarrollo*, 2008 which are widely dedicated to this analysis (both available in Amazon.com and in Research Gate.com).

It is convenient to establish the main difference between neo-institutionalism and traditional institutionalism, particularly in the works of Veblen and Boulding. In Veblen, as in the neo-institutionalism of North, an institution includes both the conceptual system of values and the actual institutions that implement the conceptual system. But there are two key differences, one that in our opinion favors North and another one that favors Veblen. What favors North is that in Veblen, like previously in Marx, social change happens only as a consequence of technological change; North introduces the social change that results of intentional social design, a key feature of contemporary societies. But what favors Veblen is that, while the individual is a given datum in North, in Veblen it changes historically. Thus, in Veblen we can understand the historical genesis of the free economic man. It becomes very clear thanks to Veblen, that the free expression of the individual's selfishness in large markets is a particular institutional characteristic of contemporary Western societies. Historically, the individual is not always the agent of change in Veblen, while he is clearly so in North.

Boulding, on the other hand, pointed out that the economic relation through the market is just but one of the three key relations of the individual with the society; beyond the economic system there is an integrative system and a power system. This contribution of Boulding is central, because it points out that man's behavior changes according to the system in which he interacts with society. He may behave selfishly in large economic markets, and yet be altruistic and cooperative within the integrative system. Moreover, if we put together Veblen's and Boulding's contributions, we can see that there is a historical dynamic of the three social systems. And therefore, the interaction of the individual with the society in each one of the three systems is distinct in diverse societies and in different points in time in the same society. All this means that there is not a unique human nature. There are basic evolutionary traits of humans, but how they are expressed depends upon the specific historical institutional arrangement. Our nature as humans cannot just be defined on the basis of empirical laboratory findings in a particular society and at a given point in time (as behavioral economics does) – mainly because these findings already imply a given institutional arrangement. Human behavior cannot be disentangled from the institutions that are influencing it. An individual economic agent just does not exist by himself. The laboratory findings are very useful, but they have to be related to what we know from other social disciplines, in an evolutionary and historical institutional perspective.

Take for example the finding of behavioral economics that, in the dictator game, people display altruistic behavior. As we said, voluntarily 74% of participant dictators divide money equally with the other participant; behavioral economics argues that this result demonstrates empirically that humans are not rational selfish calculators maximizing their personal wellbeing. But what it really shows is that in developed countries there is a strong integrative system. And we must recall that both the integrative system and the power system are reflected in monetary and economic transactions. Therefore, it is not surprising to find that the integrative system plays a role even in monetary transactions in the laboratory in the dictator game and others.

In order to appreciate to what extent the integrative system and the power system are part of the economy, consider that at the beginning of the 20th century, governments accounted on average only for about 10% of GDP in developed economies, today they represent around 40%; of which the power system represents around 4%, social expenditures around 25% and other integrative functions 11%. Thus, the integrative system represents around 36% of the economy, the power system 4% and the economic and exchange system 60%³⁷. Individuals living in developed economies experience a world in which social cooperation is a reality, that is why they display cooperative and altruistic behavior within their countries. That however does not mean that they will behave altruistically in a large competitive market, in these markets in fact it has been shown empirically that they behave selfishly. Moreover, internationally there is a very weak integrative system, therefore it should be expected that humans will not behave altruistically, and this is the case. While the integrative system represents around 36% of GDP in a developed economy, the international aid from developed economies to emerging economies is only around 0.2% of the world's GDP.

Institutional economics shows clearly that the solution to an economic conflict may have very different solutions, depending upon the distinct institutional arrangements that characterize the economic situation. Therefore, it highlights that the area of the circle introduced at

³⁷ These calculations are not precise because available data do not allow to do it. But they are good enough proxies. For calculations on government size and social expenditures see Obregón, C; 2018 Globalization: Misguided Views. MPRA_paper_85813.pdf which uses OECD data. Military expenditures can be found in CIA world factbook - www.indexmundi.com, which are updated up to January 1, 2018. Military expenditures are around 2.5% of GDP. The power system includes military expenditures plus other enforcing agencies of which no hard data can be found, but we estimate that they do not add more than 1.5% of GDP.

the beginning (and its rate of growth) is not given – it changes with the institutional arrangement. Economic conflicts are not zero sum games. Moreover, the division of the area, whatever it is, is not defined only by exchanges through the price system, it is also influenced by the institutional arrangement. Which, however, as the examples studied below will clearly show, does not mean that institutions can substitute the markets in the solution of the economic conflicts. Both efficient markets and a proper institutional arrangement are required for an adequate solution to an economic conflict.

We have finished with the theoretical review of economic conflict, and in the next section we will present three real cases of alternative solutions for economic conflicts; as we will show, the critical issue is to understand economic conflicts in a dynamic way – understanding that whatever is going to be distributed changes along with the involved negotiations.

ECONOMIC CONFLICT IN REAL LIFE

The erroneous conception of economic conflict as a zero-sum game (in which the size of the circle and its rate of growth are given and remain fixed for the rest of the game) dominated most of the thinking in neoclassical and classical economics, which mistaken policy recommendations still are followed in many countries. In this section we will apply the economic theory of conflict to three real cases: class conflict and income distribution; misguided economic growth programs, and conflicts derived from globalization.

Class Conflict and Income Distribution

As we explained earlier, for Marx, economic value came from labor, therefore whatever was not paid to labor was exploitation. To unravel history, it was needed for the proletariat to own the means of production so that it receives the value it produces. And once this happens, a communist society will evolve by itself into a humane society, concerned with the true needs of individuals as a “species being”. The main assumption in Marx’s economics, which he shares with the rest of the classical school,

is that capitalism has solved the problem of economic growth (which is also an assumption in the neoclassical school). In terms of the circle introduced earlier, this means that the size of the circle and the growth of its area are given by the forces of accumulation of capitalism: therefore, the only problem that remained was one of distribution. In real life, this has induced the adoption of income distribution policies that were unrelated to economic growth programs – which in practice, have not helped the lower income groups they intended to benefit, as they should have done. In real life, the circle and its growth is not given; and capitalist accumulation does not always mean proper economic growth. Therefore, an income distribution policy only works well if it is associated with a proper economic growth program.

On the other hand, as we have also pointed out, for the neoclassical school economic conflict can always be resolved through the price system. Therefore, economic growth should be a natural consequence of free markets. And economic growth should by itself take care of the income distribution problem. In the real world, economic growth did not happen in the developing economies which followed the neoclassical recommendations, but rather in those which followed the Asian growth model – which adopted a specific institutional arrangement to promote economic growth.

Economic growth is not a natural consequence neither of capital accumulation nor of free markets. Distribution policies without a proper model of economic growth do not work well, and neoclassical openness does not generate neither economic growth nor a more egalitarian income distribution.

Several studies have shown that aggressive income distribution policies do not really work to improve the living conditions of the most needed, mainly because they are usually associated with low economic growth, compared to other economies that adopted more focused economic growth programs. Creating an open class conflict, through aggressive income distribution policies not associated with a proper economic growth program, reduces the potential size of the economic income to be distributed, and everybody ends up worse off. In terms of the initial circle, its area is drastically reduced.

Researchers have compared how much changes in inequality matter for poverty reduction relative to economic growth. In 2002, Dollar and Kraay found that the income of the poor on average rises proportionately with average income; and therefore, growth on average does benefit the

poor as much as anyone else in society³⁸. The authors alert us that their findings do not imply that growth is all that is needed to improve the lives of the poor; but certainly they show that economic growth is the most powerful determinant of the prevailing levels of poverty. In 2014, the same authors (joined by Kleineberg), in a panel study of 117 countries covering the time frame from 1970 to 2012, took into account not only poverty, but also the change in the standard of living of individuals above the poverty line. They conclude that: “Most of the cross-country and over-time variation in changes in social welfare is attributable to growth in average incomes. In contrast, the contribution of changes in relative incomes to social welfare growth is on average much smaller than growth in average incomes, and moreover is on average uncorrelated with average income growth. These findings suggest that the welfare impacts of changes in inequality observed over the past four decades are small when compared with the welfare impacts of growth in average incomes”³⁹.

Obregón 2020⁴⁰ has empirically shown that income distribution policies that are not associated with a proper economic growth program do not achieve the desired results. To provide an example, 1990 to 2018 Russia followed an aggressive communist income distribution policy which meant that q1 (the lowest income quintile) income share increased from 4.39% to 6.91%. In the same period q1 income share in China decreased from 8.97% to 6.80%. That means that the inequality ratios clearly favor Russia. The inequality ratio China/Russia = .48 ((6.80/8.97)/(6.91/4.39)). Which means that the Chinese’s improvement versus their own nationals was less than half the one of the Russians’. However, because the average income in China during the period grew at an annual average of 8.81 %, versus only 0.83% in Russia; the q1 Chinese income grew at annual rate of 7.74% versus only 2.48% for the q1 Russians. Therefore, the income ratios favor the Chinese. The income ratio China/ Russia = 4.06 (the income ratio China/Russia is obtained by dividing the total growth in income during the given period in China by the one in Russia). Which means that despite q1 Chinese losing income share against

³⁸ Dollar, David, and Aart Kraay. (2002). “Growth is Good for the Poor,” *Journal of Economic Growth*, 7, 195-225.

³⁹ Dollar, David, Aart Kraay, and Kleineberg Tajana (2014). *Growth, Inequality, and Social Welfare Cross-Country Evidence*. <http://documents1.worldbank.org/curated/en/651701468182332804/pdf/WPS6842.pdf>

⁴⁰ Obregón, C. 2020. *Three Lesson from Economists That Policy Makers Should Never Forget*. Amazon.Com. Research Gate.

the rest of their nationals, and the Russians gaining it, the income of the q1 Chinese grew 406% more than the one of the Russians. Therefore, relative to their starting income the q1 Chinese in 2018 were 406% better off than the Russians. Obregón 2020 also compares Malaysia and Russia, for the same period; the q1 inequality ratio Malaysia/Russia is 0.79, and the income ratio is 2.15. Again, despite Russia's aggressive income distribution policy versus Malaysia's, the q1 Malaysians ended up more than twice times better off than the q1 Russians, in relative income terms.

Obregón 2020 analyzes similar results in a sample of 23 countries and finds that the high growth countries always have an adequate q1 income ratio versus the average; and that the high distribution countries with low growth do not have adequate q1 income ratios versus the average, except for a few exceptions and at the expense of very inadequate income ratios for the rest of the population. Therefore, the only income distribution policies that achieve adequate q1 income ratios are the ones of high economic growth, and neutral growth and high distribution. Obregón 2020 also shows that given a high growth economic policy the income distribution policies do make a difference, and therefore they are welcome. The lesson is that income distribution policies are beneficial, but that they should never be adopted at the expense of economic growth.

For the interested reader we describe the results in more detail in the following paragraphs. Obregón 2020 analyzes the lowest quintile (q1) income growth, in order to answer the question of whether it is influenced by the average economic growth, by the q1 social redistribution policy, or by both, and to which extent. Countries are denominated high economic growth countries (HG) if the income ratio is higher than 1.1⁴¹; neutral (NG) if it is between 0.90 and 1.1; and low economic growth countries (LG), if it is less than 0.90. Countries are denominated high q1 distribution countries (HD), if its q1 inequality ratio⁴² is greater than 1.1; neutral (ND), if it is between 0.90 and 1.1; and low q1 distribution countries (LD), if it less than 0.90. He finds that that the HG countries explain better a higher than one q1 income ratio than the HD countries, 1.74 versus 1.21. The same happens with the neutral countries, NG=1.12 versus ND=0.87. The LG explains better a low q1 income ratio than the LD, 0.71 versus 0.92. All HG countries have q1 income ratios significantly

⁴¹ The income ratio is obtained dividing each country's income growth by the average income growth of the twenty-three countries.

⁴² The inequality ratio is obtained dividing each country's q1 share change by the average share change of the twenty-three countries.

greater than one, independently of how high or low the q1 distribution is. Conversely, HD countries also have a q1 income ratio greater than one, except Russia. But there is a huge difference as to the wellbeing of the rest of the population. In all the HG countries the $(q_2 - q_5) - d_{10}$ ⁴³ income ratio is greater than one, even if they have low q1 distribution; while in the HD countries with low growth it is significantly less than one. The HD countries (except Russia) do achieve a q1 income ratio greater than one; but the ones with low economic growth obtain this result at the cost of $(q_2 - q_5) - d_{10}$ income ratios significantly less than one. And, in most cases, the tradeoff is too expensive. In Nicaragua, the q1 income ratio is 1.17 but $(q_2 - q_5) - d_{10}$ income ratio is 0.71, that is 70% of the population is 29% worse off for 20% being 17% better off; that is a preference ratio of 5.97 $((70*29)/(20*17))$ favoring q1 over the rest of the population. In El Salvador, 20% is 29% better off and 70% of the population is 26% worse off, a preference ratio of 3.14 favoring q1. In Guatemala, 20% is 5% better off versus 70% of the population being 34% worse off, an unbelievable high preference ratio of 23.80 favoring q1. Thus, it is clear that a policy of low economic growth in most cases does not achieve a social distribution goal; in the sense that despite local redistribution, the income of q1 is not acceptable (i.e., it is not an income ratio greater than one) due to the low economic growth; this happens in 11 out of 14 countries (79%). And in the three countries that did achieve an acceptable q1 income ratio, it was too expensive for the rest of the population, and it would be very improbable that any democracy would consciously approve such expensive preference ratios favoring q1. The average LG+ ND and LG+LD cases all have income ratios less than one. LG+HD has a q1 income ratio greater than one but at the expense of $(q_2 - q_5) - d_{10}$ income ratio significantly less than one (the cases analyzed in the previous paragraph for Nicaragua, Guatemala, and El Salvador). Thus, with low growth it is impossible to have a successful income distribution policy, or it becomes too expensive for the rest of the population. In the HG countries all the income ratios are significantly higher than one, independently of whether they have a high, neutral or low distribution. It is interesting to note that for the HG countries d_{10} income ratio is greater than one, the high growth benefits everybody. Thus, high growth guarantees a satisfactory level of q1 income even with low distribution. With neutral growth only high distribution obtains both higher than one q1 and $(q_2 - q_5) - d_{10}$ income ratios, at the expense of d_{10} being less than one. q1 income then is

⁴³ q_2 = second lower income quintile. q_5 = highest income quintile. d_{10} = highest income decile.

acceptable with high growth or with neutral growth and high redistribution. Thus, it is clear that the growth policy dominates the results. But it should also be emphasized that the distribution policy has the desired consequences. HG+LD has a higher q1 income ratio than HG+ND and HG+HD; because in HG+LD we find China and India, and their high growth dominates any distribution efforts made by other countries. But despite the fact that growth dominates in general, we can observe the positive results of the distribution efforts: $q1 \text{ HG+HD} > q1 \text{ HG+ND}$; $q1 \text{ NG+HD} > q1 \text{ NG+LD}$; $q1 \text{ LG+HD} > q1 \text{ LG+ ND}$.

In summary: without proper economic growth, aggressive income redistribution policies cannot really be successful – they do not actually help the most needed, they do not resolve the class economic conflict. But given adequate economic growth, income redistribution policies do make a positive difference and should be used.

Misguided Economic Growth Programs

There have been three unsuccessful economic growth programs: the neo-classical, the communist, and the import substitution model. What they have in common is the erroneous belief that capital accumulation by itself generates economic progress. What we have learnt is that while capital accumulation is required, it is not enough; a proper institutional arrangement is required.

The Failure of the Neoclassical Model

The neoclassical model assumes that capital accumulation is a natural feature of capitalism and therefore it guarantees progress. The problem of underdevelopment, it argues, is that capital does not flow properly to the developing economies. But given the adequate distribution through free markets, capital will move into the low wage countries; global growth will be optimized, and in the medium term the problems of poverty and underdevelopment will be solved – there will be no class conflict any longer⁴⁴. This was the basis of the Washington Consensus' recommenda-

⁴⁴ See Lucas, R.E., Jr. (2002): *Lectures on Economic Growth*, Harvard University Press, Cambridge/London.

tions for developing countries. The model did not work because of two reasons: 1) enter barriers to capital such as an underdeveloped legal system, inadequate infrastructure, political instability and so forth; and even more decisive, 2) the ICT (Information; Communications; Technology) revolution which allowed the central management of a company to remain in a developed country, while fragmenting the actual physical production within several developing countries. The ICT revolution meant that the risk taken in a specific developing country was greatly diminished; therefore, the multinationals were more interested in the particular benefits that a specific developing country offered for the production of a given element, than in the overall “neoclassical qualities” of the country, which would only be relevant if the whole process of production were to be exported to the developing country.

For a good discussion of the failure of the neoclassical model the interested reader is referred to Obregón 2020⁴⁵. The comparison between Mexico’s economic growth 1988 -2018, which followed closely the neoclassical model, and South Korea’s, which followed the Asian development model, illustrates the neoclassical failure. Mexico’s annual growth rate was 2%, while South Korea’s was 3.9%. Which means that in this period of thirty years South Korea grew its economy 3.2 times, while Mexico only did so 1.8 times⁴⁶.

To a large extent the failure of the neoclassical model was to assume that economic growth was given by the accumulation of capital and the endogenous changes in technology; and that all that was needed was to free the markets to benefit from the high potential economic growth of capitalism. The solution for economic growth has proven significantly more complex – it requires proper institutions.

The Failure of the Communist Model

During 1950-2000, the USSR grew in per capita terms at an annual rate of 1.2% while the US grew at 2.2%; which means that the USSR grew its economy 1.8 times in these fifty years, while the US grew it 3.0 times.⁴⁷

⁴⁵ Obregón, C. 2020., *New Economics*. Amazon.com. Also available at Research gate.com

⁴⁶ For a description of the import substitution model see Obregón, C., 2020 op.cit. Data in 2011 comparable constant international dollars from Maddison data base 2020., <https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2020>

⁴⁷ *Ibid*, for a discussion of the communist model. Data same source than footnote 41.

The failure of the communist model in the USSR, in Eastern Europe, in Cuba and in China (until it adopted the Asian growth model) clearly showed that capital accumulation is not enough to generate economic growth. The case of the USSR is particularly relevant because it had very high savings (therefore rapid capital accumulation), science and technology, research and development, learning by doing and a very large market. Almost all the elements that, according to the neoclassical models, explain economic growth, were present in the USSR. It is true that it did not have free markets, but as we have seen Mexico's growth program did include free markets, and it also failed. To understand what went wrong in the communist model is critical; because it allows us to realize which is the key element that distinguished the Occidental model from the communist one. What went wrong in the communist model is that it produced with obsolete technology, because the frontier technology was developed in the West in a larger market guided by the dynamic changing preferences of a very extended middle class. Therefore, when the USSR finally opened up to the West it was highly uncompetitive, and it had the huge economic crisis of the 1990's.

The Failure of the Import Substitution Model

The import substitution model was centered on high savings to accumulate capital for the creation of national industries aimed at substituting imports⁴⁸. Its main problem was like the USSR's, the production with obsolete technology which meant low international competitiveness. Latin America & Caribbean grew 1960-2018 at an annual rate of 1.9%, while East Asia grew at an annual rate of 3.9%; which means that, while the first region grew its economy only 3.0 times in these 58 years, the second one grew it 9.4 times⁴⁹.

What Distinguishes the Successful Economic Growth Programs?

As we mentioned, there have been two successful economic growth programs: the Occidental and the Asian. What distinguishes them is that they have a proper institutional arrangement that is suited for their spe-

⁴⁸ For a description of the import substitution model see Obregón, C., 2020 op. cit.

⁴⁹ Data same source that footnote 41.

cific local and international historical time. In the case of the Occidental model, the institution of democracy was critical to the expansion of the middle class which enlarged the market and whose changing preferences guided the technological development⁵⁰. In the case of the Asian model, specific institutions were designed to export to the Western middle class, and therefore producing with frontier technology was key⁵¹. The Occidental model included free markets that were critical to transmit the rapidly changing preferences of the middle class. Markets are essential to transmit this information and cannot be substituted by institutions. The Asian model included only partially free markets, but it depended for technological guidance on the free middle-class markets of the Western world.

Globalization's Conflicts

In terms of income distribution, the world at large looks very much like an underdeveloped economy⁵². And while it is true that economic progress has characterized the world economy, it is also true that it is well behind its potential. While GDP per capita 1820- 2018 grew 16.5 times - or at annual rate of 1.42% - in the Western World (this includes Western Europe, Eastern Europe and Western Offshoots as defined by Maddison 2020); it grew in East Asia 15 times - at an annual rate of 1.37%; and in the rest of the world only 12.4 times, at an annual rate of 1.28%. Therefore, the per capita income difference of the Western countries versus East Asia and particularly versus the rest of the world has widened in the last 198 years of capitalism. In 2018 the per capita income in the Western World was \$38,262 (2011 international constant dollar), versus \$16,237 in East Asia and only \$11,349 in the rest of the world. Thus in 2018, the Western countries had a GDP per capita 2.34 times the one of East Asia and 3.37 times the one of the rest of the world. Any institutional policies directed to close that gap would have a significant positive impact on the economic growth of the world at large, and on the wellbeing of the inhabitants of the planet – including the ones living in the Western countries. It

⁵⁰ Again, for a description of these two models see Obregón, C., 2020 op. cit.

⁵¹ For the Asian growth model see Obregón, C., 2020 op. cit.

⁵² For data on the income distribution of the world see Obregón, Carlos. 2018 *Globalization Misguided Views*. Amazon.com. Also available at Research gate.com

would mean having a larger global middle class which would widen the global markets and accelerate technological development⁵³.

Even the economic growth of the Western world itself has been below its potential due to military confrontations. The Western annual rate of economic growth in the second half of the twentieth century was almost twice as fast as the growth in the first half, in which the world suffered the Great Depression and the two World Wars. 1900 to 1950 the Western countries grew at an annual rate of 1.01% or 1.66 times in fifty years; while during 1950- 2000 these countries grew at an annual rate of 1.95%, or 3.23 times in fifty years.

By avoiding huge military confrontations and having a stronger international integrative system during the second half of the twentieth century, the world not only grew much faster, but also became a fairer place to live – and this happened while the standard of living in the Western countries increased even more. Economic conflicts are not zero sum games. The size of the circle, and the growth of its area, depend upon the institutional arrangement. The world has much to gain by understanding this concept and applying it to the real world. Unfortunately, this will not be easy. The historical development of the world has been characterized by the coexistence of distinct nations with diverse interests, which produced the lack of a proper international arrangement; this complicates to a large extent the potential outcomes of the economic games between the participant nations and creates the possibility of very suboptimal results. As I write this book, the war of Russia with Ukraine has become a reality – which will produce very suboptimal outcomes for the world economy. However, at least having the right conceptual framework helps: economic conflicts that are not solved with the aid of a strong institutional arrangement (with a powerful integrative system), will not be solved within the economic system itself, and will create suboptimal solutions – many of which will end up in power confrontations.

Not only is the world economy clearly growing behind its potential, but the world has many other global problems such as: recurrent financial crises, extreme poverty, inadequate income distribution, international crime, lack of respect for human rights, underdeveloped countries, environmental crises, global health crises, lack of control of financial flows, the existence of fiscal paradises, recurrent wars, and so on. In other works, I have documented that the resolution of many of these global economic

⁵³ For a further elaboration of this point see Obregón, C., 2018 *Globalization Misguided Views*. Op.cit.

problems requires a stronger international institutional arrangement⁵⁴. These global economic conflicts cannot be solved by the economic system itself. Savage capitalism produces very suboptimal global solutions, an appropriate international institutional arrangement providing a strong integrative system is required.

CONCLUSION

There is a natural human tendency to evaluate things in a static manner. Economic conflict resolution historically has been seen, by the main schools of economic thought, as the distribution of given, scarce resources. It has been understood as if the area in the circle presented at the beginning of this chapter was given, and its growth was naturally produced by capital accumulation. The neoclassical school argued that the distribution was efficiently solved by the price system, and the Marxist school argued that a revolution to distribute wealth and income in favor of the less privileged was required. Both have been wrong. As modern economic theory in information economics, game theory and institutional economics has shown, the solution to any economic conflict has to be evaluated in a dynamic setting.

While it is true that the price system is very efficient, and it is required for an appropriate conflict resolution, and it is also true that adequate income distribution policies are required – what is most important is to have a proper economic growth program. What is most relevant is that any distribution policy has to be embedded in an adequate economic growth program. Markets only work well if the institutional arrangement is favorable. Which does not mean that conflict resolution can be achieved without efficient markets, institutions cannot substitute or replace markets – but markets without proper institutions do not provide a solution either.

Class conflict produces suboptimal results when compared to the ones obtained through class cooperation. Income distribution policies work well when they are designed within a strong integrative system with a proper economic growth program – thus whatever is distributed is socially agreed, and economic growth leaves everybody better off. Income

⁵⁴ See Obregón, Carlos. 2020. *A New Global Order.*, Amazon.com. Also available at Researchgate.com

distribution policies which are not socially agreed give rise to social confrontations that undermine the potential economic growth of the whole economy and leave everybody worse off.

The lesson that game theory provides for conflict theory is critical and must be emphasized: even if the conflict is analyzed in dynamic terms, the result may still be suboptimal. The key of why this can happen is that one economic agent does not know what the others will do. But even if we hypothetically assume: a) that all economic agents are informed of what the potential optimum solution is; and b) communication between them to announce their future actions is allowed – it may still be the case that the optimum solution will not occur, because in addition to be informed of the other economic agents' future actions, the economic agents have to trust that they are saying the truth – knowing that they may benefit from lying.

But trust is not a feature neither of the economic system, nor of the power system, it is a feature of the integrative system. The main lesson learnt in this chapter from the analysis of economic conflict is that it does not have a solution within the economic system itself, the solution requires an institutional arrangement of trust that necessarily involves the integrative system. More on this issue in the following chapters.

The institutional arrangement required for economic progress, full employment and adequate income distribution goes well beyond the economic system. Economic conflict resolution does not occur only within the economic system, the power system is involved because peace is required, and the integrative system is involved because trust is needed.

In fact, when the integrative system is not involved in the resolution of economic conflicts, savage capitalism produces very suboptimal solutions that can easily end up in forceful confrontations in the power system (in some cases, military). The lack of a proper international institutional arrangement is the cause of many of the unresolved international conflicts. The economic system will remain unable to solve such conflicts. Unless a stronger integrative international system is forged, we will continue seeing very suboptimal global solutions and continuous military and other power confrontations, like international crime.

CHAPTER TWO: PSYCHOLOGICAL CONFLICT; AGGRESSION VERSUS LOVE

In the previous chapter we concluded that there is not a unique-stable-optimal resolution to economic conflict that can solely be obtained within the economic system, and that whenever there is not an appropriate integrative system, savage capitalism will induce very suboptimal solutions that may easily generate power confrontations.

Economic conflicts are just one category of social interaction, there are many other conflicts that originate in the integrative or the power systems. Just to mention some of them, we may think of conflicts that arise within the integrative system – psychological, ideological, romantic or passionate, religious, political, status related and so on; or conflicts that are related to the power system – military, criminal, family violence, intergroup violence and so on. In the remaining chapters we will discuss conflict and resolution from a broader perspective.

The three social systems are closely interrelated; independently of in which one the conflict originates, the other two are usually involved in the resolution. Think for example of a religious conflict in the integrative system. Building churches, maintaining priests, paying tithes and so on will impact the economic system. And religious leaders often use the power system – think for example of the historical Inquisition in Spain, of Buddhist monks whipping those that were not able to reach the “illumination”, or of the physical penalties that the Islam may impose on nonbelievers. A power conflict may end up in military expenditures that impact the economic system, and in the promotion of nationalistic ideologies that change the integrative system. An economic conflict, as we saw in the last chapter, will never be resolved solely in the economic system itself; therefore, it will be associated with a legal system and other characteristics of the integrative system and will also impact the power system – for example those that do not pay taxes go to jail.

To a large extent the study of conflict resolution has to do with analyzing the possibilities of maintaining social progress, understood as one that increases the overall quality of human life. We will argue that to be related to social progress, power confrontations have to occur within a framework delimited and restricted by the common interests, defined by an integrative system. However, in a dynamic fashion it is not always easy to understand *ex-ante* what those common interests are. Power confrontations are required for a society to remain flexible and to be able to change when needed; thus, they may have a positive social role. Many historical power conflicts that contradicted the integrative system at their time, ended up producing fundamental changes in the integrative system that have been associated with human progress – think of the French Revolution, the American Independence, the movements for black’s liberation of slavery or those social movements asking for women’s vote to be recognized. However, power confrontations may also become highly destructive and can be associated to unneeded long periods of social unrest that prevent social progress – think for example of the Jews being exterminated by the Nazis, of the unneeded launching of the atomic bombs at the end of World War II, or of the genocides occurred in former Yugoslavia.

In conflict resolution, it is critical (although extremely difficult) to differentiate those power confrontations that may in the long run be associated to changes in the integrative system, capable to eventually produce human progress, from those open confrontations that become so destructive that they do not have any possibility to become a positive force of human change.

It is important to distinguish aggression as a natural feature of human evolution from aggression as a destructive force that eliminates any possibility of social life, and therefore menaces the evolutionary possibilities of human survival. This distinction is fundamental in the study of conflict resolution, but it is more complex than what we might expect at first glance. To move in this direction, in this chapter we will study the origin of interpersonal aggression from the perspective of evolutionary psychology – and how it can be redirected through love. We will answer the questions: Why is aggression needed? And how does it become a positive force? We will leave for chapter three the origin of social power confrontations, their role in social change, and how they are regulated by the social integrative or economic systems.

AGGRESSION AND LOVE

Many thinkers have seen aggression as a natural characteristic of humans. Hobbes argued that it was the main reason for which citizens agreed to delegate power to the State, so that it could prevent aggression between individuals that would make it impossible to establish social order. Darwin discusses aggression as a natural quality of individuals in any species to defend their lives and their reproduction rights. Freud made aggression a key determinant of the individual's psyche. Lorenz emphasized the role of aggression as a social organizer in animal and human societies. It has been empirically documented that humans are born aggressive⁵⁵. However, little babies learn socialization from their mothers or care givers; thus, they learn to channel their aggression in socially accepted ways – they unlearn aggression. On the other hand, it has also been empirically documented that aggression can be socially learned, as well⁵⁶.

In other works, we have discussed that social order in human societies cannot be based on the force of the State, because it is impossible for the State to be vigilant of everybody's behavior. Social order can only be achieved in extended societies if individuals behave ethically – which means that the main organizer of social life is the integrative system. At the individual level the mother or caregiver is the one that transmits the values of the integrative system to the child.

In order to understand the role of aggression versus love in interpersonal relations one can compare Freud's determinants of the individual psychology to those of Bowlby's. For Freud the neurosis is produced by the restrictions imposed by the society (the Super Ego) on the natural instincts (the Id). Aggression and sex in Freud are autonomous instincts that are powerful determinants of the individual's behavior. In Bowlby, the natural instincts mentioned by Lorenz of sex, aggression, hunger, and fear are redirected by another natural instinct, the one of social attachment.

From an evolutionary point of view, Bowlby has to be right. Since humans only survive as social beings, they have to be prepared to live in social groups; thus, they have to be socialized – and an instinctual behavior must guarantee the required life in social groups. Lorenz has shown that even birds follow the first thing they see – which is usually their mother – they attach. I have renamed Bowlby's psychology of attachment the psy-

⁵⁵ Fonagy, P. (2003). *Towards a developmental understanding of violence*. Br. J Psychiatry, 183, pp. 190-192.

⁵⁶ Bandura, A. (1973). *Aggression: A social learning analysis*. Englewood Cliffs, N. J.: Prentice-Hall.

chology of belonging because in mammals and human beings emotions play a fundamental role in the process of attach. Many empirical studies have shown that the personality of the child is defined by the quality of belonging it receives from the mother or caregiver. The first twelve months are particularly decisive. Which shows that the centrality of the process of belonging is emotional. Long before the child's brain is fully formed, which usually happens at around two and a half years, the quality of emotional belonging defines the child's future personality. Whether the child has a secure or insecure personality is uncorrelated with genetic traits such as character or intelligence. And insecure personalities are correlated with a higher possibility of having later psychopathologies. Belonging has to redirect the other instincts towards socially accepted behavior because otherwise social life would not be possible. What distinguishes human beings from their ancestors is a more intense social life.

What distinguished the hominids from their ancestors was the more intensive use of rock technologies which allowed the social group to be amplified. And a larger social group meant the need for more social communication and the development of a more sophisticated language. The hominids became erect using their hands for the mastering of rock technologies and developed their phonetic capacity for a more sophisticated language. More intense social communication and more complex technologies required a larger brain which in turn reinforced the possibility of abstract thought that characterizes human beings.

What distinguishes the *Homo Sapiens* from previous hominids is a more intense social life. What distinguishes humans from other animals is the ability to use syntactic language that allows for a more sophisticated abstract thought – humans are the only species which has an abstract conception of extended time. Thus, it is in the very evolutionary nature of humans to have a more intense social life. Belonging is required for human existence to occur.

In other works, I have distinguished three ways of belonging: 1) Love, which is the belonging to the people near to us – the best manifestation of which is between mother or caregiver and child, that has been extensively studied and documented by the psychology of belonging. 2) Belonging to the social group, which I have named Social Significance because belonging makes individual beings significant in relationship to the society. And 3) Existential Significance, which is the belonging to the material and biological universe surrounding human beings and that makes individual being significant in relationship to the existent universe.

Bowlby was correct, belonging is a key determinant of the individual psyche, but the belonging instinct not only has important psychological consequences, it is also required for a successful social life. Belonging is the human potential to identify with the people near to us, the society, and the universe at large; and it is needed for evolutionary survival.

But while belonging is a potential identification with the external world required for survival, it is not an integration to this world. The individuals' differentiation from the external world has to be maintained for evolutionary reasons. The main evolutionary task of life is survival in an ever changing, unpredictable material world. Life must diversify its genetic pool as much as possible, so that the odds of some living creature to survive unexpected material changes is maximized. The genetic pool is diversified by creating many species, and within each species many individuals with differentiated genetic pools. The individuals that survive unexpected material changes eventually need to die, to inherit their genetic pool to a new generation of the species that incorporates more individuals with genetic pools that are better adapted to the new material environment. That is why we are individuals, and that is why we are born, and why we die. And what all this means is that, although as individuals we belong to the exterior world, we can never be fully integrated with it – we must remain differentiated. Thus, there is always the possibility of belonging failures. Belonging failures isolate the individual and cause the natural instincts of survival to come to fore, mainly the instinct of aggression. Thus, Freud was also right; the individual does interact with the exterior world with his/her survival instincts, among which sex and aggression are particularly relevant, and become dominant whenever there are belonging failures.

There is a duality in human evolutionary existence that can never be overcome. Humans are both differentiated individuals, in the sense that Derrida maintained, but at the same time they belong to the external world. If they do not exercise their potential belonging and they isolate themselves, they do not survive. Many experiments have shown that loneliness is associated with depression, suicidal behavior, antisocial behavior and personal self-destruction both in humans and in primates⁵⁷. If

⁵⁷ Kraemer, 1992, y Kraemer et al., 1989, 1990, 1996. *Kraemer, G. W. (1992). A psychobiological theory of attachment. Behavioral and Brain Sciences, 15, pp. 493-541. Kraemer, G. W. et al. (1989). A longitudinal study of the effect of different social rearing conditions on cerebrospinal fluid norepinephrine and biogenic amine metabolites in rhesus monkeys. Neuropsychopharmacology, 2 (3), pp. 175-89. Kraemer, G. W. and A. S. Clarke (1990). The behavioral neurobiology of selfinjurious behavior in rhesus monkeys. Progress in Neuro-Psychopharmacology and Biological Psychiatry,*

humans exercise their potential belonging however, their ties with the external world are always fragile as their evolutionary individuality never disappears, and as they always have to remain instinctively alert to protect their own individual survival. Thus, conflict and resolution are built-in in the evolutionary theater of human life. Conflict between individuals is based on their survival instincts and the resolution of their conflicts is based on their instinct of belonging, and resolution is always imperfect and unfinished. Thus, conflict and resolution alternate as an unsolved, endless cycle, in some cases conflict prevails and in others the belonging resolution prevails. Belonging is required for social life and therefore for stability, social order and social group survival. Conflict is required as a reservoir of the individuals' instincts that defend their survival – which serve as a guidance for social change whenever belonging failures threaten the individuals' survival.

Interpersonal conflict has to be permanent because any belonging resolution is always imperfect. There are however degrees of imperfection. Minor ones allow for social life to go on, large ones may destroy social life and leave aggression as the only social organizer left. But it must be realized that minor belonging failures are not only normal in any relationship, but they are even welcome as they foster the social change required in the belonging relation that may provide future social stability. Thus, conflict, resolution, social stability and social change are clearly interrelated. Conflict then may be positive to improve the quality of human life as it fosters needed social changes; but it also has a destructive side that impedes social life and that has to be avoided. How to do it, is not easy. It is the art of living.

REPRESENTATIONAL PSYCHOLOGICAL REALITY

While economics supposedly was dealing with a given objective reality, it turns out that psychological reality is representational. Therefore, the circle introduced in chapter one is no longer objectively given, it is representational and subject to the distinct representations of agents A and B. This creates a new dimension in the conflict between the two agents and its potential resolution. The first way of belonging – love – provides

14, S141-S168. Kraemer, G. W. and A. S. Clarke (1996). *Social attachment, brain function, and aggression*. Annals of the New York Academy of Sciences, 794, pp. 121-35.

a resolution to the potential interpersonal conflict, and as we said it is emotionally based. The psychological reality starts with emotions and is necessarily representational. To understand why it is convenient to recall how the human mind works and how it gets to know reality. The mind receives information from the senses, which are in contact with the external reality, and based on this information the mind forms images of reality which it stores in the form of neural maps. When needed the mind recalls those images and may combine them to explain and perceive the outside world. Thus, what the mind knows are images of reality which are dependent upon our senses. Imagine yourself swimming, side by side with a shark, following a small yellow fish: the image that you likely will form (assuming that the shark does not scare you) will be of a beautiful small fish with an intensive yellow color, while the image the shark will create will likely be of an intense smell that characterizes that fish, which under the water would not be distinguishable to you. It is the same fish, but the differing senses of the shark and you create diverse images.

Moreover, the reality that we perceive is emotionally based. The mind cannot store the infinite cues of the universe surrounding it, thus it has to select which cues to store, and it does so through emotions. Emotions are inherited responses to external cues that have survival value. Life is nothing else than receiving, processing and expelling energy. And in the process of living any creature has response patterns to external cues that foster their survival. A plant that bends towards the sun, a cynaria that moves, the aggression of a reptile, all these inherited responses have survival value. In mammals these survival response patterns become emotions. Emotions guide us in selecting which external cues to store as images. It has been proven empirically that whatever is not emotionally relevant we do not store as images; on the opposite extreme, profoundly disturbing emotional events may not be stored either (small children that have been raped frequently do not store the event, so they cannot remember it).

Thus, the images stored in our mind not only depend upon our senses but also upon our emotions. Our reason works with external cues that have been emotionally preselected. Moreover, it has been shown in neurobiology (through tomography) that confronted with intense emotional shocks the human mind blocks the mental areas needed to reason properly.

Psychologists have realized for a long time that the psychological reality is representational. The first one to point it out was the post Freudian Sanders, but since then it has become accepted by most schools of psychology. Contrary to Freud's belief the instincts are not autonomous,

they are redirected by a belonging instinct which creates an ego which varies from person to person, and which perceives reality in a differentiated way. Today, the representational character of psychological reality is the base of most psychotherapies whether they are based on post Freudian, behavioral or other approaches.

For centuries, we have been taught that we are special beings and that our distinct feature is our ability to reason. Thus, being human is considered as a superior form of life, and to be guided by reason as a superior form of living. These beliefs are consequence of an essentialist philosophy that does not have any grounds on contemporary neurobiology. The mental mechanisms by which we know reality, and relate to it, are very similar to the ones of other advanced mammals. We are more animals than humans, and more matter than animals. We are just a small, insignificant part of the whole universe of existence. The basic characteristic of life in general is that to survive it needs to adapt to matter. And humans need to adapt both to their biological and physical environment. Emotions are nothing else than inherited patterns of successful survival adaptation. They are therefore the basic adaptive connection with the outside world. Emotions preselect the informational cues that we capture from the environment's infinite offer; and these selected cues are stored in the mind as images which are nothing else than neural maps. We do not have any neurobiological way to know reality as it is, nor of getting to know eternal essential truths. Reason is key in the way human beings interact with reality, but it works with the material provided by the brain – which consists of images formed on the basis of information obtained by the senses and preselected by the emotions.

Emotional freedom basically comes from proper belonging. Reason and cognition contribute to affective regulation, but they are not the ideal path for the proper understanding and development of our emotional self. Emotions have their own language; the main path for emotional development is emotional practice. To understand emotions, you have to practice them. Emotional freedom is a prerequisite for the cognitive steps of being conscious and mentalizing.

The brain's right hemisphere and the limbic relationship with the world surrounding us allow a holistic-emotional vision that is the basis of imagination; and without imagination there is no perspective, no time, no history and no alternatives. Emotion is an organizing principle of our relationship with everything around us. Reason should complement emotion, but it cannot ignore it, or try to replace it. The cortical capacity

for abstraction and the exact logic of the left hemisphere make no sense without the holistic perception of the world of the right hemisphere and the limbic connectivity with the outside. Narrative, the possibility of creating an autobiography and a joint cultural vision, depends on language.

Narratives are necessary in order to have a thoughtful attitude towards ourselves and others. But the narrative is not possible without integrating the brain's left hemisphere with the right. The narrative carries holistic content. Biologically we are made to be able to relate to the world around us through emotions.

Emotional development occurs through emotional practice, such as the appreciation of pictorial art, listening music, loving, practicing sports, and so on. In general, as our belonging connection strengthens, emotional development happens. Emotional development is not independent of cognition, as the brain acts as a whole unity. However, it should be noted that emotional development does anticipate cognitive consciousness – understood as the ability to intentionally understand ourselves in our volition to act. Children already have an emotional basis that interconnects them with the outer universe, before their brain finishes forming, and before they learn a language that allows them to have a conceptual cognitive relationship with that outer universe. Emotional freedom is not achieved through the cognitive will.

Reason, when it pays no attention to emotions, is restricted to mere rationalizations that produce rigid behaviors. And even if reason places special emphasis on properly reading the emotions; it is not the ideal conduct neither to achieve emotional development, nor to properly understand emotions. We have been taught, mistakenly, that the fundamental path to emotional development is the cognitive understanding of our emotions. Psychoanalysis uses verbal relations as a method of exploring emotional bindings; Beck's cognitive therapy is based on the conceptual recognition of our emotions; positive psychology emphasizes the use of our cognitive will for the development of positive emotions; Fonagy and others use the process of mentalizing to access emotions; and Buddhism emphasizes being conscious as a method of seeking an emotional relationship with the existential universe through enlightenment. Although all of these techniques are useful, both with mentally ill and healthy individuals, it is necessary to insist that their success lies largely in that in addition to his emphasis on the cognitive will, all of them include the development of emotional belonging, which Rogers called the empathy between the therapist and the patient.

The difference between Bowlby's IMWM and Piaget's mental scheme, is that the former has a strong emotional content. The second revolution of cognitive theory has highlighted emotions. Psychological freedom is intimately related to the ability to imagine. The brain stores information in neural maps through implicit formulas that encode images perceived from reality; so there is no one-on-one mental relationship with the outside. Our mental reality is representational.

The fundamental precondition for psychological freedom is emotional stability. Both psychoanalysis and cognitive therapy seek to reorder our emotional relationship with the outside, and both develop at the same time cognitive will and emotional bonds of belonging. Affective regulation requires the proper development of belonging. Secure personalities correlate with proper belonging.

Individual psychic reality is representational - meaning that imagination can be used to create different representational alternatives of reality including the past, the present and the future. And these representational alternatives are emotionally preselected. Undoubtedly reason contributes to affective regulation, because the different representational alternatives have to be mentalized, they must pass the scrutiny of reason which links imagination with reality. But you cannot mentalize if you don't have proper belonging. It has been empirically proven that acute emotional belonging problems prevent the proper functioning of those areas of the brain required to mentalize. We must insist that without proper belonging, it is impossible to exercise and develop psychological freedom. The neurobiology of belonging is linked to the mesocortilimbic-dopaminergic reward circuit, which is also related to the addictive disorders. The mental activity associated with belonging suppresses the functioning of areas associated with cognitive control and the ability to mentalize.

Emotions guide us in survival and are a particular form of image. In organisms capable of feeling emotion, response instructions are often given by emotions. The brain is an extraordinarily plastic biological system that is in a state of dynamic balance with the outside. Pain and pleasure serve this purpose. This mechanism also allows us to link ourselves to emotional states of other beings and is the source of empathy. Emotions are essential for the regulation of human life; it is not possible to understand human behavior without emotions. Emotions are triggered by images of events happening at the time, or that happened in the past, and even with events we imagine happening in the future. Emotions are necessary to regulate and preserve life but can sometimes

be false alarm – consequence of cultural and psychological processes that cause unnecessary stress. Emotions are a legacy of homeostatic adaptation mechanisms that come from less complex lifestyles. Emotions are composed of response actions that are an inheritance of simple organisms. Feelings are perceptions of our bodies and of our mental state during the emotional process. Feelings as opposed to the automatic response mechanisms of simpler organisms, require a mental process. Emotions occur mainly in the insular cortex, which is located in the cerebral cortex; however, they have a subcortical basis, a consequence of our evolutionary heritage. In simple organisms, memory only acts as response arrangements to certain external events. On the contrary, in organisms with mental abilities, memory is stored not only in dispositions, but also in the form of brain maps. The mind saves information through decomposing explicit images and saves it as implicit formulas, whose purpose is to greatly expand storage capacity, as well as allow subsequent reconstruction of explicit images. This ability to reconstruct images gives rise to imagination, a key element in understanding human beings and their ability to visualize the future. Emotions serve to point out which are the critical images for survival, which are stored along with the emotional state that accompanies them. Inherited automatic provisions determine some of our bodily activity – such as those of the endocrine system. Provisions— or response programs—are always unconscious. Canonical neurons fire when we perform an action, such as grabbing an apple; but they also shoot just by seeing the object related to the action we intend to perform, in this case the apple. Perception and action, in some way, are not neurally distinguishable. Even perception and imagination can be confused at the neural level.

Reptiles are 300 million years old, and mammals are 200 million years old; so the 100 thousand years of the *Homo sapiens* only represent .0005 of the life of mammals on earth. The characteristic ability to reason of the human cortical brain, is therefore of very recent origin; while emotions, which are a mammal's heritage, are very old. So, from an evolutionary point of view, emotions are more fundamental than reason. That is why emotions do affect more what we think than the other way around.

Emotions arise with mammals, but they are an inheritance of the reptile's adaptation instincts. In reptiles, belonging can already be identified. They are certainly instinctively trained to relate to the biological and material universe surrounding them. They are adapted to survive in their environment. They have individual genetic characteristics which maxi-

mize the survival opportunities of the species. They move, pay attention to what surrounds them, and develop physically and mentally in their relationship with the external world. They have survival instincts that guide them— hunger, fear, aggression and sex. And there is already an instinct of attachment. Birds are the contemporary descendants of reptiles, and as Lorenz has shown newborns follow the first thing they see, which is regularly their procreator. It is also known that several kinds of birds fly in flocks, and that otherwise their long migrations would not be possible. But it is not until mammals that social life develops fully; with them the reptile's adaptation instincts are transformed into emotions. Emotions are just an advanced form of survival instincts, which strengthen belonging. Thus, individuality unfolds in the context of an emotion-centered belonging. There are basic emotions that are identical to the reptile's adaptation instincts, humans for example feel an instinctive rejection of snakes. And there are more complex emotions that arise as consequence of social life.

A human child is born with a head smaller in size than the one it will reach later. This allows him/her to be expelled through the birth canal. As a consequence, the mother has to protect and care for him/her at least until the brain matures. This dependence of the child also leads to a dependence of the mother on the social group, because she requires supporting conditions to be able to do so. The newborn child since birth is ready to have a special emotional relation with the mother or caregiver. Immediately after being born, it recognizes the mother's voice. The child is also genetically prepared for a love relation with other adults that might offer future protection. Just forty minutes after birth it reproduces the gestures of adults. Child caring also produces instinctive satisfactions in the mother. Therefore, love and social belonging are required for the survival of the human being.

In organisms capable of feelings, instructions from the brain to the body are often given through emotions. They are essential for the regulation of human life. Emotions are triggered by images of current events, past events, or even imagined events. Emotions are composed of: 1) response actions inherited from simple organisms, and 2) the mental process of feeling emotions. Response provisions or programs are always unconscious, inherited, and determine a good part of our body activity – such as the endocrine system. Emotions serve to store critical images for survival, which as we said are stored along with the emotional state that accompanies them. Emotions discriminate between the infinite cues

of the universe around us, and serve as a guide to observe and save those images that are of vital importance.

What is imagination? Imagination is but a set of images collected by our brains and combined in different ways; some of which correspond strictly to perceived combinations of the exterior world, and others that are built by the human mind per se and that do not necessarily reflect reality. As an example of a set of images that corresponds to reality, we might remember our kitchen and its furniture, and the color of its walls; or as an example of a set of images that do not correspond to reality, a centaur or a mermaid. How are images formed? Images are formations of the brain that put together the information we perceive from the outside via the senses. These images are broken down and stored in the brain; and when necessary they are re-established. In this sense we never know the reality by itself, but only the images that our brain builds of it. So what really exists for us are the images that our brain creates, because it is the only way we have to perceive reality. In a very basic sense the imagined and the real worlds are indistinguishable. This does not mean that we do not distinguish between those images that come from a reality that does exist, and those that do not. We know that sirens do not exist. But the distinction is not as clear to the brain as it might seem at first glance. And this characteristic of how our mind works largely defines our psycho-neurobiological balance.

The images are selected, as we mentioned, emotionally. The relationship between emotions and images is fundamental, whatever is not emotionally relevant we simply do not perceive. And in certain mental states, such as when we dream, when we enter a very deep meditation trance, or when we have a very strong belonging crisis, our left hemisphere does not function properly; and therefore, we do not separate well the images that do correspond to reality from those that do not. When someone swears that he/she has spoken to his/her deceased father, it is not necessarily a lie. In fact, it could have happened through his/her mind's ability to recreate the father's image, and any of the states mentioned above could have prevented him from distinguishing that it was not reality. We live in the world of the imagined, not the real. And this has all kinds of psychological implications. Which have already been pointed out by the vast majority of contemporary psychologists. Psychological reality is representational, and it is strongly influenced by our emotions.

Consciousness emerges as a mechanism that allows more sophisticated forms of adaptation, required for the development of increasingly

complex organisms. Although the creativity of conscious imagination often uses unconscious images, it could not have emerged without consciousness. Consciousness appears belatedly in evolution and although it is conditioned by previous evolutionary developments, it provides the possibility of further sophisticating the relationship with the outside world. The conscious mind contributes to the adaptive regulation of the life of more complex organisms. Images or maps can be reconstructed both consciously and unconsciously. The mind in general is the result of the evolution of unconscious processes linked to survival. The conscious mind is the result of millions of years of brain evolution. Consciousness allows imagination, but it is also always linked to survival. The fundamentals of consciousness are the unconscious processes, the blind arrangements that regulate our metabolic processes, established in the brainstem and hypothalamus. These provisions promote motivations, rewards, punishments, response instructions and contribute to the device that manufactures images. Brain maps change from moment to moment, reflecting the fact that we are always in continuous motion. With the information the brain receives, it builds maps that represent both the body state and the outer reality. And the brain also can simulate states of the body that have not yet occurred. The mental imaging process may be conscious or unconscious. Images, like any vital process, are oriented by the principle of the biological value of survival. Consciously constructed images reproduce external reality more reliably, allow us to plan for the future, and refine our environmental responses.

The brain communicates with the body permanently in two channels: the neural, via the nerves; and the chemical, involving hormones such as cortisol, testosterone, and estrogen. The purpose of this sophisticated arrangement is to optimize the homeostatic biological value of survival, maximize the harmonic relationship with the outside. The brain is informed of the state of the body and its relationship to the environment, and produces the necessary response instructions to alert the body and prepare it to properly relate to the environment.

The invention of images of the future allows to anticipate future states and more sophisticated forms of life regulation, and the ability to imagine was surely an evolutionary prerequisite for language development.

Our brain is an evolutionary consequence of other animal brains, and it works in a very similar way to theirs. We, as well as they, perceive the outside with the senses, and the information is sent to the brain where it is decoded and saved in neural maps or images. Different animal ex-

periments have shown that they have the ability to imagine, distinguish abstract images, anticipate and plan, and communicate with each other through simple forms of language. Rats are able to distinguish not only between objects, but between abstract categories such as rectangularity. Sharks can plan their activities overnight⁵⁸. The difference we have with other animals is not one of quality but of degree: the sophisticated human language allows more image combinations, and this is why we have an autobiographical consciousness. Advanced language gives man the possibility to conceptualize an extended time. The first burials date back 400 thousand years, and already reflect the presence of advanced human protolanguage. But it is not until syntactic language, and its enormous combinatorial possibility, that the imagination of man's future extends significantly. The abstract imagination of syntactic language greatly increases man's cognitive possibilities, sponsors technological and social development, and is undoubtedly a key factor in the great cultural expansion that man has experienced. In short, we are different only in our ability to imagine an extended time. Only we can size our own death in time. This fact alone gives a different meaning to life, and generates a human consciousness unfailingly linked to the nature of time.

As we said, human beings never contemplate reality, but the composite images that the brain creates with the sensory inputs it receives. And unlike purely imagined images, the images that do correspond to reality are restricted by the sensory inputs received and by the cues preselected emotionally. However, it should be emphasized that there is a close relationship between "imagined" images and images of reality. Both are formed by both the right hemisphere guided by emotions, as well as by the logical structure that reason and the left hemisphere provide, except when we dream, we enter a very deep meditation trance, or we have a crisis of severe belonging. For in these cases, reason and the left hemisphere do not work properly; and then the right hemisphere draws images and combines them in disorganized form, directed by emotions - in the case of dreams, frequently those that occurred during the same day.

⁵⁸ Rats that receive cheese from a rectangle versus a square learn to touch the rectangle when they are hungry. If the same rat is presented in a new experiment with two options: the rectangle where it was fed and another more pronounced rectangle, the rat touches the second in the presumption that being more pronounced the rectangularity there will be more cheese. That is, in the first experiment the rat did not learn the difference between two objects, but between two abstract categories: the square and the rectangle. Sharks filmed by the BBC travel at night and hide in a cave, so they can attack the walrus in the morning, surprising them from behind.

Dreams are the result of mental processes not assisted by consciousness. All of the above is of great importance to our psychological life, and to the philosophical understanding of who we are. Our psychology is dominated by our imagination and our emotions; and as a consequence of our very particular evolutionary history of adaptation, we are animals with the ability to imagine an extended time.

The fact that our psychological reality is representational means that psychological conflict is defined by such representations and therefore the solution lies in the proper management of the representational reality.

PSYCHOLOGICAL THERAPIES AND CONFLICT RESOLUTION

Psychopathologies are the consequence of emotional traumas in the past that remain fixed in our brains and that distort our relationship with the present and the future, or they are the consequence of rationalizations that produce behaviors disconnected with our real emotional self. The resolution to psychological conflicts always has to do with obtaining emotional flexibility to be able to contemplate our past, present and future with psychological freedom.

In other works, I have described in detail six steps to be taken to obtain psychological freedom⁵⁹. The first step has to do with maintaining motion as much as possible, searching for new places and challenges, being alert of our surroundings and defying our body physically and mentally. These conditions have been shown to be related to neuroplasticity and proper brain development. The second step has to do with satisfying our natural instincts such as hunger, fear, sex and aggression, but under the guidance of belonging. This will prevent a Freudian neurosis and will allow for a proper socialization process. The third step is to strengthen our belonging in the three ways: love, social significance and existential significance. This will allow us to develop a secure personality. The fourth step is to develop as much as possible our emotional self. Emotions have a language of their own. Whether contemplating or doing art, doing physical exercise, contemplating the natural world, interacting with animals, practicing exercise outdoors, listening to birds singing or hearing a good piece of classical music and so on – emotions on many occasions

⁵⁹ Obregon, C. 2013., *El camino a la libertad: de la neurobiología a la psicología contemporánea*. Amazon.com. Also available at Research Gate.com.

can be developed by themselves. This step strengthens our emotional being and prepares us to be able to properly read our emotional being. The fifth step is to be conscious (mindful) of our selves, of our surroundings and of the enormous relevance of life itself. Developing a gratitude for living and for having the potential to belong to the outside universe. This step, contrary to the previous ones, involves a conscious effort. An example is meditation, whether Buddhist or another kind. However, being conscious goes well beyond meditation. It involves an attitude in every day act of life. Being conscious puts an emphasis on the present and reduces stress, making it more likely to let go emotional fixations of the past, and putting an emphasis on a proper reading of our emotions. The sixth step is mentalizing, it involves looking with representational flexibility at our past, providing diverse perspectives to our emotional past rigidities, reading carefully our present emotions, and establishing with representational flexibility our situation today and our future perspectives. Mentalizing, alike being conscious, is a conscious effort.

Both mentalizing and mindfulness (being conscious) have been central pivots in the development of several psychotherapies. In general, therapeutic processes start from one of the following foundations: post-Freudian, cognitive and behavioral theory (which uses the psychology of learning), psychology of the object, interpersonal psychology, psychology of the self and/or psychology of belonging. Given the cognitive bases of both mentalizing and being conscious and given the fact that cognitive theory establishes a bridge between the different psychological currents, it is to be expected that these two processes—mentalizing and being conscious—will increasingly, explicitly and successfully be incorporated into different therapies.

I have emphasized that steps five (being conscious) and six (mentalizing), to be successful require a proper development of the previous four steps. The goal of psychological therapies is to relax the emotional psychological past to liberate the individual. Psychological freedom implies our ability to reinterpret our past and mentalize individually our present and our future. But to learn to be free is not a process that can only be rational and conscious. On the contrary, it involves emotional development and the use of the imagination. Psychological freedom requires an adequate development of belonging. As we mentioned before, several psychological therapies have used both being conscious and mentalizing successfully; in all the cases however, they also involve the strengthening of the belonging relationship with the patient. As we said, the father of ego psychology – Rogers – clearly understood the above, hence his

emphasis on the need for empathy. It has been shown that the success of different therapies depends much more on the relationship with the therapist than on the particular therapy used⁶⁰.

CONCLUSION

Conflict can be originated in any one of the three social systems: the economic, the integrative or the power system. We saw in chapter one that the economic conflict resolution cannot be obtained only within the economic system; it requires either the involvement of the integrative and/or the power systems. In this chapter, we have discussed that psychological reality is representational, and therefore psychological conflict resolution has to do with emotional and mental flexibility to contemplate our past, present and future. The fact that psychological reality is representational means that the circle introduced in the first chapter and its rate of growth (independently of its dependence on the information set, the game played and the institutional arrangement) is also dependent upon the way it is representationally perceived by each agent. This has huge implications. Because it seriously complicates the interpersonal resolution of conflict, as the two agents may perceive reality in distinct ways which may have diverse grades of compatibility.

At the social level, as we will discuss in the next chapter, the human mind forms representations of the external reality that form value systems, religions, ideologies and concepts in general that do not always coincide between the agents; which means that there is not necessarily a real solution to the conflict. Think for example of pro-life advocates, opposed to those that defend the legal right of any women to interrupt the conception; their attitudes are largely irreconcilable; or think of the Jews versus Arab religious and cultural conflicts about the Holy Land, and so on. It may not be always possible to reconcile the past, present, and future of two or more agents; whether they are individuals, groups or societies. And even when representational differences are reconcilable, they certainly provide a new layer of complexity to conflict resolution.

⁶⁰ Obregón, C. 2009., *La soledad y el amor*. Amazon.com. Also available at Research gate.com.

CHAPTER THREE: SOCIAL CONFLICT VERSUS SOCIAL BELONGING

Social conflict is a consequence of our evolutionary makeup. The main reason is that humans are individuals and as such they have individual instincts to preserve life. There is conflict between a child and its mother, between an individual and the near ones that he/she loves, between the individual and those other individuals that compose the in-groups to which he/she belongs, between the in-groups and the out-groups. Large societies are composed of many distinct social groups which are tied together by an envelope conceptual system and institutional arrangement. But this envelope is fragile and easily subject to failure, by its very nature of covering very distinct groups (many of which may act towards one another with in-group versus out-group antagonism).

Moreover, conflict is “not just real”—it involves the representational perception of reality; and therefore, does not necessarily have real solutions. As we discussed in the previous chapter, reality for the human mind is representational. Therefore, there may not be solutions; and in these cases, the best that can be achieved between distinct groups are treaties of no aggression that define territorial and other prerogatives.

In the first chapter we concluded that economic conflicts cannot be solved within the economic system alone, and that the intervention of the integrative and/or the power system always is required. In this chapter we present two other key conclusions in the analysis of conflict resolution. The first one is that the integrative system, given the representational nature that reality has in the human mind, has its own sources of conflict. Ideological, political, religious, ethical, racial, sexual conflicts, among others, are to a large extent consequence of the fact that reality in the human mind is representational; and therefore, there are many possible conceptual alternatives for the belonging resolution of conflict. The second argument presented in this chapter is that conflicts that cannot be solved through the economic and integrative systems will necessarily involve the power system in the resolution.

INDIVIDUAL AND GROUP CONFLICT

When a child is born from the womb of its mother, there is already a duality in the relationship; the child sucks the mother's milk for survival and generates pain in her nipples. The child cries calling attention for her to satisfy its needs. Mothers get tired and nervous, but the little tyrant most of the time gets his way. The child is born with instincts such as fear, hunger, sex, and aggression; which are required for survival; but as we have seen there is also a belonging instinct between the child and the mother that guides the other instincts and permits the survival of the child. We are born as individuals and, looking out for our survival, we necessarily confront others and the external world. The first conflict is with those people near to us, and its resolution is through the first way of belonging – love. Conflict is present in many daily simple cases, like two brothers fighting for a toy, or a wife and a husband discussing which movie to watch. And occasionally extreme cases of conflict occur, such as when people abandoned in a small boat in the middle of the ocean eat each other, or when a relative rapes a child. Love is also manifested on many occasions, as for example when parents give their lives to protect their children. Love allows the life together of the small group near to us, conflict guarantees that each individual will look after his/her survival.

The mother socializes the child teaching it to speak a language and to adopt required social norms. Socializing is required for the child to integrate to a social life that includes not only the people near, but also other people. There are distinct in-groups to which the child must learn to belong, and diverse out-groups with which it has to interact. There is not only conflict between the child and the people near – whom it loves, there is also conflict between the child and members of the larger in-groups to which the child belongs. Moreover, there is also conflict between the child and different out-groups. In addition, there is conflict between the distinct in-groups and out-groups.

A human child is born in a social group that has already a sophisticated language, a conceptual system, and an institutional arrangement. Conceptual systems are older than the Homo Sapiens, the first burial ritual are documented 500 thousand years ago, date on which a sophisticated protolanguage already existed, while the Homo Sapiens is between 200 and 100 thousand years old. The mother socializes the child by teaching it the social life that takes place under the

institutional arrangement that corresponds to the conceptual system of reference. And since the human mind's reality is representational, distinct conceptual systems differ between them; therefore, there is also a built-in evolutionary conceptual conflict between diverse cultures or social groups.

Dunbar has estimated that, according to the size of the human brain, the corresponding size of the social group is between one hundred to one hundred and fifty members. In a group of this size it is possible for the group members to know each other, see each other in the eyes, and have an emotional (limbic) contact. The conceptual system in the primary societies, characterized in the beginning by a small number of members, was emotionally based – rituals played a key role. I have called in other works the conceptual systems of the primary societies “magic”⁶¹. Magic defines, like any other conceptual system, the three ways of belonging: love, social significance and existential significance. In these societies, existential belonging (significance) is highly dominant because surviving in a hostile biological and natural environment is a priority. Thus, “magic” is a universal cosmology that explains in an ordered manner the existential universe – in which everything has a defined place. There is not a God, and there are no proactive humans in the sense that they are valued in contemporary Western society. Individuals are not yet differentiated; they just perform their existential role like any other thing in the universe – whether it is alive or not. Social belonging is mostly defined by the integrative system, the economic system is completely underdeveloped and almost exclusively guided by the integrative system. The power system is used to strengthen the integrative system by harshly penalizing deviant behavior and to confront out-groups. Magic however is not a uniquely defined conceptual system, there are many diverse institutional arrangements, in very diverse primary societies with their corresponding, distinct versions of “magic”. Therefore, since the beginning in addition to territorial and economic conflict between human groups, there was also ideological and conceptual conflict.

⁶¹ Only for analytical purposes, we have created the three highly arbitrary abstract social categories: the primary society, the traditional society, and the Western society (which we already introduced earlier in this manuscript). Of course, none of them has ever existed as such. But this arbitrary classification has the purpose to focus the discussion on the particular, differential characteristics of contemporary Western societies versus other societies, including the ones that existed in the West's own history.

CONFLICT IN LARGE SOCIETIES

As societies became larger, hierarchical and functional duty differentiations were required. Therefore, individuals were differentiated with respect to their obligations. In other works, I have called societies with this characteristic “traditional societies”; and their conceptual system I have named “rationality”. As the social group gets larger, conceptual, limbic belonging is no longer possible – individuals within the group do not have visual contact with each other any longer. Therefore, the conceptual system is more and more based on abstract concepts – rational concepts. These enlarged societies of course are composed of smaller groups, such as the extended family and others, in which the limbic connection remains – and these groups are key for social stability. That is why Confucius put so much emphasis on the importance of the family. The abstract rational concepts, however, provide a weaker tie than the limbic connection – therefore, the potential for conflict is created between the diverse small groups that constitute the larger society. Moreover, as conquests took place, traditional societies encompassed groups belonging to distinct cultures, and additional layers of conceptual, ideological, cultural, racial and religious conflict were generated. Religions started in the traditional societies, they are an outcome of the differentiation of the individuals on the basis of his/her duties.

We can identify at least six main routes of differentiation in the traditional societies (each one of them of course having many sub routes): 1) The Indian South Asian; 2) the Neo-Confucian North Asian; 3) the Greek-Roman rationality; 4) the Christian; 5) the Muslim; 6) the Western Society; 7) hybrid routes. In what follows we will briefly describe each one of this routes and as the reader will appreciate they became clearly incompatible between each other as to their conceptual representational construction of the human life and the existential universe.

- 1) The Indian South Asian route is closely related to the magic of the primary societies. The main driver is existential belonging. In the Indian religion there is not a personal God, there is reincarnation and everything that exists has a defined order. The social order is defined by the integrative system that gives each social class very well-defined duties. But in contraposition to the primary society, the differentiated individual is responsible to obtain by himself existential significance. In Buddhism existential significance is individually obtained through illumination. The illuminated individual, is the one that through in-

dividual meditation (usually socially assisted), understands at a non-rational mystical level the two fundamental principles of the universal existence: a) that everything that exist is interdependent and that it started to exist in its interdependence; and b) that therefore, the individual existence is just an illusion. Illumination then, is the mystical recognition of the ordered universe previously alluded to by magic; in which living and not living things exist in an orderly way, and in which death has no particular significance. The Indian religion has been and still is highly influential in many countries in South Asia.

- 2) The origins of the Neo-Confucian North Asian route go back to Buddhism traveling north to China. But China was becoming a big empire, holding many cultures that lacked the Indian social order based on the strict definition of the classes' obligations, and Buddhism was a personal religion – therefore, social order had to be based on something else. Confucianism provided the answer with its rational definition of social obligations. The most important social relationships for Confucius are five: ruler and ruled, father and son, husband and wife, elder and younger brother, and friendship. The objective of the ethics of Confucius is to develop social harmony between individual interests and those of society, always giving priority to the common interest. China already shows the need of a more abstract rational social order. Neo-Confucianism was and still is highly influential in many countries in North Asia such as China, Japan and Korea. In Neo-Confucianism social order (social belonging) is defined by Confucius' obligations, while existential belonging is defined by Buddhism and Taoism. Communist China's social order is to large extent still explained by Neo-Confucianism, which makes it very different from Russian communism.
- 3) The Greek-Roman rationality arose in an historical stage when, given the relevance of iron in arms production, Persia forbade the private production of iron, which became an exclusive prerogative of the State. The consequence was the emerging production of iron outside of Persia in small factories, which was the beginning of Greece and its democracy, as the new factory owners needed to design a new form of government – given the lack of a traditional one. The answer was, as in China, a

social order based on rationality. However, it was a different rationality than the one of China. Plato's rationality provided the basis of what would become the Greek-Roman-Western civilization. Social order in Plato's and Aristotle's social theories was given by reason, they mistrusted the consequences of a non-rational democracy. The power of the Senate in Rome was consequence of their view. The Greek-Roman rationality defined social order, but existential belonging was defined by a magical mysticism in which the living and the dead, and the gods and the humans, enjoyed all kind of magical powers and confronted each other. Hercules - a semi-god, son of Jupiter-, for example, is famous for choosing to be a human instead of a god, and for winning, as human, battles against some gods. The demise of Rome gave rise to the powerful Christian church of the feudal times.

- 4) The Christian route of differentiation was eminently defined by Saint Agustin and particularly by Saint Thomas, who stated that reason - though mystical faith - could read the rational essences (Plato's) contained in the mind of the creator (God). The church was the route for individuals to access the understanding of the true essential world. Reincarnation was substituted with eternal life; and magic with religious mysticism. Christianity gave an enormous social power to the Church, which became one of the main guarantors of a social order based on the moral-Christian behavior of the individuals. Rulers were thought of as of divine origin. And divine kings shared with the church the social power. Kings however were for the most part feudal lords fighting other feudal lords for the throne. It is not until the emergence of the cities that kings became really powerful, since the control of the cities allowed them to out-power other feudal lords. In the Western countries the all-powerful kings did not last because the growing power of the cities challenged them, and democratic forces brought them down. However, in some countries like Russia democracy never came, instead they entered a communist State in which autocratic rulers became all powerful. Communism in Russia has been to some extent a continuation of the all-powerful Czars; and because of this, it is very different from the kind of communism practiced in China.

- 5) The Muslim route is characterized by the fact that, instead of Christ, Muslims believe in Mahoma. The Muslim religion is a modified version of Christianity, adapted to the military needs of the times of a particular Arab culture. The Muslim religion gives more precise obligations to the individuals; and glorifies military actions, giving eternal life to the military heroes. The religious State is still highly influential in many Muslim countries today.
- 6) The Western contemporary societies are a differentiation of the Christian route. In Western societies individuals, in addition to be differentiated by their duties, are also differentiated by their rights. I have called in other works the conceptual system that underpins the way these duties and rights are established, "harmony". Harmony is a form of rationality; in which reason has access to the understanding of the whole existential world, except the social order – which instead of being understood by reason, is the consequence of democratic participation. Protestantism is highly influential in some Western societies. In Protestantism the power of the church is diminished because individuals can have access to God's will directly through their work for the community. In Protestantism then, existential belonging is obtained through social significance – working for the community. Harmony is derived from rationality, because the individuals' rights are differentiated by a rational method. Human rights are conceived as being in God's mind, and humans as having the capacity to understand them with their reason. Human rights, the ones of the children of God, include individual freedom which covers: the political freedom to vote and choose social authorities; to express ideas; and to own, produce and exchange economic goods and services.
- 7) Hybrid routes. Today, the remaining traditional world is under the influence of the Western culture. Most countries have been under the influence of Western democratic values and some others have been influenced by Western communist ideals. Most routes today are hybrid. India in addition to the Indian religion has been influenced by the Western democracy, mainly through the English occupation, and it has also been influenced by the Muslim tradition. China is a hybrid

result between Neo-Confucianism and communism. Russia is a hybrid result of the all-powerful Czars and communism. Japan and South Korea are a hybrid result of Neo-Confucianism and Western democracy. Africa is a hybrid result of primary “magic” and Western democracy. Latin America is a hybrid result of many influences: the authoritarian old Spanish culture, Latin America’s indigenous people’s primary culture, the primary culture of imported African slaves, Western democracy and Western communist ideas.

The previous paragraphs do not pretend to summarize the history or actual diversity of the conceptual systems and their corresponding institutional arrangements that have existed in the world. The goal has been rather to show the enormous diversity of these conceptual systems. Each one of the mentioned seven routes is very different from the others, and additionally in each route there are numerous variations. This complexity in the humans’ representational understanding of reality is an evolutionary source of social conflict, the resolution of which is provided by envelope conceptual systems and institutional arrangements, that become however more and more fragile as they get larger. Today most big countries include diverse populations with distinct cultural backgrounds. And the whole world is extremely diverse, making it very complex to design global institutions and acceptable conceptual systems.

Conflict resolution is an endless task of human societies, and its purpose is not to end conflict, which has its positive role in promoting social change, but to channel it in a positive human way.

SOURCES OF SOCIAL CONFLICT

Social conflict may be due to personal, economic, political, ideological, religious, racial, sexual, conceptual or power-strategic differences. It happens at the individual level, between groups within a society, or between societies. There is always a difference between in-group and out-group members that creates conflict. Conflict is a natural characteristic of human evolution and may have the positive influence to promote social change. Conflict resolution, however, not always ends in a positive note; it has the potential to go wrong and

be highly destructive. Positive conflict resolution involves belonging. Social conflict resolution involves in particular love and social significance. However, both love and social significance are prone to belonging failures; because the individual is always distinct from the social group, and because diverse groups interact towards one another within a frame of in-group versus out-group antagonism. In large societies the envelope conceptual system and institutional arrangement is abstract and fragile.

Just as there are economic sources of conflict, there are also sources of conflict in the integrative system which are consequence of the representational nature of the reality experienced by the human mind. The integrative system's conflicts are political, ideological, religious, conceptual, ethical, legal, racial, sexual, and so on. The distinct perceptions of reality of diverse conceptual systems imply that it is not always possible to find a solution within the integrative system; in these cases, the solution will necessarily involve the power system. This has been the case in extreme instances like the French Revolution, the American Independence, the American Civil War, or the two World Wars – among many other conflicts around the world that involved the power system. Even in these cases however, diplomacy intends to reconstruct a mutual minimum integrative system that at least can set the basis of peace treaties.

CAN SCIENTIFIC KNOWLEDGE REDUCE SOCIAL CONFLICT?

Since we have pointed out that a source of social conflict is the representational nature of reality in the human mind, it would be natural to ask whether or not scientific knowledge can reduce or eliminate this source of social conflict. The answer in short is that it cannot. However, the advance of science does limit the areas in which conceptual conflict occurs. Scientific knowledge is itself representational. It is based on conceptual models of reality that do not represent reality itself. I have largely discussed this point in other works and the interested reader may refer to them⁶². Kant argued that the human mind has a priori categories of reality, among which he included the notion of time. Kant's

⁶² See Obregón, Carlos *Existence and Time*. 2015. Amazon.com. Also available at Researchgate.com.

notion of time is somewhat compatible with Newtonian physics, but not with Einstein's relativity. Both Newton's and Einstein's notions of time work very well to explain physical macro-reality, yet they are very different. In Newton time is absolute, while in Einstein is relative – it is a geometric dimension. None of the two is reality itself, because reality cannot be both simultaneously. But they both interact well with physical macro-reality and explain it. Science is also based upon the representational reality of the mind – in mathematical or other models in the mind – but it has the unique characteristic that it has to interact with reality empirically or otherwise so that actual observed facts and experiments can show that the scientific hypothesis cannot be proven false (using Popper's terminology). Scientific knowledge, because of this particular characteristic, accumulates and through time humans' ability to interact with the outside reality has increased substantially. However, science is restricted to explain certain phenomena of reality that do not pretend to cover the whole range of philosophical questions covered by the conceptual systems and institutional arrangements that define the three ways of belonging. Magic, rationality and harmony, the three conceptual systems of the primary, traditional and Western society, answered questions like: What is the meaning of life and death? What happens after we die? Is there reincarnation? Is there eternal life? Is there a God or Gods? What is the source of social truth? How should the relationship between the individual and the society be? Where do ethical values come from? What are the ethical sources of the written law? And so on. Answers that science will never be able to provide. And although science can help in precisising these questions and in delimiting the nature of some of the answers, it will never be able to answer them fully. Therefore, the conceptual diversity of representational reality will always be a source of conflict in human societies.

A SIMPLIFIED GENERAL FRAMEWORK OF ANALYSIS

Conflict in human societies is evolutionary built-in for four reasons: 1) The need of individuality of the genetic pool to maximize life survival chances; 2) the competition for scarce resources; 3) that we were evolutionarily designed to belong to small groups; and 3) the representational nature of reality in the human mind.

The individual is born as a social being which is linked to the society through a conceptual system and its corresponding institutional arrangement which is particular to a social group or society. The conceptual system defines conflict resolution through the three ways of belonging: love, social significance and existential significance. Social significance defines the three social systems: the integrative, the economic and the power one.

Belonging failures occur in any of the three belonging ways. Love belonging failures create insecure personalities and all sort of psychological and sociological pathologies. Social belonging failures may be rooted in any one of the three social systems. Economic conflicts are due to scarce resources and they can only be partially solved in the economic system, the integrative and/or power systems are always required. Integrative system conflicts are due to the representational reality of the human mind, and, as we said before, they are political, ideological, religious, ethical, legal, racial, sexual, and so on. Power conflicts may be consequence of preventing deviant behavior within an in-group or society, or of confronting out-groups or other societies. Power conflicts cannot last forever, and some sort of integrative and economic solution is required, even if it is in the form of limited peace agreements. Therefore, as we will discuss in the next chapter power confrontations and diplomacy frequently go together. Existential belonging failures generate individual anxiety, and may create unsustainable relations of the human race with the rest of the universe – as the global climate crisis has shown.

Social conflict increases as the societies get larger and encompass more diverse social groups with distinct conceptual systems. The envelope conceptual systems become more fragile. Social conflict also increases as the global population increases; competition among different societies for scarce resources becomes more frequent.

Figures 3.1 to 3.5 summarize the general framework of analysis and key definitions for the benefit of the reader.

FIGURE 3.1 REASONS FOR EVOLUTIONARY CONFLICT

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- 1) The need of individuality of the genetic pool to maximize life survival chances; 2) the competition for scarce resources; 3) that we were evolutionarily designed to belong to small groups; and
 - 4) the representational nature of reality in the human mind.
-

FIGURE 3.2 SOURCES OF SOCIAL CONFLICT

Love Failures: Psychological Conflict

Social Significance Failures:

Scarce Resources – Economic Conflict

Representational Reality – Integrative System Conflicts: Political, Ideological, Religious, Ethical, Legal, Racial, Sexual, and so on.

In-group versus out-group – Power System Conflicts: Violence, Social Protest, Social Warfare, Wars, Diplomacy

Existential Failures: Individual Anxiety and Psychological Problems, Global Climate Crisis

TABLE 3.3 SOCIAL INTERACTION

	Love	
individual	Social significance	Institution: Conceptual System and Institutional Arrangement
	Existential significance	
	Integrative System	
Social significance:	Economic and Trade System	
	Power System	

TABLE 3.4 DEFINITIONS OF CATEGORIES OF ANALYSIS OF SOCIAL BELONGING

Institution: is the sum of a Conceptual system and its corresponding Institutional Arrangement.

Conceptual System: it is a mixture of knowledge, beliefs and habits that fully explain the social and physical reality, and guide and direct social and individual behavior.

Institutional Arrangement: The set of institutions that make operative the Conceptual system.

Integrative system: traditions and customs and social obligations, for example: established rules, the law; values and social beliefs in general; ethical principles; religion; benevolence; and individual commitments individually socially sanctioned.

Economic and Exchange System: the production and distribution of economic goods and the selfish exchange in any social relations, including economic exchange.

Power System: the social use of force

TABLE 3.5 THE PRIMARY, THE TRADITIONAL, AND THE THE WESTERN SOCIETIES

Primary Society: the individual is not differentiated from the society. The society, in turn, is not differentiated from the existential universe.

Traditional Society: the individual is differentiated from society in terms of his responsibilities, but not in terms of his rights. The society may or may not be differentiated from existential universe.

The Western Society: the individual is differentiated, in addition to his responsibilities, by his rights. The individual exercise his rights of: expression; political participation and voting freedom; economic freedom and property; and to pursue his individual economic interests. The society is differentiated from the existential universe.

CONCLUSION

Conflict and resolution are built-in within the evolutionary makeup of the human beings. Conflict is due to four reasons: 1) The need of individuality of the genetic pool to maximize life survival chances; 2) the competition for scarce resources; 3) that we were evolutionarily designed to belong to small groups; and 3) the representational nature of reality in the human mind. However, human beings were designed to survive as social beings and evolutionary they have the potential to belong to the people near to them, to the social group and to the universe surrounding them. Therefore, belonging solutions to conflict are also an essential element of evolutionary makeup which is required for human survival.

Belonging failures are frequent and therefore resolutions through the economic and integrative systems are not always achieved; in these instances, power confrontations occur. The goal of humanity is to create societies that cope with social conflict as a positive source of social change while preventing conflict to end up in power confrontations that may result very expensive in human terms – although unfortunately in certain historical cases they are unavoidable. In the next chapter we will discuss conflicts in the power system and their resolution.

CHAPTER FOUR: POWER CONFLICTS AND THEORIES OF CONFLICT RESOLUTION

In previous chapters we have argued that economic conflicts cannot be solved within the economic system itself and that their solution requires the integrative and/or power systems. We also have pointed out that the conflicts that arise within the integrative system frequently cannot be solved within the same integrative system either. In this chapter we will discuss power conflicts and we will see that they cannot be solved, on their part, within the power system. The three systems interact between them, and the three are often required simultaneously in conflict resolution, no matter in which system the conflict originates. Behind the simplest economic transaction, there are always the institutions of the law of the integrative system, and the law enforcement institutions of the power system. Conflicts generated within the integrative system do not necessarily find a resolution within the integrative system. Think for example of racial discrimination: while it is true that to fight against it, changes in the legislation and in the cultural attitudes in the integrative system are required, it is also true that, historically, racial rights were conquered through social struggle in the power system. And it is also true that free markets make racial discrimination expensive, because selling to anyone increases profits, which is a powerful reason not to discriminate racially in the markets.

Power conflicts cannot be fully solved within the power system. The reason is that there is no way for the winner to maintain his/her position indefinitely, based only on the use of force. Personal and group fights are resolved through mutual, voluntary agreements or by legal resolutions, wars are always accompanied by diplomacy and end up in peace agreements. Power conflict resolution often requires the three social systems.

As we have been saying, the reality of the human mind is representational, therefore distinct societies create different conceptual systems with their corresponding institutional arrangements; and so, they often lack a common integrative system, which is a direct cause of power conflicts. Distinct societies have different perceptions of social reality, that is why they often defend controversial solutions which may cause open conflict. The solution then cannot be found exclusively through the power system, it requires ties between the distinct societies which must be based on common economic relations and a mutual integrative system, even if it is not fully developed.

In this chapter, in the first section, we will answer: Why is the power system always required? What is its role? How does it interact with the integrative system and the economic system? Which is the danger that power confrontations may present? and What is the role of the police and the military? In the second section of this chapter, we analyze the extreme form of power conflict within a society – homicides (and in the next chapter we will discuss the extreme form of power conflict between societies – war). We discuss how several theories of conflict resolution apply to the problem of homicides, and point out that simplistic, one-sided theories do not work. Understanding conflicts and their resolution requires a multifactorial theory. In the following chapter, we will apply our own multifactorial theory of conflict resolution to today's war between Russia and Ukraine.

POWER CONFLICT AND RESOLUTION

Conflict is evolutionarily built-in, because being individuals we have survival instincts that will be triggered by belonging failures. And belonging failures will always occur, because although we have a belonging instinct and therefore the potential to identify ourselves (to belong to) with the external world, we remain distinct and unique both in space and time (in a Derrida sense). Conflict, as we discussed in the last chapter, can arise in any one of the three belonging ways. Belonging failures in the first way generate psychological conflicts, belonging failures in the third way generate personal anxiety and stress and may cause a crisis in our relationship with the external environment, as the global climate crisis shows. Conflict in the second way produces: economic conflicts, integrative system conflicts and power conflicts. Power conflicts may arise: 1) When an economic conflict cannot be resolved by the economic and/or the integrative systems; 2) when an integrative system conflict cannot be resolved by the integrative and/or the economic systems; and 3) when it is originated within the power system itself and cannot be resolved by the integrative and/or the economic system.

A power conflict occurs whenever there is unwelcome or unlawful violence, or the threat or menace of it, by one partner or group towards another or others. Power conflicts may happen in a school, a family, or a couple or in any other human relation. All criminal and unlawful activity towards others constitute a power conflict. Moreover, often power conflicts occur within the criminal groups themselves.

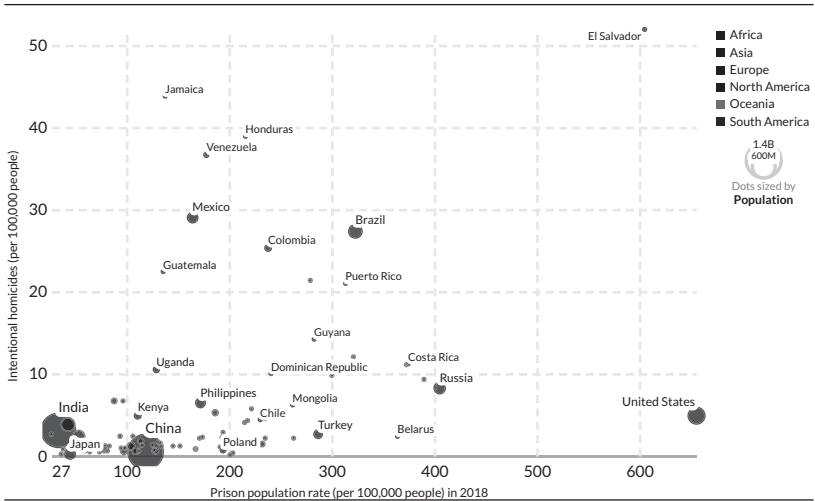
The power system has a dual role: a) Punish deviant behavior: within a social group or a society it has the role to punish deviant behavior that does not comply with the rules established in the integrative system; b) Establish a relation based on power: between groups and societies that do not share an integrative system, relationships are based on the power system. In the absence of an integrative system, the economic system has to be backed by the power system to operate.

In the first role of punishing deviant behavior, the social power system is guided by the integrative system. However, there might be failures within the social power system itself that may occasion new forms of power conflicts. As an example, recently in a very well-known case in the US a policeman, who did not follow the protocol, in an excessive use of force choked a black man to death using his knee, while the black man was absolutely helpless. Another example is a policeman who associates himself with criminals. In this first role of punishing deviant behavior, the power system is complementary, it works better whenever the integrative system and the economic system are strong, and deviant behavior is minimal. The power system cannot substitute the integrative system; I have discussed this point at length in my book on social order⁶³. A simple statistic illustrates this fact. Figure 4.1 shows homicide rates vs prison population rates and there is no correlation worldwide. Which means that the use of power to put people in prison does not reduce the crime rate. Figure 4.2 shows homicide rates vs GDP per capita and, again, there is no correlation. These two graphs taken together suggest that homicides are rather a consequence of belonging failures in the integrative system. A thesis that has been fully documented in my book on social order⁶⁴. The thesis can be visually reinforced by looking at table 4.1. Notice here that the use of force (putting people in jail), even being a richer country, does not necessarily mean less violence. The region of Latin America and the Caribbean is more than twice as rich as South Asia, and it has more than five times the relative amount of prisoners, yet it has more than seven times South Asia's homicides. The OECD is almost three times richer than East Asia, and has more than twice the prisoners, yet it has more than five times East Asia's homicides. From the point of view of what interests us here, what all of this means is: that the power system cannot substitute the integrative system, it has to be guided by it. The first role of the power system to prevent deviant behavior is always complementary to the integrative system.

⁶³ Obregón, C. *Social Order, Harmony and Conflict in Human Societies*. 2019. Amazon.com. Also available at Research Gate.com

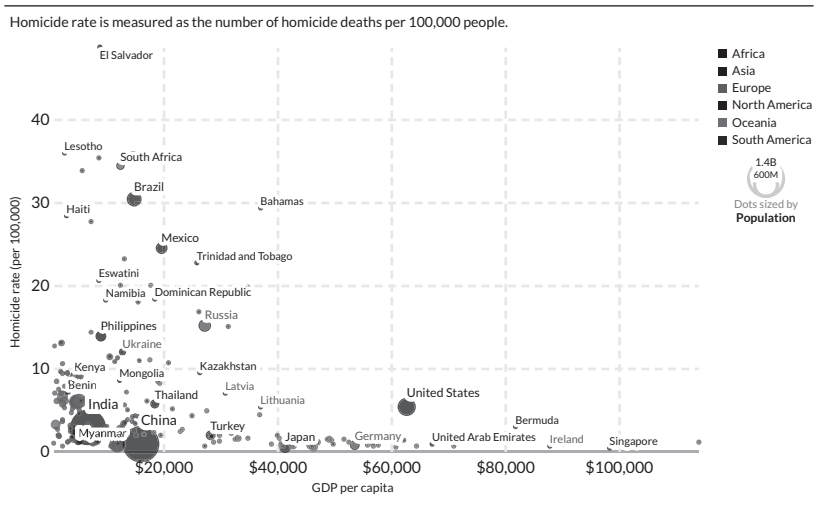
⁶⁴ Op.cit.

FIGURE 4.1 HOMICIDE VS. PRISON POPULATION RATE



Source: UN Office on Drugs and Crime (via World Bank), World Prison Brief (2018)

FIGURE 4.2 HOMICIDE RATE VS GDP PER CAPITA, 2010



Source: IHME, Data compiled from multiple sources by World Banktable 4.1.
 Note: To allow comparisons between countries and over time this metric is age-standardized.

TABLE 4.1. GDP PER CAPITA (2017 PPP \$)

Regions	<i>Prisoners</i> (per 100000)	<i>Homicides</i>	<i>GD Per Capita</i> 2017 PPP\$
Arab States	126.0	3.3	16487.0
East Asia and Pacific	131.0	1.0	14848.0
Europe and Central Asia	230.0	3.1	18337.0
Latin America and the Caribbean	253.0	22.3	15808.0
South Asia	49.0	3.1	6623.0
Small Island Developing States	456.0	8.9	19770.0
Organization for Economic Cooperation and Development	265.0	5.6	44701.0
World	142.0	5.6	16980.0

Source: Human Development Reports. Last data available. <https://hdr.undp.org/en/indicators/194906>

The second role of the power system of establishing a relation based on power, may be performed though direct aggression, through the threat or menace of using power, or by creating power that deters the use of someone else's power against us (deterrence). Diplomacy may actually be used with several goals: 1) Creating a common integrative system, even if it may end up being rather limited; 2) Establishing the threat or menace of using power if certain conditions are not satisfied by the counterparty; and/or 3) to announce deterrent power.

The power system is always required because: 1) economic conflicts cannot be solved within the economic system itself and therefore require the integrative system and/or the power system; 2) the integrative system generates conflict of its own that requires a complementary power system, this is for example the role of the police; 3) the lack of a functional mutual integrative system makes the power system indispensable. The power system's role is to solve power conflicts or avoid them (though deterrence for example). The role of the military may be to enforce the solution of an economic or an integrative system's conflict through aggression or the threat of it, or to deter aggression from others.

The power system is required to solve economic conflicts in the absence of an adequate integrative system, and it is also needed as a complement to the integrative system, to prevent and punish deviant

behavior. The danger of open power confrontations is that frequently their result is not known. They can contribute to the construction of a new positive integrative system, like the case of Japan after the Second World War, or result in negative destruction and genocides like what happened in the former Yugoslavia.

THEORIES OF CONFLICT RESOLUTION

I) Freedom Theories, Marxist, and Redistribution Theories

Both neoclassical liberalism and Marxism assume that power conflicts can be solved by economic means. Neoclassical liberalism argues that individual political and economic freedom brings progress, which in turn produces peace. Marxism defends that the proletarian revolution will mean a more egalitarian society, which will progress with peace. Under the principles of neoclassical liberalism, one would expect that developed countries should have less violence. And from Marxism, that both a better income distribution and a higher income for the more needed should mean less violence. While these schools' assumptions are partially correct and economic policies may help; we argue that power conflict resolution also require the contribution of the integrative system.

Freedom Theories

A significant literature has been defending that democracy and economic freedom generate progress, which conduces to peace, and therefore that power conflicts can be eliminated by implementing political and economic freedom. In this assertion there are two problems. The first one, as we have been discussing, is that freedom does not always generate progress (this was the experience of Mexico and Latin America), and that progress can be obtained without freedom (the case of China and East Asia). The second one is that progress does not always reduce power conflicts.

Since the ultimate expression of personal violence within a society is the homicide rate and given the long-term international availability of data on this indicator, in what follows we will use it to represent social violence. In the very long run, in the West as GDP per capita improved violence was reduced. However, the reduction in violence was also due to changes in the integrative system and not only to the improved GDP per capita. This thesis is supported by several facts: 1) As we have seen in Table 4.1 Latin America and the Caribbean is more than twice as rich as South Asia and has more than seven times the rate of homicides; and the OECD is almost three times richer than East Asia and has more than five times the rate of homicides. 2) In England, for example, the homicide rate was already 1.0 in 1775, with a GDP Per Capita of only \$2,895 (2011 international dollars), while in the US in 2019 the homicide rate was 5.6 with a GDP Per Capita of \$55,335 (2011 international dollars)⁶⁵. Therefore, a higher GDP per capita does not necessarily relate to less violence.

The use of regression analysis introducing the West in the sample creates a causality illusion between variables that correlate themselves. In the long run in the West GDP Per Capita goes up, homicide rates go down, income distribution improves and so on; therefore, any data sample that includes the West is dominated by the fact that in these countries GDP Per Capita is high, the income distribution is relatively more equal, and the homicide rate is low. But we should not take a pair of these variables, find a correlation, and then argue causality; because what has changed in the West, through time, is the whole integrative system. Therefore, policies aimed at changing one variable (whether it is economic growth, poverty, or income distribution) do not produce the desired result of diminishing violence in the short to medium term; violence is related to the whole integrative system.

One could ask: Do economic growth policies reduce homicide rates? And the answer is that they do not necessarily do so. Using the same sample of twenty-three countries of my previous work *Three Lessons From Economists That Policy Makers Should Never Forget*⁶⁶

⁶⁵ Homicide rates come from <https://ourworldindata.org/homicides>. GDP Per Capita comes from Maddison 20, for the US the data corresponds to 2018 which is latest year available.

⁶⁶ Obregón, C. 2020., *Three Lessons from Economists That Policy Makers Should Never Forget*. Amazon.com, also available at Research Gate.com

I have estimated for 1990 - 2018 whether economic growth policies were associated with lower homicide rates. The countries were divided into three groups: High Growth (HG) countries, defined as those in which economic growth during the period is at least 1.1 times more than the sample's average. Neutral growth (NG) countries, defined as those in which economic growth is between 0.9 and 1.1 times the one of the sample's average. And Low Growth (LG) countries, defined as those in which economic growth is less than 0.9 times the one of the sample's average. In the sample, homicide rates decreased during the period. For the neoclassical liberal thesis to be corroborated, homicide rates in relative terms to the sample should have decreased more in HG countries than in the NG countries, and in these more than in the LG countries. The result however was that the best performing were the NG countries: reducing homicide rates 42% more than the sample. They were followed by the HG countries that reduced homicide rates 6% less than the sample; and then by the LG countries that reduced homicide rates 27% less than the sample. Therefore, the thesis that successful economic growth policies reduce homicide rates is not sustained by the data.

In summary, while there is a long run positive relation between economic progress and a reduction in the murder rate; this relation is intermediated by long run changes in the integrative system. This explains why there are significant regional and country differences. Therefore, as I have concluded in my book about social order, in addition to economic growth policies, integrative system policies should be adopted to strengthen the social order; and short term results should not be expected.

Redistribution Theories

A large number of empirical studies have found a positive correlation between Gini coefficients and homicide rates⁶⁷; and there are several theories that argue that social violence is produced either by unjust inequalities or by poverty. Among these theories we find: Conflict Theory, Human Needs Theory and Structural Balance Theory. Let us briefly describe each one of them:

⁶⁷ For example, Fajnzylber, Lederman, and Loayza (2002) suggest that there is a strong positive correlation between Gini coefficient and homicide rates.

Conflict theory: It sees the State and other institutions as obeying the interest of the most powerful. C. Wright Mills argues that the interests of the elite are opposed to those of the people. Alan Sears⁶⁸ argues that for critical theory consensus is a euphemism for ideology; because the more powerful are able to impose their conceptions on others. The State serves the particular interests of the most powerful. Therefore, consensus entrenches stratification that generates social conflict. The disadvantaged have structural interests that run counter to the *status quo*. This conflict based on inequality can only be overcome through a fundamental transformation of the existing relations in the society. Franz Fanon argues that decolonization is liberation. It is only through liberation, which is necessarily violent, that the colonized “thing” becomes fully human.

Human Needs Theory: It argues that violence happens when certain groups or individuals are deprived of basic human needs. John Burton⁶⁹ argues that when an individual or group is denied its fundamental need for identity, security, recognition or equal participation within the society, protracted conflict is inevitable. To resolve such conflict, it is required to restructure the social system in a way that needs of all individuals and groups are accommodated. Rubenstein⁷⁰ argues that the human needs theory provides the study of conflict with a more objective basis, which goes beyond local or cultural differences.

Structural Balance Theory: John Galtung argues that social violence arises from a social structure or institution which harms people by deliberately depriving them of their capacity to satisfy their immediate human needs⁷¹. Institutionalized racism, classism, sexism and discrimination against migrants are forms of structural violence. Inequalities in wealth, power, privilege, access and opportunity breed injustice. This theory encourages to look beyond these

68 Sears, Alan. (2008) *A Good Book, In Theory: A Guide to Theoretical Thinking*. North York: Higher Education University of Toronto Press, pg. 34-6

69 Burton, John W., ed. 1990. *Conflict: Human Needs Theory* London: Macmillan and New York: St. Martin's Press. Burton, John W. 1997. *Violence Explained: The Sources of Conflict, Violence and Crime and Their Prevention*. Manchester and New York: Manchester University Press.

70 Rubenstein, R. E. (2010). Basic Human Needs: The Next Steps in Theory Development. *The International Journal of Peace Studies*, 6 (1), 51-58.

71 Galtung, J. (1969). Violence, Peace, and Peace Research. *Journal of Peace Research*, 6 (3), 167-191

structural inequalities and discriminatory behavior to find connections in order to dismantle structures which permit these injustices. The purpose is to deconstruct conflict in today's world.

What these theories have in common is that they argue that power conflicts – violence – can be solved in the economic system by reducing poverty, attending to the basic human needs, redistributing income, and reducing or eliminating inequalities in general. In what follows we will discuss whether or not redistribution policies or poverty eliminating policies can reduce significantly or eliminate homicides.

Redistributing Income and the Homicide Rate

In the West, in the long run, the income distribution improved, and homicide rates were reduced. However, the positive correlation between better income distribution and lower homicide rates is a long-term phenomenon, mediated by the transformations in the integrative system, as it is shown by the fact that there are many regional and country differences⁷². Moreover, cross section studies also show a positive correlation between a better income distribution and a decrease of the homicide rate, mainly because of the prevalence of the West in the sample data.

Table 4.2 shows those countries in which the top 10% have a share of income higher than or equal to 30%. Observe that at 30% to 35% share, the homicide rate varies a lot per region. It goes from 1.51 in Oceania and 2.38 in the West, to 22.03 in LA & Caribbean. In fact, per country, the homicide rate varies even more; it goes from 0.40 in Singapore and 0.49 in the UK, to 47.1 in El Salvador and 36.52 in Honduras. This shows the influence of the integrative system in the determination of the homicide rate. Notice also that, per region, the homicide rate does not necessarily increase as the share of the top ten percent increases, this happens because the countries are different in each one of the segments.

⁷² In the US Chintraken and Herzer 2012 found a negative correlation.

TABLE 4-2. SHARE OF TOP TEN PERCENT AND THE HOMICIDE RATE BY REGION

	REGIONS											
	Africa		Asia		Europe		Middle East		Oceania		LA & Caribb.	
	Share	Hom. Rate	Share	Hom. Rate	Share	Hom. Rate	Share	Hom. Rate	Share	Hom. Rate	Share	Hom. Rate
30 to 35	32.08	7.80	30.64	5.40	30.87	2.38	31.22	1.51	30.49	7.43	32.33	22.03
35 to 40	37.69	4.36	36.41	5.33			36.79	11.73	38.37	48.80	37.78	16.33
40 to 45	42.68	12.86					42.23	1.77			42.49	27.55
45 to 50	47.54	10.43										
55 to 55	50.36	31.68										
Av. 30 to 40	34.88	6.08	33.53	5.36			34.01	6.62	34.43	6.11	35.05	19.18

Source: Share UNU-WIDER, World Income Inequality Database (WIID), Version 31 May 2021. <https://doi.org/10.35188/UNU-WIDER/WIID-310521>
 Hom.Rate <https://ourworldindata.org/homicides>

Despite the fact that some studies⁷³, in certain cases, have found a positive correlation between high poverty and high homicide rate, it does not seem to be the general case. Table 4.3 shows the poverty rate at \$ 1.90 international dollars a day (extreme poverty) and the homicide rate. As it can be seen, as extreme poverty goes down the homicide rate goes up. Notice how low the poverty rate is in LA & Caribbean and how high the homicide rate is, exactly the opposite than in the twelve poorest countries.

TABLE 4.3. POVERTY AND THE HOMICIDE RATE

Regions	Poverty %	Homicides
Latin America and the Caribbean	3.7	22.71
Sub Saharan Africa	40.4	9.05
12 poorest countries	59.65	8.48

Source: https://data.worldbank.org/indicator/SI.POV.DDAY?locations=CO&name_desc=false&view=map&year_high_desc=true

<https://ourworldindata.org/homicides>

Short-term policies aimed at improving the income distribution or the income of the most needed do not seem to have a positive impact in the homicide rate, as the following two results indicate:

- 1) Using the same sample of twenty-three countries of my previous work *Three Lessons from Economists That Policy Makers Should Never Forget*, I have estimated for the period 1990 - 2018 whether income distribution policies were associated with lower homicide rates. The countries were divided in three groups: High Distribution (HD) countries defined as those in which the lowest quintile (q1) income increased at least 1.1 times more than the sample. Neutral Distribution (ND) countries defined as those in which q1 income increased between 0.9 and 1.1 times the increase in the sample. And Low Distribution (LD) countries defined as those in which q1 income increased less than 0.9 times the increase in the sample. The HD countries did reduce homicide rates 7% more than the sample, and the LD countries 6% less than the sample; but awkwardly the ND countries reduced homicides 44% less than the sample. Thus the relationship be-

⁷³ See for example, Baomin Dong, Peter H Egger, Yibei Guo, 2020. *Is poverty the mother of crime? Evidence from homicide rates in China*. PLoS One. doi: 10.1371/journal.pone.0233034. eCollection 2020.

tween better distribution and less crime was not found as ND countries reduced crime 50% less than LD countries.

- 2) Using the same sample as in 1) above, countries were divided into three groups. Hq1 countries defined as those in which the absolute income of q1, in real international dollars, increased more than 1.1 times the increase in the sample. Nq1 countries defined as those in which the absolute income of q1 in real international dollars increased between 0.9 and 1.1 times the increase in the sample. And Lq1 countries defined as those in which the absolute income of q1 in real international dollars increased less than 0.9 the increase in the sample. The Hq1 countries reduced homicide rates as much as the sample, despite having a higher absolute increase in their income. The Lq1 countries did reduce homicide rates 28% less than the sample. But again, awkwardly, the Nq1 countries reduced crime rates 33% more than the sample and than the Hq1 countries. Thus, the positive relation between more absolute income for q1 and the reduction in homicides was not found, as Nq1 countries reduced homicide rates more than the Hq1 countries.

In summary, while in the long run a better income distribution is associated with lower homicide rates, there are many regional and country differences that indicate that this positive relation is intermediated by changes in the integrative system. Since the integrative system in the short term does not change with redistribution policies or with policies aimed at increasing the income of the more disadvantaged, there does not seem to be a short-term impact of neither of these policies in reducing the homicide rate.

Redistribution theories tried to point out a single real factor as the cause of violence in all cultures. But this is inappropriate, distinct cultures have different integrative systems, and therefore equal income distributions and the same levels of poverty can be associated in distinct cultures with very different homicide rates. The argument of conflict theory, that a necessary conflict between the elites and the rest of the population explains violence in all the societies, is mistaken; although in very specific cases it may be an explanation, it is not true as a general case. It is not true that human needs theory provides the study of conflict with a more objective basis which goes beyond local or cultural differences. As Park⁷⁴

⁷⁴ Park, L. (2010). Opening the black box: reconsidering needs theory through psycho-analysis and critical theory. *International Journal of Peace Studies*. Retrieved from https://www.gmu.edu/programs/icar/ijps/vol15_1/PARK15n1-IJPS.pdf

has argued, there are not universal needs. Since for the human's mind reality is representational, needs are necessarily socially constructed; and they diverge between distinct societies.

It is not real inequality, but perceived inequality within a specific integrative system what is relevant. This point has been made by Relative Deprivation Theory⁷⁵. This theory focuses on value expectations which need to be met within a certain society. A state of poverty does not necessarily translate to violence. However, when individual expectations of poor people become transformed as a group identity, they become a political force that will not hesitate to use violence in order to fight their perceived discrimination. Relative deprivation theory focuses on the key aspect of expectations, which come from a specific integrative system; and it is right, changes in expectations do increase social conflict⁷⁶.

As argued by Park and by relative deprivation theory, there are not real basis of social conflict. The humans' mind reality is representational and therefore, while reality matters, the same reality can be perceived differently by distinct societies with different integrative systems. While from certain ethical perspectives in a given society it could be argued that certain human needs do have to be satisfied, from other ethical perspectives, in other societies, they might not have to be attended.

II) Other Theories of Conflict Resolution

In this section we will briefly comment on some of today's most relevant conflict and resolution theories and discuss how do they relate to the views expressed in this manuscript. We can classify conflict and resolution theories in six main groups: 1) Freedom Theories: These were discussed in the previous section. 2) Distributional Theories: These also have been discussed earlier. 3) Ethical Theories: These theories assume that a resolution always exists in all (or in significant part) conflicts, on ethical grounds. 4) Interests Theories: These are those in which there is a conflict of interests between individuals, or groups or nations; and there-

⁷⁵ Walker, I., & Pettigrew, T. F. 1984. Relative deprivation theory an overview and conceptual critique. *British Journal of Social Psychology*, 23, 301-310.

⁷⁶ See for example, Meghan L. Rogers, W. Pridemore. 2020., Perceived Inequality and Cross-National Homicide Rates. *Law, Justice Quarterly*. OI:10.1080/07418825.2020.1729392. Corpus ID: 216187561

fore what is needed is to find resolution methods. 5) Representational Theories: Those in which the conflict is ideological, religious or conceptual; and therefore the resolution may or not exist. 6) Multifactorial Theories: Those in which the conflict is multifactorial; and therefore the resolution must also be multifactorial. Let us briefly discuss groups 3 to 6.

Ethical Theories

There is a long tradition in human thought that sees the resolution of social conflict through the application of general ethical essential principles. These essential principles can be learned through: reason (the ethics of reason – Kant); praxis (the ethics of virtue – Aristotle); illumination (religious Buddhism); mystical reason (Christianity, Islam); the historical analysis of the values of a particular society, in which case they are only applicable to this society (Rawls); reason which may differ between distinct societies, but there are always certain minimum fundamental ethical principles common to all societies (Sen's ethics). But what is sustained by all the ethical theories is that ethics can solve social conflicts⁷⁷.

While it cannot be denied that ethics is a fundamental element in the avoidance and solution of social conflicts, the reality of the human mind is representational and thus it does not have access to universal ethical truths; therefore, belonging ethics is relative and distinct for different societies. The only common element between distinct belonging ethics is that all of them serve the purpose of the evolutionary survival of the social group. A specific belonging ethics is required to establish social order, because the individual ethical behavior is needed since no State can be vigilant of everybody's behavior all the time. And this specific belonging ethics in a given society does play a key role in conflict resolutions. But three points must be emphasized. First, two specific belonging ethics may be very different one from another – therefore between societies there may not be a common ethics; and in fact, different ethical perspectives may be a source of conflict between these different societies. Second, even within a society there may be competing ethical views that have to be resolved through a common accepted legal framework (although the distinct ethics continue illuminating the application of the law, the law provides a framework to settle ethical differences). Third, ethical principles and the law are insufficient to resolve

⁷⁷ For a discussion on ethics, justice and the ethics of belonging see Obregón, C. *La ética y la justicia, fundamentos científicos*. 2014. Amazon.com. Also available at Research gate.com

all the conflicts that happen within a society. There are many other factors required for conflict resolution. Ethics and the law are only one of the components of the integrative system, there are others which are also extremely relevant like group belonging, family education, social integration, social functionality, social acceptance and management of conflicts, social capacity to deal with technological and other external shocks and so on. In fact, for conflict resolution the three systems: the integrative, the power and the economic are required; and furthermore the whole conceptual system and institutional arrangement and the way in which it implements the three belonging ways becomes relevant. Conflict resolution is by itself a multifactorial phenomenon that goes well beyond the world of ethics and the law.

Interest Theories

Interest theories have in common the argument that social conflicts are consequence of the agents' interests and that they can always be resolved through negotiation. Amongst these theories we will discuss the Theory of Cooperation, the Theory of Principled Negotiation, and the Theory of Conflict Transformation.

The Theory of Cooperation: It was first developed by Deutsch⁷⁸. He argues that cooperation creates an atmosphere of trust and eventually leads to mutually beneficial options for settlement; while competition intensifies animosity and distrust between parties and is generally destructive. He points out that when the goals of both parties are negatively interdependent, a party's success automatically means the other's failure; but when they are positively interdependent, as it is most often the case, one party's success/failure is correlated with the other party's success/failure. With positive interdependence, cooperative relationships can be had in order to secure a win-win outcome for both parties to a conflict. He recommends that both parties agree to adhere to universally accepted norms and values such as: respect, honesty, responsiveness, forgiveness, and acknowledgment of responsibility.

Theory of Principled Negotiation: Fisher and Ury put forward four principles for effective negotiation⁷⁹. 1) Separate people from their prob-

⁷⁸Deutsch, M. (1985). *Distributive justice: A social psychological perspective*. New Haven, CT: Yale University Press.

⁷⁹Fisher, Roger; Ury, William. *Getting to yes: negotiating agreement without giving in*. 1st ed. New York: Penguin; 1981.

lem. 2) Focus on interest rather than position. 3) Generate a variety of options before settling on an agreement. 4) Insist that the agreement be based on objective criteria. At each stage of the negotiation process, the above principles should be observed. Developing a method for reaching good agreements is central to this model.

Theory of Conflict Transformation: Bush and Folger's theory of transformative mediation⁸⁰ and Lederach's model of conflict transformation⁸¹ look for a fundamental change in attitude and/or behavior of individuals and/or the relationship between two or more disputing parties. They argue that a solution that satisfies each country's interests and needs could be reached through these models. Some theorists have argued for conflict transmutation using a set of contemplative practices that transform deeply encrusted feeling and thoughts that fuel destructive conflict behavior.

Interests of course are a key element in social conflicts, but that does not mean that social conflicts can be solved by clarifying each party's interests and their likely interdependence as the theory of cooperation argues. Because as game theory has shown, even giving in advance full information to the agents as to the moves that would take them to a common optimum, this may not be achieved. This happens because there are potential moves of each agent that would put him better off by fooling the other as to what he will do. The right moves by both agents require trust; which depends upon an institutional arrangement that must build the bases for trust to be possible. The theory of cooperation is very simplistic, and social conflicts are very complex. There are uncertainty and information problems, lack of trust, institutional failures, and all sort of complexities that cause that, even with interdependence, a common optimum goal most likely might not be achieved. These many reasons were already explored in chapter one.

Moreover, even though interests are an important element in social conflicts, they are not the only one. Often there are religious, ideological, and ethical reasons for a social conflict which cannot be just negotiated away. Moreover, there are also tactical power reasons associated with a balance of power between the agents, which imply the possibility of penalizing each other if the agreements they made are not fulfilled.

⁸⁰ Bush, R. A. B., & Pope, S. G. (2002). Changing the quality of conflict interaction: The principles and practice of transformative mediation. *Pepperdine Dispute Resolution Law Journal*, 3(1), 67-96.

⁸¹ John Paul Lederach, *The Little Book of Conflict Transformation*, Goodbooks 2003.

Negotiating strategies such as cooperation, principled negotiation and conflict transformation are welcome as they may sometimes constitute a relevant aid in conflict resolution. But in real life social conflicts are very complex and their resolution requires to go well beyond negotiating techniques. It often involves new institutions and concepts, psychological freedom and stability of the agents involved in the negotiation, and the consideration of the integrative, the economic and the power systems.

A theory of conflict must describe the whole set of relationships that exist between individuals, groups and societies, and the many causes that may produce social conflict. A social conflict regularly involves psychological characteristics of the agents or group leaders, the economic situation of each one and between them, existing institutions, and the possibility of new ones to be created, a conceptual system, and the involvement of the three social systems: the integrative, the economic and the power systems. Such a general theory was presented in the previous chapter, and we will use it to discuss the war between Russia and Ukraine in the next chapter.

Representational Theories

Almost all the sociological tradition, starting with Marx, has recognized the real-life fact that there have been and are distinct institutional arrangement and conceptual systems in different societies and cultures. But most of these sociologists were writing at the times in which philosophical essentialism was predominant; and therefore, they had the firm belief that the human mind was able to discover the “real truth”. Thus, most of these writers’ historical analysis took them to the conclusion than the Western culture not only was the most sophisticated and humane of all, but that it was the implicit destiny of other cultures. Marx actually bought into this argument, but for him the Western culture was only a necessary passage towards communism. Recently, however, the scientific and empirical advances in neurobiology and cognitive psychology have made clear that the mind cannot know the external reality, and that the humans’ mind reality is representational. These discoveries have huge implication for sociology, because they mean that there is no way for the human mind to discover the essential path of human history. In practical terms, it means that there is no way to know that the Western culture is the destiny of other cultures, nor that after the Western culture

communism will necessary come. In philosophy, Derrida has proposed deconstructionism; which is a method to unveil the initial non-scientific preconceptions that were used historically by philosophers and sociologists to be able to reach their essential conclusions. In simple terms, their essential conclusions were not the result of a philosophical inquiry or a scientific analysis, but the consequence of initial preconceptions of these thinkers, that implicitly assumed the essential conclusions they were looking for. Few authors have escaped philosophical essentialism; which has been, and still is, predominant in social thinking. We will discuss in what follows two of them: Thorstein Veblen and Michael Foucault.

Thorstein Veblen: Veblen sees history as the confrontation between the leisure and the industrial classes, which represent the conceptual systems and ways of life associated with the old and the new technologies. Changes in technology are the driver of social changes. And as other sociologists, Veblen discusses different historical epochs, which end in the Western society. But two contributions distinguish him from most other authors: 1) He acknowledges that the result of the confrontation between the old and the new ways of thinking is not known. Which implicitly means that societies may remain in any one of the previous ways of thinking; and 2) He asserts that individual freedom, in the sense understood in Western culture, is a historical genesis of a particular historical stage of the West, and not an essential characteristic of human beings.

However, despite the relevance of these two contributions, in Veblen there are still reminiscences of philosophical essentialism. His historical stages clearly reflect the history of the Western culture, and there is no attempt made to understand the routes taken by other societies. Therefore, the conceptual diversity that characterizes the actual world is not properly understood by Veblen. There is also in Veblen a technological determinism of the process of social change, that takes no account of the role of social engineering in creating new institutions, new concepts and therefore new ways of living⁸².

Michael Foucault. His thinking is post Derrida's deconstructionism, and therefore it is no longer under the influence of philosophical essentialism. He proposes the archeological method and the genealogical analysis. "The key idea of the archeological method is that systems of thought and knowledge (epistemes or discursive formations, in Foucault's terminology) are governed by rules, beyond those of grammar and logic, that operate beneath the consciousness of individual subjects and define a sys-

⁸² This has been pointed out by Douglas North.

tem of conceptual possibilities that determines the boundaries of thought in a given domain and period”⁸³. “The point of a genealogical analysis is to show that a given system of thought (itself uncovered in its essential structures by archaeology, which therefore remains part of Foucault’s historiography) was the result of contingent turns of history, not the outcome of rationally inevitable trends”⁸⁴. “Each society has its regime of truth, its “general politics” of truth: that is, the types of discourse which it accepts and makes function as true; the mechanisms and instances which enable one to distinguish true and false statements, the means by which each is sanctioned; the techniques and procedures accorded value in the acquisition of truth; the status of those who are charged with saying what counts as true”⁸⁵. These ‘general politics’ and ‘regimes of truth’ are the result of scientific discourse and institutions and are reinforced (and re-defined) constantly through the education system, the media, and the flux of political and economic ideologies. In the lecture series *The Birth of Biopolitics*, he analyzes neoliberalism as a historically novel form of governmentality. Neoliberalism is understood as a governmental form to ensure that capitalism works. It aims to create social conditions that not only encourage and necessitate competitiveness and self-interest, but also produce them. In Foucault it is clear that distinct societies have different conceptual systems and institutional arrangements and that they are not necessarily compatible.

Representational theories are important to understand that ideological and conceptual differences may be source of conflict between societies, and that in fact the conceptual differences may not be reconcilable. That does not mean however, that a power conflict will necessarily occur, as Samuel Huntington implied in *The Clash of Civilizations*⁸⁶, since there are many levels at which a relationship between two cultures is established. Sen has argued that diversity is a feature of most cultures in the world⁸⁷. Paul Berman argues that distinct cultural boundaries do not exist in the present day. He argues that the evidence for a civilization

⁸³ <https://plato.stanford.edu/entries/foucault/#MajoWork>

⁸⁴ Ibid

⁸⁵ Rabinow, Paul (editor) (1991) *The Foucault Reader: An introduction to Foucault’s thought*, London, Penguin.

⁸⁶ Huntington, Samuel P. (1993). “The Clash of Civilizations?”. *Foreign Affairs*. 72 (3): 22–49. doi:10.2307/20045621. ISSN 0015-7120. JSTOR 20045621

⁸⁷ Sen A (1999). “Democracy as a Universal Value”. *Journal of Democracy*. 10 (3): 3–17. doi:10.1353/jod.1999.0055. S2CID 54556373.

clash is not convincing, especially when considering relationships such as that between the United States and Saudi Arabia⁸⁸. Yuval Noah Harari called the clash of civilizations a misleading thesis. He wrote that Islamic fundamentalism is more of a threat to a global civilization, rather than a confrontation with the West⁸⁹. Instead of focusing on the clash of civilizations, some thinkers argue that we should focus on promoting the dialogue between civilizations⁹⁰.

The criticisms against the argument of the necessary clash between civilizations point out the multiple factors that must be taken into account in the analysis of conflict resolution. Two cultures may diverge in their fundamental conceptual systems and institutional arrangements; but they are not isolated, they are under the influence of other cultures, and therefore in real life, as Sen points out, they are hybrid. Moreover, they do not relate to each other in ideological terms alone, but also in economic terms, environmental and humanitarian issues, shared control mechanisms of international crime, health issues, geo-military politics, global use of energy, and so on. Thus, there are many levels within each one if the three social systems that relate one culture with another. Conflict resolution has to be understood as a multifactorial phenomenon.

Multifactorial Theories

Given the previously detailed arguments, we conclude that conflict resolution has to be understood with multifactorial theories. In what follows we will discuss systems theory and present our own multifactorial theory.

Systems Theory: This framework seeks to understand conflict by looking at how several elements located in a social system interact with one another. Violence, according to systems theorists, should be viewed from the level of: (1) individuals; (2) dyads; and (3) subsystems (family, community, religious groups and general society). Subsystems are organized in a manner which may either encourage, deter, or regulate violence. Direct efforts at changing isolated elements of the system will not prosper since the system will immediately provide a replacement for the

⁸⁸ Berman, Paul (2003). *Terror and Liberalism*. W W Norton & Company. ISBN 0-393-05775-5.

⁸⁹ Harari, Yuval N. (2018). *21 lessons for the 21st century*(First ed.). New York. ISBN 978-0-525-51217-2. OCLC 1029771757.

⁹⁰ Dialogue Among Civilizations United Nations University Centre.

missing element. Hence, ending violence, which is a systemic problem, requires a coordinated and comprehensive approach. General systems theory is useful in uncovering relationships and interactions which contribute to violence from different levels.

The contribution of systems theory is that it points out the multifactorial dimension of conflict resolution. But it has the limitation that it does not propose a theoretical understanding of why and how conflict arises in individuals and dyads, and how it arises in the diverse subsystems that constitute the society. And therefore, there is not a clear path for the resolution of conflicts.

Our Own Multifactorial Theory

The theory presented in this manuscript studies conflict resolution from the general framework of the relationships between the individual and the social group presented in the previous chapter. It starts by understanding that the individual is always a social being, and that the human society is inserted in the material and biological existential universe. Therefore, there is always a conceptual system that relates the society to the existential universe and the individual to the society; and indirectly the individual to the existential universe. The conceptual and institutional arrangement differs between societies, and may actually be a source of conflict between them. But, as we said before, societies interact with one another also in many other dimensions. The conceptual and institutional arrangement define the three belonging ways required for the evolutionary survival of the individual (and therefore the society). Conflict in general can be understood as a belonging failure. A belonging failure in the first way of belonging (love) produces individual psycho-socio-pathologies (discussed in chapter two). A belonging failure in the second way of belonging (social belonging) creates individual socio-pathologies and groups conflicts along many dimensions. Social belonging expresses itself through three social systems: the integrative, the economic and the power. Conflicts may arise, as we have discussed, in each one of these three systems and their resolution often involves the other two systems. Economic conflicts were discussed in chapter one, integrative system conflicts were discussed in chapter three, and power conflicts are discussed in this chapter. The relationship of the individual with the society always implies a social solution for the third way of belonging (existential belonging). A belonging

failure in the third way of belonging creates individual stress and anxiety, and can create anomie and psycho-pathologies. Religious and existential beliefs can also be source of conflict between distinct societies. However, as we said before contemporary societies are not religiously or ideologically homogeneous, and they interact with other societies in many additional dimensions. Between two or more societies that interact with one another there is always a common integrative system (which is weaker than within a society, but that has to be there to allow the interaction), an economic relation and an implicit or explicit power relation.

Conflict resolution always implies creating belonging ties. But how to do it has to be tailored to specific conflict situations.

CONCLUSION

In this chapter we have argued that power conflicts arise when there is no other solution to conflicts that start within the integrative or the economic systems; or when they are initiated within the power system itself. The power system is required to solve economic conflicts in the absence of an adequate integrative system, and it is also needed as a complement to the integrative system to prevent and punish deviant behavior. However, as we have documented, power conflicts cannot be fully solved within the power system. The reason is that there is no way for the winner to maintain his position indefinitely based only on the use of force. Because power conflicts cannot be solved uniquely within the power system, the aid of the integrative and/or economic systems is required in their resolution.

We have reviewed five unilateral theories of conflict resolution: 1) Freedom Theories. 2) Distributional Theories. 3) Ethical Theories. 4) Interests Theories. And, 5) Representational Theories. We have argued that all of these theories are useful to understand critical elements of the process of conflict resolution; but since power conflicts have always multifactorial causes, none of these theories can by itself fully explain them. To explain power conflicts a multifactorial theory is required. At the end of this chapter, we have summarized our own multifactorial theory of conflict resolution, which we will apply in the next chapter to the case of the Russian-Ukraine war.

CHAPTER FIVE: WAR AND DIPLOMACY; THE RUSSIA-UKRAINE WAR

Open power conflicts like war need a theoretical explanation⁹¹. In this chapter we will use as an example the war between Russia and Ukraine, and we will discuss how it can be explained by the theories of conflict that we have discussed earlier. First, we will present the background of the war. Then we will discuss it from the perspectives of the different theories of conflict presented so far. And finally, we will discuss it using the multifactorial theory of conflict that we are proposing in this manuscript. We wrap up with a discussion of the likely future and what should be done from our perspective.

THE BACKGROUND

14th Century – Ukrainian territories were under the rule of three external powers: the Mongol Empire (the Golden Rule), the Grand Duchy of Lithuania and the Kingdom of Poland.

15th to 17th century – Under the rule of the Polish- Lithuanian Commonwealth, Western Ukraine in particular saw the increasing growth of towns and urban trades and therefore burghers became an important social stratum. The Turkish Cossacks colonized southern Ukraine and increasingly confronted the Polish government. The Cossacks looked for Russian support. In 1667 Ukraine was partitioned along the Dnieper River; the West (right bank) stayed with Poland and the East (left bank) joined Russia. Kyiv, located in the right

⁹¹ In here I am using the concept of open power conflict to imply the use of force within the power system not guided by the integrative system. Thus, an open power conflict implies the use of naked force (brute force). Examples are homicides, war and violence in general that does not have an integrative system's guidance. Violence exercised by the police under the law, for example, will not be considered an open power conflict.

side, went to Russia. The Ottoman empire claimed Ukraine and entered a war with Poland and later with Russia, but in 1699 they retired from Europe.

Ukraine was under Polish rule, but at the end of the 17th century the future Ukrainian territory ended up divided between three empires: the Russian Empire, the Ottoman Empire, and the Polish-Lithuanian Commonwealth.

18th Century – By the end of the 18th century (1772-1795), the Polish-Lithuanian Commonwealth became extinct and Galicia was annexed to Austria and the Right Bank and Volhynia to Russia. Thus, eastern Ukraine was completely annexed by Russia⁹², and it developed a Russian culture. At the same time the Russian Empire, in the Russo-Turkish wars, gradually gained control over the area of the Black Sea. On the other side, western Ukraine under Austria developed a European culture.

19th Century – In 1848 the Austrian empire ceded control of Galicia to Poland. Western Ukraine continued to be influenced by Europe, and Eastern Ukraine by the Russian Empire. At the end of this century intellectuals started discussing the similarities between western and eastern Ukrainians.

1922 – Russia and Eastern Ukraine became founding members of the Soviet Union.

Before the Second World War – Ukraine's territory was divided into four states: 1) Bukovina was annexed to Romania; 2) Transcarpathia joined to Czechoslovakia; 3) Galicia, western Volhynia and smaller adjacent areas in the northwest were incorporated into Poland; and 4) The land east of the Polish border was Soviet Ukraine.

After the Second World War – the USSR united Western and Eastern Ukraine.

1991 –The Soviet Union collapses; Ukraine becomes independent.

1990 to 1999 – Both the former USSR economy (- 13%) and the Russian economy (- 25%, the GDP per capita goes back to its 1970 level losing 29 years of growth) collapsed under the advice of neoclassical Western economists that recommended opening up the economy to integrate it to the West.

⁹² Orest Subtelny; *Ukraine: A History*; University of Toronto Press; 2000. https://archive.org/details/ukrainehistory00subt_0

- 1994** – Ukraine gives up its nuclear arsenal. Moscow commits to respect Ukraine’s borders and its independence and sovereignty.
- 1994** – Russia signs a partnership agreement with the EU.
- 1999** – Poland, Czech Republic and Hungary join NATO
- 1999** – Putin becomes prime minister.
- 2000** – Putin becomes president 2000-2008. Prime minister again under Medvedev’s presidency 2008-2012, and again president 2012 – 2018, and now 2018 – 2024. A reform in the constitution allows him to be reelected again potentially twice, until 2036. With Putin Russia experiences a clear shift towards an authoritarian State.
- 2000** – Putin mentions to president Clinton the possibility of Russian membership of NATO⁹³. Later, in 2002, a NATO-Russia council was established; but Russia never became a NATO member. Putin maintains the 1994 partnership agreement with the EU.
- 1999-2014** – The Russian economy recovers (161%), at the cost of closing the economy and relying again on: a) obsolete technology; b) oil exports; and c) exports of other commodities. The oil price rises dramatically, it goes from \$11.35 dollars per Brent barrel in January 1999 to \$106.40 dollars in January 2014; Putin was lucky. Putin becomes popular.
- 1991 to 2004** – The presidencies of Leonid Kravchuk and Leonid Kuchma, in Ukraine, maintained close ties with Russia.
- 2004** – Estonia, Latvia, Lithuania, Romania and Bulgaria join NATO.
- 2008 April** – The Bucharest Summit declares that NATO welcomes Ukraine’s and Georgia’s Euro Atlantic aspirations for membership in NATO. They agreed that these countries will be members of NATO. The Russian deputy foreign minister called it a huge mistake that might have serious consequences for Pan-European security. Putin himself argued that it was a direct threat to Russia’s security⁹⁴.
- 2008 August** – Russia invades Georgia. Shortly after the war, Russian president Medvedev unveiled a five-point Russian foreign policy. This stated that “protecting the lives and dignity of our

⁹³ New York Times. The Making of Vladimir Putin by Roger Cohen. Published March 26, 2022. Updated March 28, 2022, 1.46 ET.

⁹⁴ Good Perspectives on Ukraine/Russia from John Mearsheimer, University of Chicago. <https://youtu.be/JrMiSQAGOS4>

citizens, wherever they may be, is an unquestionable priority for our country". And that the presence of Russian citizens in foreign countries would form a doctrinal foundation for invasion. The war hindered Georgia's prospects for joining NATO for a while⁹⁵. In January 2021 Georgia was planning to submit its application to NATO in 2024, but given the Russian invasion to Ukraine it introduced it the 3rd of March, 2022.

2011 November – Medvedev declares that NATO would have accepted former Soviet republics if Russia had not attacked Georgia; and that this damaged the geopolitical situation of Russia. According to academic Martin Malek, Western countries did not feel it was necessary to aggravate tensions with Russia over "tiny and insignificant" Georgia⁹⁶.

2004 to 2014 – Two major presidential candidates emerged in 2004: 1) The official candidate, Viktor Yanukovich, who wanted closer ties with Russia, and 2) The opposition candidate, Viktor Yushchenko, who turned his attention westward and eventually wanted for Ukraine to join the EU. These two leaders fought each other over many years. 2004 Yanukovich wins, but elections are called fraudulent. 2005 Yushchenko wins. 2006 Yanukovich becomes prime minister under Yushchenko presidency and the political fight continues.

2010 –Yanukovich wins the presidency.

2013 Nov 21 – President Yanukovich refuses a potential deal with the EU, this started social protests that lead to the Orange Revolution.

2014 February (the Orange Revolution) – Protesters overthrow Ukraine's President Viktor Yanukovich, who was friendly to Russia's interests. Yanukovich flees to Russia and is wanted in Ukraine for the killing of protesters.

The interim government signs a trade agreement with the European Union; a likely first step toward membership of the bloc.

2014 April – Russia invades and annexes the Ukrainian peninsula of Crimea. Ukrainian separatists self-proclaimed the Donetsk People's Republic and Luhansk People's Republic and held referendums on 11 May 2014; the separatists claimed nearly 90%

⁹⁵ <https://web.archive.org/web/20210616031744/https://www.pravda.com.ua/news/2018/02/28/7173207/>

⁹⁶ Ukraine launches battle against corruption Archived2017-03-21 at the Wayback Machine Wayback,BBC News (January 18, 2011).

voted in favor of independence⁹⁷. Later in April 2014 fighting between the Ukrainian army and pro-Ukrainian volunteer battalions against forces supporting the Donetsk People's Republic and Luhansk People's Republic escalated into the War in Donbas. By December 2014 more than 6,400 people had died in this conflict and according to United Nations figures it led to over half a million people internally displaced within Ukraine and two hundred thousand refugees to flee to (mostly) Russia and other neighboring countries.⁹⁸ At the end of 2020 the death toll of the conflict had risen to more than 13,000 people and nearly 1.5 million people were displaced⁹⁹. [75]

2014 and 2015 – Russia, Ukraine, France and Germany sign the cease-fire Minsk accords, which seemed ambiguous to many.

2015 – Because of the West's economic sanctions, due to invasion of Crimea, the Russian economy decreases 2.9%.

2015 to 2018 – The Russian economy recovers, 2018/2014 it grows 12.2 %.

2019 February 21 – the Constitution of Ukraine is amended, the norms on the strategic course of Ukraine for membership in the European Union and NATO are enshrined in the preamble of the Basic Law, three articles and transitional provisions¹⁰⁰.

2019 April – A former comedian, Volodymyr Zelensky, is elected by a large majority as president of Ukraine on a promise to fully restore the region of Donbas to the country.

2020 July 28 – In Lublin, Lithuania, Poland and Ukraine created the Lublin Triangle initiative, which aims to create further cooperation between the three historical countries of the Polish-Lithuanian Commonwealth and further Ukraine's integration and access to the EU and NATO¹⁰¹.

⁹⁷ "Ukraine rebels hold referendums in Donetsk and Luhansk". BBC News. 11 May 2014. Archived from the original on 12 November 2021.

⁹⁸ Half a million displaced in eastern Ukraine as winter looms, warns UN refugee agency Archived 2016-11-11 at the Wayback Machine, United Nations (5 December 2014)

⁹⁹ Kyiv, Moscow to hold talks on troop withdrawal, prisoner swap in eastern Ukraine Archived 2020-12-17 at the Wayback Machine, Daily Sabah (10 December 2020)

¹⁰⁰ "The law amending the Constitution on the course of accession to the EU and NATO has entered into force | European integration portal". *eu-ua.org* (in Ukrainian). Archived from the original on 2020-09-28.

¹⁰¹ "Lithuania, Poland and Ukraine Inaugurate 'Lublin Triangle'". *Jamestown*. Archived from the original on 2021-06-06.

- 2021 February 2** – A presidential decree banned the television broadcasting of the pro-Russian TV channels 112 Ukraine, News One and ZIK¹⁰². The decision of the National Security and Defense Council and the Presidential Decree of February 19, 2021 imposed sanctions on 8 individuals and 19 legal entities, including Putin’s pro-Russian politician and Putin’s godfather Viktor Medvedchuk and his wife Oksana Marchenko¹⁰³.
- 2021 May 17** – The Association Trio was formed by signing a joint memorandum between the Foreign Ministers of Georgia, Moldova and Ukraine. Association Trio is tripartite format for the enhanced cooperation, coordination, and dialogue between the three countries (that have signed the Association Agreement with the EU) with the European Union on issues of common interest related to European integration, enhancing cooperation within the framework of the Eastern Partnership, and committing to the prospect of joining the European Union¹⁰⁴.
- 2021 June** – At the Brussels Summit, NATO leaders reiterated the decision taken at the 2008 Bucharest Summit that Ukraine would become a member of the Alliance with the Membership Action Plan (MAP) as an integral part of the process and Ukraine’s right to determine its own future and foreign policy, of course without outside interference¹⁰⁵.
- 2021 June 16** – The U.S.-Russia Presidential Joint Statement (Biden and Putin) on Strategic Stability states that the United States and Russia will embark together on an integrated bilateral Strategic Stability Dialogue in the near future that will be deliberate and robust. Through this Dialogue, we seek to lay the groundwork for future arms control and risk reduction measures¹⁰⁶.

¹⁰² “УКАЗ ПРЕЗИДЕНТА УКРАЇНИ №43/2021”. *Офіційне інтернет-представництво Президента України* (in Ukrainian). Archived from the original on 2021-04-30. Retrieved 2021-02-06.

¹⁰³ “УКАЗ ПРЕЗИДЕНТА УКРАЇНИ №64/2021”. *Офіційне інтернет-представництво Президента України* (in Ukrainian). Archived from the original on 2021-07-11.

¹⁰⁴ Україна, Грузія та Молдова створили новий формат співпраці для спільного руху в ЄС”.

¹⁰⁵ “NATO - News: Brussels Summit Communiqué issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Brussels 14 June 2021, 14-Jun.-2021”. Archived from the original on 15 August 2021.

¹⁰⁶ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/16/u-s-russia-presidential-joint-statement-on-strategic-stability/>

- 2021-2022** – President Vladimir V. Putin of Russia seeks to prevent Ukraine’s drift toward the United States and its allies. Putin demands “security guarantees,” including an assurance by NATO that Ukraine will never join the group and that the alliance pulls back troops stationed in countries that joined after 1997.
- 2022, February** – Ukraine applies to join the EU¹⁰⁷.
- 2022, February 24** – Russia invades Ukraine.

Implications of Diverse Theories of Conflict for the Understanding of the Ukraine War

In this section, we briefly review the potential of the unilateral theories of conflict resolution to explain the Russia-Ukraine war. We will argue that even though they all provide important insights, unilateral theories are insufficient to explain this war, and that a multifactorial theory is required; which will be presented in the next section.

The Marxist Distributional Theory of Conflict

The reader may recall that this theory proposed that economic growth was guaranteed by capital accumulation, and that the only problems that remained were the distribution of income and the ownership of the means of production. The Marxist model was supposed to bring about progress and a secure path towards a humane society characterized by peace. Instead, we have a war between two previously USSR countries that share a common history, Russia and Ukraine. Why?

As we explained, the two main problems with the communist distribution model are: 1) that it does not generate proper economic growth; and 2) that the scarce growth it produces, is based on obsolete technology.

- 1) **The lack of growth explains the collapse of the USSR.** The communist model has not produced progress anywhere. It was a failure in the USSR, in Russia, in Cuba and in the other countries that adopted it. China is a communist country, and it has

¹⁰⁷ <https://web.archive.org/web/20220301152447/https://www.npr.org/2022/02/28/1083528087/ukraine-european-union>

been a success; but it did not follow the communist redistribution model, it followed the Asian growth model. In China there was not a redistribution of income, in fact there was a concentration of income. While in Russia the share of the lowest income quintile of the population 1990 – 2018 went up from 4.39% to 6.91%, in China it went down from 8.97% to 6.80%¹⁰⁸. The USSR grew less than Africa during 1950 – 2000, 0.80 Africa's growth, even though Africa grew only 0.69 the world's¹⁰⁹. The lack of proper economic growth is the main cause of the collapse of the USSR.

- 2) **The use of obsolete technology explains the drastic recession in the 1990's of the Russian economy, which was the main cause of its return to an authoritarian, inward-looking communist model of production.** Because of the use of obsolete technology, when the Russian economy opened up it could not compete with the Western frontier technology; and the consequence was that large part of the Russian economy disappeared after 1990, in what is known as the lost decade. The drastic recession in the 1990's, consequence of the failed attempt to integrate the economy to the West, brought back the old inward-looking communist model of economic production. After 2000, Russia's inward-looking model has created an artificial growth, under Putin, because the oil price has been very high, the same that happened with Venezuela under Hugo Chavez. But the Russian economy still uses obsolete technology, and it is not competitive at a worldwide level. A simple test of competitiveness can be found in the data on exports of machinery and transport equipment to developed countries; while China is a great exporter in this line – in 2016 it had a global share of 13.6% - Russia has almost no presence, its global share in the same year was only 0.09%¹¹⁰. After trying to open up to the West in the 1990's, Russia has gone back to its old communist roots. The main political problem of the return to an inward-looking communist model in Russia is that its economic links with the rest of the world are not strong enough to restrain its historical authoritarian-militaristic tendencies.

¹⁰⁸ Obregón, Carlos., 2020. Three lessons From Economists, page 19. Op.cit

¹⁰⁹ Obregón, Carlos., 2020. Three lessons From Economists, page 35. Op.cit

¹¹⁰ Obregón, Carlos., 2020. Three Lessons From Economists, page 39. Op.cit

The Neoclassical Liberal Theory of Conflict

This theory's assumption was that opening up Russia to the Western markets and liberating the internal markets by privatizing the state monopolies, was going to generate economic growth. Western capital was going to enter the country, and the economy was going to be modernized and integrated to the West – fostering at least a peaceful relation between the Western world and the communist world and at best a transition of the communist world to the Western life style. However, the neoclassical model's advice has been mistaken; it has not produced progress anywhere. It failed in the USSR, in Russia, in Mexico and in all the countries that adopted it. The only countries that were able to modernize themselves, after the West did it, are a selected group of Asian countries that followed the Asian growth model based upon exports to the West – which implies the need to produce with Western frontier technology¹¹¹.

The neoclassical intervention, led by top Western economists advising the Russian government in the 1990's, was a huge failure. Instead of economic growth, the economy experienced a severe recession, from 1990 to 1999 Russia lost twenty-five percent of its GDP Per Capita in constant 2011 international dollars¹¹². Opening an economy that has been based on obsolete technology without any external help – like a Marshall Plan – does not make sense. The obsolete technology simply cannot compete with the Western frontier technology, and becomes useless. It is interesting to compare what happened in Russia with what happened in East Germany, which also had obsolete technology. This second country managed to become a modern economy due to the massive help that West Germany provided. However, since Russia did not have any help from the West, the neoclassical experiment was a failure; and the consequence was that after 2000 Russia closed its economy once more, and there was a resurrection of the authoritarian military Russian State. And to make things even worse, the privatization of the State monopolies, recommended by the neoclassical economists, instead of fostering internal competition led to the selling of the State monopolies to Russian oligarchs, who as a consequence became very wealthy and an important backup of the new, reborn authoritarian Russian State.

¹¹¹ For a documented version of the arguments presented in here see Obregón, Carlos., 2020. Three Lessons From Economists, chapter two. Op.cit.

¹¹² Maddison 2020.

The Ethical Theory of Conflict

Under philosophical essentialism, it has been argued for very long that the human mind has access to ethical universal principles that guide human action. As we have been discussing, there are no scientific basis for such an assertion. If there were even a minimum set of common ethical values that guided human action, wars would not have happened, because they destroy what is most relevant from any ethical perspective – the human life.

Essentialist ethical theories of conflict are very old, and they have never been able to bring progress, nor to guarantee peace. The world under Christian, Muslim and Buddhist religions grew very slowly before capitalism; and it was characterized by many wars. Whether one takes Kantian ethics or Sen's version of minimum ethical consensus, the answer is the same: even if a minimum set of ethical values were shared, and they were the actual guide of human behavior, the Russia-Ukraine war would not have happened. But the scientific fact is that the human mind does not have access to common universal ethical values that guide human behavior. And although it cannot be denied that as an ideal ethical values and humanitarian considerations do provide an important framework to be considered in peace negotiations; these ideal values did not prevent the Russia-Ukraine war, nor will they provide the key for its resolution. There are many other issues involved in conflict resolution.

The Interests Theory of Conflict.

While negotiation techniques are crucial in the resolution of conflicts, there are many more issues involved in the Russia-Ukraine war than just rational interests. In fact, in terms of rational interests the war is a mistake, and it should never have happened. In a purely rational world, a lose-lose game, like this war, should not occur. But it did happen, and its resolution - while involving the consideration of rational interests - will necessarily involve many other non-rational issues.

The Representational Theories of Conflict

The human mind's reality is representational and therefore ideological, religious and ethical differences may be crucial sources of conflict. There

is no doubt that between Russia and the West there is an ideological confrontation. And the conflict could be seen as clash between civilizations, in Huntington's sense. Under this perspective, the war is a consequence of the political success of the pro-Western Ukrainians and their expressed desire to join the West, which became unacceptable for Russia in its ideological battle with the West. There are however many questions that remain unanswered. Like why Russia, which was very pro-West in the 1990's, has gone back to an authoritarian ideological regime resembling the times of the USSR. Or why, even though Russia had already invaded Georgia in 2008 and Crimea in 2014, the world (including the West and Russia) was unable to convene a diplomatic solution in Ukraine. Moreover, there are many other regimes with which the West has ideological confrontations, such as the Muslim world, China, India and Japan, just to mention a few. And all kinds of results have emerged. With the Muslim world there have been military confrontations, but always with part of the Muslim world backing up the West. With communist China today the West has a very close economic relation which makes military confrontations difficult (despite the Taiwan dispute). With India after its liberation, military confrontations have not happened. And Japan, despite its ideological differences, has become a pro-Western country. The notion of a "clash of civilizations" does not explain today's relationships between complex societies, which have diverse ideologies coexisting even within themselves, and which interact with other complex societies at many levels, other than the ideological. Therefore, even though the representational theories provide important insights into the causes of the Russia-Ukraine war, they are insufficient to explain it.

In summary: despite the fact that the unilateral theories of conflict discussed above provide useful insights to explain the Russia-Ukraine war, none of them can explain it fully. A multifactorial theory is required.

A Multifactorial Theory of Conflict

In what follows we present our own multifactorial theory of conflict explanation of the Russia-Ukraine war, and the lessons learnt from its likely resolution. We discuss: 1) The role of the global institutional arrangement. 2) The psychological factors of the war. 3) The integrative system: global, in the West, in Russia and in Ukraine. 4) The economic system:

global, in the West, in Russia and in Ukraine 5) The power system: global, in the West, in Russia and in Ukraine. 6) The multifactorial reasons for the aggression. And we wrap up in the conclusion with lessons to be learnt from the likely resolution of the war.

1) The Role of the Global Institutional Arrangement

The first thing to point out is the extreme weakness of today's global institutional arrangement, which we have emphasized in other works and that will be the topic of the next chapter¹¹³. Global diplomacy failed for the third time to solve the same issue (2008 Georgia, 2014 Crimea, 2018 Ukraine), it is unbelievable and unacceptable.

While conflict is normal in human societies given their evolutionary design, open power conflicts cannot be permanent because they impair the functionality needed for social survival. Therefore, the normal social process implies a full cycle of conflict and resolution. Just as peace and resolution are needed for survival functionality, conflict is required for social change and a permanent adaptation of a society to endogenous and exogenous shocks. The ideal social system therefore, is one in which institutions are flexible enough to enable social change, while avoiding open power conflicts that impair social functionality. Thus, while conflict and social change are required as much as functionality and stability for evolutionary survival, conflict and social change can occur without necessarily implying open power conflicts such as war. Open power conflicts, like war, are too expensive in evolutionary terms, because they impair survival functionality. However, if the institutional arrangement is not flexible enough to accommodate peacefully conflict and social change, open conflicts like war will necessarily happen.

The main cause of open power conflicts, like war, is the incapacity of the institutional arrangement to accommodate social conflict and change. The sources of social change are endogenous and exogenous. Endogenous causes are technological changes and new philosophies of life and new ways of living, that imply new individual and social rights and duties. Exogenous causes may be due to the physical and biological environment or to the interaction with other societies. An example of a physical cause is an earthquake; an example of a biological cause is the appearance

¹¹³ See Obregón, Carlos., 2020. A New Global Order. Amazon.com. Also available at Research gate.com

of Covid. And in this ever-changing world due to technological changes, new ways of living, and physical and external shocks societies' relations are also changing.

Game theory has shown us that, if the institutional arrangement is inappropriate, the outcome of the negotiation will be highly suboptimal. For a negotiation of any sort to achieve satisfactory results, trust between the participant agents is required, and for trust to be able to develop the institutional arrangement has to be appropriate. Therefore, when one looks at a war like the one between Russia and Ukraine the first place one should look at is the international institutional arrangement.

The Russia-Ukraine war was a consequence, among other factors, of an authoritarian military Russian regime and an unnecessary advance of NATO into the ex-USSR countries. Both could have been avoided by an appropriate institutional arrangement. Let us look at each one of them:

An Authoritarian Russian Regime: The experience of the two World Wars is relevant for our discussion. After the First World War, winners were very harsh on the losers. And as Keynes wrote in *The Economic Consequences of the Peace*¹¹⁴, the absurdly high financial claims of the winners produced the hyperinflation of the 20's, that was the key precedent of the 30's Great Depression, which led to nationalism, communism, and fascism, and eventually to the Second World War. Instead, after the Second World War the winners helped the losers through the Marshall Plan; the consequence of this radically different approach was the great economic expansion after the war, that cemented today's economic global growth. While the kind of diplomatic negotiations that was practiced after the First World War generated nationalism, communism, fascism, and economic chaos; the one that was inaugurated after the Second World War brought about global peace and prosperity. There are no enemies, there are in-group and out-group members. After the Second World War, the previously imperial Japan, and the previously fascist Germany and Italy, became democracies and in-group members of the West.

The collapse of the USSR at the end of the eighties could have been the great opportunity for the West to establish a second Marshall Plan and modernize the former USSR countries; but it did not happen this way. Instead, due to the lack of external help the ex-USSR's economy (including Russia) collapsed during 1990 -2000. The collapse happened because the USSR followed the recommendations of Western economists

¹¹⁴ John Maynard (2019). Michael (ed.). *The Economic Consequences of the Peace: With a new introduction by Michael Cox*. Palgrave Macmillan. ISBN 978-3-030-04758-0.

to integrate itself to the global economy; but this recommendation, as we explained before, did not consider that the USSR's (including Russia's) technology was obsolete and therefore incapable to compete with the Western frontier technology.

In Russia, the 1990-2000 economic collapse brought back nationalistic ideas, and the economy's recovery was based on the old ideas of an inward-looking economy. Putin's success in the last twenty years is due to a fast economic recovery in Russia, but it happened at the cost of isolating the economy again and maintaining its dependence on exports of oil and other commodities. Russia's economic recovery happened at the cost of hardening an authoritarian nationalism.

In summary: A proper second Marshall Plan should have been implemented in the 1990's to support the modernization of the former USSR. Instead, Russia's economy collapsed in the 1990s and the recovery it sought afterwards was based on obsolete technologies directed to the local market, which brought back an authoritarian nationalism.

A Stubborn Unnecessary Advance of NATO into the Ex-USSR Countries: After the Second World War the United Nations (which was politically correct, in the sense that in the general assembly all the countries held one vote) was insufficient to allow the real leader of the Western world – the US – to lead the decision-making process. Therefore, three additional institutions were created that accepted the US leadership: the IMF, the World Bank and the NATO. The IMF's original mission was to guarantee the financial stability of the world – mostly the one of the developed world. In the context of the Bretton Woods agreements of fixed exchange rates, autonomous monetary policy and capital flows controls, the IMF was the vigilant of the exchange rate stability. In the 70's, as the US did not sustain the convertibility of dollars for gold, Bretton Woods' agreements collapsed, and the world entered a new financial regime of flexible exchange rates, autonomous monetary policy, and free capital flows; under these new conditions the role of the IMF changed drastically. It became a short-term lender for adjustment economic programs in developing economies. For its part, the World Bank was originally created to finance the reconstruction of Europe, but as this goal was accomplished its role also changed to become instead a lender for specific programs in developing economies. Finally, the NATO was created to guarantee the military protection of the Western world against its only potential enemy, the USSR; however, with the collapse of the USSR at the end of the eighties NATO did not change. In fact, NATO should

have disappeared. Given the collapse of the USSR, NATO did not have any reason to subsist; but it did. And unnecessarily and unwisely NATO planned its expansion to some of the former USSR countries.

The goal of the international institutional arrangement after the Cold War should have been to integrate Russia and the rest of the ex-USSR countries into the Western modern world – not to isolate Russia. Not helping Russia to modernize in the 1990's and expanding NATO were two steps in the wrong direction. Instead of integrating Russia, isolating it. Russian authoritarian violent nationalism is one of the main causes of the Russia-Ukraine war, which is unjustifiable, but another, also relevant cause, is the stubborn and unneeded expansion of NATO into ex-USSR countries after the end of the Cold War.

In summary: Instead of using the opportunity of the collapse of the USSR to modernize Russia and integrating it to the West, Russia continued to be seen as the enemy – as an out-group. Economic help was not provided and NATO advances were made when the opportunity was presented. It was a mistake, and just as the mistake of the First World War peace agreements was very costly, isolating Russia and expanding NATO is now proving to be very costly.

2) The Psychological Factors of the War

Particularly given the weakness of the global institutional arrangement, the presence or absence of trust between the negotiating agents, as we have learned with game theory, is extremely relevant. Although it would be unsustainable to argue that the psychological personalities of the leaders involved was a main cause of the Russia-Ukraine war, what certainly can be defended is that they did not help at all. An unexperienced politician, a comedian, underestimated the possibilities of a confrontation and took too much risk leading Ukraine towards an unreachable goal. A cold-blooded Russian leader, protecting nationalist interests of the old bygone past that included Ukraine, was too authoritarian for the modern times. And an old American leader, highly opposed to Russia's communism, and extremely disappointed of Russia's recent friendly relationships with ex-president Trump and likely intervention in the US elections, was unwilling to entertain a flexible negotiation with Putin. A Russian and an American leader that disliked and distrusted each other, coupled with a good personal relationship of the American president with the Ukrainian

leader (who had refused to disclose data on Biden's son's businesses in Ukraine to the Trump administration) was not a good start for a diplomatic arrangement.

3) The Integrative System: Global, in the West, in Russia and in Ukraine

The global integrative system is very weak. Ethical values are quite distinct in diverse societies and there is not a strong international law supported by a global judicial system. On multiple occasions the US has refused to obey the international courts; moreover, it argues that the decisions of the US courts have international validity. Religions are diverse and they have distinct local flavors in diverse countries. And even though democracy has gained popularity, there are many countries where it exists side by side with a traditional system that does not really recognize individualism; moreover, there are still many non-democratic states. The countries in which individual rights are fully recognized represent only around 15% of the global population (the US, Canada, Western Europe, Australia and New Zealand); in the rest of the world there are autocratic states or hybrid systems (in which the traditional society lives side by side with formal democratic regimes) that do not fully implement the political and economic rights that characterize the Western societies.

In the next chapter we will argue that it is important to strengthen the global integrative system; but until today, due to its weakness, the global integrative system has not been of great help in solving international conflicts, and their resolution has rested to a large extent on the global economic and power systems, backed up by bilateral or multilateral negotiations between countries. After the Second World War, the US had a global leading position both in the economic and in the power systems, and it was to a large extent the real arbitrageur in the resolution of global conflicts (except for the regions dominated by the USSR due to the Cold War). The US was the real power behind the IMF, the World Bank, and the NATO. But since the seventies, the US has been losing its privileged position. Today there are many other key global players (excluding Russia), such as the European Union, Great Britain, Japan, China and the oil producing countries.

The integrative system of the West is stronger than the world's, as the countries in the Western world (those mentioned as 15% of the global population in the previous paragraph) do share the respect of individual

rights as a common value (political rights of free voting, free expression and respect for the law; and economic rights of private property and to freely produce and exchange goods). However even in the West, individual rights are bounded by national States and their interests. Thus, not even the West has a common accepted law, or a mutually accepted judicial system. Moreover, different Western states have distinct forms of democracy, and diverse degrees of acceptance and tolerance for non-democratic states.

The integrative system in Russia is fundamentally given by its traditional authoritarian society which started since the sixteenth century with Ivan IV the Terrible. In 1696 Peter the Great becomes emperor and sets the basis of what will become the Russian Empire: the main objective is to modernize the State, learning from Europe; but at the same time maintaining an Asian conception in which the individual is subordinated to the State. Catalina (1762-1776) made Russia more powerful, she won the Turkish war expanding Russia to the Black Sea, and freed Crimea, which later would become part of Russia. In 1812 Napoleon invades Russia. In 1861 servants get personal freedom. Peasants become owners of their house, and productive land became collective property – the Mir s – which integrated themselves in even greater units call Volost. And peasants earned the right to name their counselors, as did the people living in towns. In 1904-1905 Russia loses the war against Japan. By 1900 the Russian population was already 130 million and had an underdeveloped inward-looking industry, a not very productive agriculture, peasants with a very low quality of life and a rapidly increasing urban population that was in growing opposition to the political and economic situation. The unsurmountable costs of the First World War introduced the final spark needed for the Russian Revolution to start. Communism in Russia continued the autocratic Russian tradition. Stalin killed his political enemies and modernized the Russian industry extracting an agricultural surplus that caused the death of at least five million peasants – most of them in Ukraine. The industrialization process was successful, and Russia won the Second World war creating the USSR¹¹⁵.

In relationship to the events that have contributed to the tensions within Ukraine's integrative system, the key thing to realize is that, before the Second World War, Ukraine's territory was divided in four states: 1) Bukovina, annexed to Romania; 2) Transcarpathia, joined to Czecho-

¹¹⁵ A brief discussion of Russian economic history can be found in Obregón, C. 1997. *Capitalismo hacia el tercer milenio*. Nueva Imagen, Patria, Mexico. Also available at Research Gate.com

slovakia; 3) Galicia, western Volhynia and smaller adjacent areas in the northwest were incorporated into Poland; and 4) The land east of the Polish border was Soviet Ukraine¹¹⁶. **Soviet Ukraine:** In 1922 Soviet Ukraine, Belorussia and Russia formed the USSR. In 1930 leaders of independent movements in Ukraine were either jailed or executed. In the great famine (due to Stalin's industrialization policies) registered during 1932-1933, of the five million peasants that died four million were Ukrainians, most of whom had been resisting collectivization. Soviet Ukraine shared with Russia an authoritarian background. **Western Ukraine Under Polish Rule:** From the Austrian period Galicia had had a long history of self-organization and political participation, the Greek catholic church was very influential. Volhynia had been under Russian rule since 1795 and did have an authoritarian heritage and the orthodox church was predominant. However, there was certain integration in the interwar period between Galicia and Volhynia. Independent Ukrainian movements were repressed several times by Poland in the 30's. **Bukovina Under Romanian Rule:** It had also been part of the Austrian Empire and therefore had a long history of self-organization and political participation. In the 30's the Ukrainian culture was suppressed by Romania. **Transcarpathia in Czechoslovakia:** National independent movements were strong but divided between Russophiles and nationalists. In 1938 Prague granted freedom to Transcarpathia.

In the Second World War, five to seven million Ukrainians died, and the Nazis occupied Western Ukraine. And after the Second World War, the USSR united Western and Eastern Ukraine. But what has to be realized is that Ukraine's integrative system was weak, as it was constituted by two very different views about the role of the individual in the society. Most of Western Ukraine, with a European background from the Austrian-Hungarian Empire and Poland, was used to individuals participating politically; and most of Eastern Ukraine was used to the authoritarian soviet style.

After Stalin's death in 1953, Khrushchev became the Russian leader and made certain liberating concessions to Ukraine, some of which were reversed in the second term of his mandate and the others were reversed under the leadership of Shelest. However, the Shelest regime showed certain considerations for non-Russian Ukrainian nationals; mainly because

¹¹⁶ The historical information on Ukraine comes from <https://www.britannica.com/place/Ukraine/History#:~:text=Ukraine%20-%20Ukraine%20-%20History%3A%20From%20prehistoric%20times%2C,the%20sphere%20of%20the%20contemporary%20Mediterranean%20maritime%20powers.>

national tendencies were becoming strong on three fronts: culturally, in the assertiveness of Kyiv's political elite and in the development of an organized dissident movement. In the 1960's dissident activity was generally allowed. But in 1972, under Brezhnev's protection, Shcherbytsky became a member of the Politburo, and a deputy prime minister in Moscow; and he remained in office until 1989 (well into Gorbachev's times). Shcherbytsky imposed political repression, an assault on Ukrainian culture and an intensification of the Russification process. In 1987-1989 new Ukrainian nationalist leaders emerged, and in 1989 there was a massive politization in Ukraine. In 1990 there existed the beginning of a parliamentary democracy, and on July 16th, sovereignty was claimed. On August 24th, 1991, the independence of Ukraine was declared.

The dispute between Russia and independent Ukraine was particularly acrimonious over the control of both the Black Sea fleet and Sevastopol, the Crimean port city where the fleet was based. Russia reacted to the departure of Ukraine stronger than to the separation of other former Soviet republics. To a large extent, Russians considered Ukraine a constitutive part of Russia.

Already in 1994 the division in Ukraine between those advocating closer ties with Russia and those looking for closer ties with Europe was evident. Kuchma was supported by the East and Kravchuck by the West; Kuchma won the presidency. Kuchma, however, was not a communist party member; he actually defeated the leader of this party in the 1999 elections. In 2003 Russia accused Ukraine of deteriorating the living conditions of the Russian minority in Ukraine. Kuchma had to manage conflicts between right and left that threatened political stability. In 2003, Ukraine accepted in principle to establish a joined economic space with Russia, Belarus and Kazakhstan.

In 2004 Kuchma endorsed the presidency of Yanukovych, who was supported by Putin. The opposition leader was Yushchenko. Yanukovych won, but fraud was claimed by the opposition. The mass protests in the street that followed have been called the Orange Revolution. In new elections, Yushchenko became president, by 52% of the vote. In 2006, Yanukovych was politically powerful enough to become the prime minister under Yushchenko's presidency. The situation was becoming increasingly difficult, trying to achieve both good relations with Russia and gaining membership in the EU. In 2010 elections in Western Ukraine supported Tymoshenko who had 45% of the votes (Yushchenko also ran but only won 5%); but they lost against Eastern Ukraine, that voted for Yanu-

kovych, who got 47% of the votes, and became president. In 2010 Ukraine agreed to extend the lease of the port at Sevastopol to Russia from 2017 to 2042, in exchange for better prices in Russian gas. In 2013 a planned association agreement with the EU was not signed by the decision of the presidency of Yanukovych. Demonstrators occupied Kyiv's city hall and called for the president to resign. Protests continued, and many people were killed. Yanukovych fled to Russia ahead of an impeachment.

Pro-Russian protesters became assertive in Crimea. Russia invaded Crimea in 2014 arguing to protect Russian "citizens" and assets. In March Crimea joined Russia. The West imposed sanctions on Russia. In 2015 peace was agreed.

In 2019 Zelensky is elected in a second round by 73% of the vote. On July 25th, 2019, the republican US president Trump called Selensky and urged him to investigate the son of his democrat rival, Joseph Biden; Zelensky refused. In 2020, despite Selensky election promises the Donbas remained very unstable, as infrastructure damage by the Russian-backed insurgency led to serious disruption of the water supply. Between October and November of 2021 Russia concentrated massive troops at the borders with Ukraine; and issued demands that included the de facto veto power over NATO expansion and the containment of NATO forces to countries that had been members prior to 1997. Which implied to remove NATO's presence from eastern and southern Europe. Demands were rejected (as Putin certainly must have anticipated). On February 21st, 2022, Putin recognized the independence of Donetsk and Luhansk; and sent Russian troops to act as "peace keepers". Western sanctions followed. On February 24th, Putin announced a "special military operation against Ukraine" (war). Severe Western sanctions followed, and unprecedented humanitarian and military help from the West arrived in Ukraine. The armament provided by the West has allowed Ukraine to contain the military advances of Russia, which has adopted the strategical response (as we write this manuscript) of increased bombing and destruction of buildings, causing many deaths, including civilians.

In terms of our analytical framework, the main point to realize is that there is an acute integrative conflict within Ukraine. Western Ukraine developed under the influence of the European culture and the notions of individual rights that it implies. While Eastern Ukraine developed under the Soviet authoritarian regime, a traditional society in which individuals have duties but no rights. Ukraine was arbitrarily put together by force by the USSR after the Second World War; and as a consequence, in its indepen-

dence it did not have a solid integrative system. This has happened before in many other historical instances. Yugoslavia was also artificially united by the USSR, and its story ended in the genocide of the Bosnian war. Some African countries whose borders were artificially defined by the European conquerors, also entered genocide and destructive wars when they became independent. Ukraine has a fundamental conflict in its integrative system, that was never adequately addressed by the different political actors that shaped its history; which has produced internally only struggle and violence. And to make things worse, the weakness of the international integrative system has rendered it incapable to provide any help to solve the internal problem of Ukraine's integrative system. On the contrary, the Western world was encouraging Ukraine to join the EU and NATO; while Russia was strongly arguing that it should remain under soviet influence. The presence of a large Russian speaking population in eastern Ukraine, and the economic interests of Russia in Ukraine, made things worse. By encouraging Ukraine to join the West, the Western world brought flames to an already easily inflammable weak national and regional integrative system.

The Russian invasion of Ukraine, from an integrative system perspective, has to be understood as a move to maintain its integrative role in its region of influence. It was expected. At the same time Putin and the authoritarian Russian regime remain solely responsible for the cruelty shown in the war.

The integrative system explanation of the war of course includes the ideological confrontation between Russia and the West, and between eastern and western Ukraine. But it must be emphasized that ideological confrontations do not necessarily have to lead to open power confrontations. There are many cases in which ideological confrontations are well managed by the integrative system itself. The Muslim countries and the West have an ideological confrontation, yet South Arabia and the West have a constructive relation. China and the West have an ideological confrontation, yet they have an intense economic relationship. And there are numerous other examples. The world could not function properly at all if any ideological confrontation necessarily had to result in an open power conflict. War happens when the integrative system fails to develop a manageable relation between two countries or regions with different ideologies, not because of the diversity of the ideologies. In the case of the Russia-Ukraine war local politics in Ukraine failed, the Western diplomacy (particularly the US's and the EU's) failed, the Russian diplomacy failed, and the weak global integrative system did not help at all.

In his famous treatise *Diplomacy* Henry Kissinger, one of the greatest experts in diplomacy of the XX century wrote that the whole purpose of war is to get to a better diplomatic arrangement, and he certainly was right. There is no country that can maintain a war forever: even a small-scale war like the one of Afghanistan was unsustainable in the long run for the US. Thus, there is no question that the final objective of any war must be to arrive at a better diplomatic settlement. However, we would like to add, the goal of diplomacy must also be to prevent wars from happening. War is becoming less and less acceptable for an international community whose inhabitants are closer than ever due to global communications and globalized production and consumption. The Russia-Ukraine war has elicited the disapproval of most of the global community. And not because of the West's argument that it is due to the imperialistic desire of Putin to reconstruct the USSR, which is incorrect – Russia does not have the economic or military means to do it, nor does it intend to do it; but because the killing of so many innocent people is simply unacceptable in humanitarian terms, and it is now on display on the television screens of thousands of millions. Russia is starting to realize that sanctions may be more painful than expected, in a highly globalized world like the one of today. Moreover, as we are all learning, the risks of a war involving a relatively unimportant country like Ukraine may be higher than they seem, because it may increase the possibility of a Third World War with the nuclear destruction that it may entail. Nuclear capabilities, global communications and a globalized economy make war unacceptable; therefore, diplomacy's main task in the future must be to avoid wars. And for this purpose, stronger national, regional, and global integrative systems are required. More on this topic in the next and final chapter.

4) The Economic System: Global, in the West, in Russia and in Ukraine

The question to be answered in this section is whether the Russia-Ukraine war is a consequence of an economic conflict; and the short answer is that it is not.

In economic terms Ukraine is not a very relevant actor, neither for Russia nor for the world. In 2020 Russia's exports were US \$330 Billion (B) of which only \$6.31 B (1.9%) went to Ukraine, and its imports were \$220 B of which only \$2.97 B (1.4%) came from Ukraine. In fact, in the last 24 years trade between the two countries decreased substantially.

The exports of Russia to Ukraine have decreased at an annualized rate of 1.01%, they went down from \$8.05B in 1996 to \$6.31B in 2020. The exports of Ukraine to Russia have decreased as well, at an annualized rate of 2.64%, they went down from \$5.65 B in 1996 to \$2.97 B in 2020. In terms of total exports Russia ranks 13 in the world, and Ukraine, 46.

The Russian economy in 2020 GDP was \$1.48 T while Ukraine's was only \$155 B (which makes Ukraine only 10.5% the size of the Russian economy). In terms of GDP Russia ranks number 11 in the world while Ukraine's rank is number 55. And Russia's GDP Per Capita was \$10,127 (current US dollars) while Ukraine's was only \$3,725. In terms of GDP Per Capita Russia ranks number 70, while Ukraine ranks number 123; Ukraine is a rather poor country. In economic complexity both economies are similar: Russia ranks 43 and Ukraine 42117; therefore, they have not very complementary economies.

In terms of total exports, by invading Ukraine Russia had much more to lose than to win. While Ukraine represented in 2020, as we said, only 1.9% of Russian exports, the UK represented 7.67%, the Netherlands 6.87%, Germany 4.3%, Italy 3.61%, the US 3.59%, and France 1.49%. In fact, the only large countries that were not critical of Russia's invasion in the United Nations were China, Belarus, India and Saudi Arabia, and Russian total exports to these four countries were in 2020 only 22% of total Russia's exports, which means that Russia put at risk 78% of its exports¹¹⁸. In economic terms Russia's aggression to Ukraine does not make sense.

5) The Power System: Global, in the West, in Russia and in Ukraine.

Since 2014, in a series of conferences and articles, John Mearsheimer from the University of Chicago has been arguing that the Russian invasions to Georgia and Ukraine have to be understood in the context of the "Balance of Power" theory¹¹⁹. He argues that the main cause of the

¹¹⁷ Data from <https://pro.oec.world/en/profile/bilateral-country/rus/partner/ukr>

¹¹⁸ Data from <https://pro.oec.world/en/profile/country/rus#historical-data>

¹¹⁹ See: 1) Good Perspectives on Ukraine/Russia from John Mearsheimer, U of Chicago. <https://youtu.be/JrMiSQAGOS4>. 2) John Mearsheimer on why the West is principally responsible for the Ukrainian crisis from TheEconomist <https://www.economist.com/by-invitation/2022/03/11/john-mearsheimer-on-why-the-west-is-principally-responsible-for-the-ukrainian-crisis>. 3) Putin's Invasion of Ukraine from John Mearsheimer, U of Chicago. https://www.youtube.com/watch?v=ppD_bhWODDc

war is the Western expansion to former USSR countries through three policies: I) NATO expansion – a military strategy; II) EU expansion – an economic strategy; and III) an international promotion of democratic values – a political strategy. Russia, he argues, has been warning the West that such an expansion is not acceptable, yet the West has not stopped its expansion. This, according to Mearsheimer, is in short the main cause of the conflict. The Russia-Ukraine war is basically the expression of a power conflict between the West and Russia.

As one reviews the background presented earlier, it seems clear that the West's expansion policies precipitated the conflict; thus, Mearsheimer's thesis seems to be valid. However, we argue that the West's expansion policies are just one of the several factors that precipitated the war – we present our multifactorial explanation in the next section. Among many factors, there are two key ones that precipitated the war that are worth mentioning here: 1) That, as we said before, people in western Ukraine wanted to be included in the West and were actively pursuing this goal; while people in east Ukraine were mostly pro-Russian. In fact, the West - while admitting that it could eventually include Ukraine into NATO and the EU - established conditions for Ukraine to become incorporated, that this country had not been able to satisfy before the war started. Thus, it is true that the West implemented expansion policies to ex-USSR countries which were not acceptable to Russia. But we should remind ourselves that the West-Russian conflict over the West expansion policies became increasingly strong due to the internal conflict between pro-West western Ukraine and pro-Russia eastern Ukraine. 2) An imperialist authoritarian Russian will to invade Ukraine, no matter at what humanitarian cost.

Let us further discuss separately the three policies involved in the West's expansion:

NATO Expansion. Putin has argued that he had to invade Ukraine to guarantee Russia's military security. Ukraine becoming part of NATO - the argument goes - could put Russia in a geo-military risk if, for example, NATO decided to locate nuclear heads in Ukraine. With Ukraine already a NATO member Russia could not any longer declare war to this country to prevent the installation of nuclear heads, because that would mean declaring war to all the nations that are members of NATO. Mearsheimer echoes this argument, reminding us of the Cuban crisis in 1962, in which the US refused to accept Russian nuclear heads in this island, with the argument that they were unacceptably close to the US. But this argument is not as strong as it seems at first glance. First, becom-

ing a NATO country does not imply that NATO would deploy nuclear heads in the newcomer country. Second, Russia already has four NATO countries at its borders: Poland, Norway, Lithuania and Latvia. Just as it is not true that Putin wants to reconquer militarily the old USSR as the West claims, it is not true that the West's intention by incorporating Ukraine into NATO is to deploy nuclear heads in this country. Ukraine's intention of becoming a NATO country, and the West's intended expansion, is not an aggressive strategy to deploy nuclear heads in this country, but a defense strategy precisely to impede a Russian military invasion - as the one that just has happened. If NATO had the intention of installing nuclear heads at Russia's borders, it could do it in any one of the four countries that today are NATO members and share Russia's border.

EU Expansion. In terms of a geo-economic expansion strategy, incorporating Ukraine into the EU is not particularly interesting for the EU. Ukraine is a relatively poor country.

Democracy Promotion. Ukraine already was a democracy before the war.

Because of the previous arguments we can conclude that: a) It was not particularly interesting for the West to expand to Ukraine; 2) Russia was not put at a geo-military risk by Ukraine becoming part of NATO; 3) In geo-economic terms Ukraine was not especially interesting, neither for the West nor for Russia; 4) Ukraine joining NATO and EU was of central interest for the western Ukrainians, who wanted more freedoms, to benefit themselves economically by joining the EU and to protect themselves in military terms from Russia by joining NATO.

6) The Multifactorial Reasons for the Russian Aggression.

The explanation of the Russia-Ukraine war is multifactorial. We have divided the causes into four groups. I) Long term, indirect causes: Those that are in the background of why the conflict happened, but that are only an indirect cause. II) Long term, direct causes: Those that are in the background of why the conflict happened, and that are a direct cause. III) Short term, direct causes of the conflict. IV) Immediate causes that precipitated the conflict.

Group I: Long term, indirect causes.

I.1. The shortcomings of the institutional international arrangement to negotiate peacefully international conflicts.

- I.2. The USSR's collapse in 1990 creates conflictive situations in many countries between their European and their Soviet legacies.
- I.3 Russian speaking population and Russian economic interests remain in several former other ex-USSR countries.
- I.4. Putin's close relationship with Trump and bad relationship with Biden.
- I.5. Zelensky's refusal to provide information about Biden's son to the Trump administration.
- I.6 Zelensky's lack of political experience.

Group II: Long term, direct causes

- II.1 Russia's long-term involvement in Ukraine's and Georgia's history¹²⁰.
- II.2 Russia considered Soviet Ukraine before the Second World War as "Little Russia".
- II.3 Eastern Ukraine's political support of Russia.
- II.4 Russian speaking population that remained in Ukraine and in Georgia.
- II.5 Russian interests in the lease of Sebastopol.
- II.6 The tight political conflict between eastern Ukraine and western Ukraine that divided the population by halves.

Group III: Short term, direct causes

- III.1 An authoritarian military empire in Russia with a ruthless leader
- III.2 The pro-Western populations in ex-USSR countries looking to become NATO members to create a line of defense against future Russian military invasions.
- III.3 The pro-Western populations in ex-USSR countries looking to become EU members to reduce their economic dependency on Russia.
- III.4 Fragile democracies with very recent institutions in the ex-USSR countries.
- III.5 The Western expansion policies of NATO, EU, and democracy.

Group IV: Immediate causes

- IV.1 **The 2008 Russian invasion of Georgia**¹²¹: a) The Bucharest Summit declaration in which NATO countries agreed that

¹²⁰ Stalin was from Georgia.

¹²¹ Georgia is a small country; in terms of GDP (current US \$) in 2020 it ranked 118th, while Russia ranked 11th and Ukraine 55th.

Ukraine and Georgia will become in the future NATO members. b) The hostilities with the secessionist pro-Russian movements in South Ossetia and Abkhazia (which is in the Black Sea), that started since the beginning of the 1990's, became more intense after 2004 and by 2008 they were in a critical point¹²².

IV.2 The 2014 Russian invasion of Crimea: a) On November 21st, 2013, President Yanukovich refused a potential deal with the EU. In February 2014 protesters overthrew President Yanukovich (the Orange Revolution), who fled to Russia. b) The interim government signed a trade agreement with the European Union; a likely first step towards membership of the bloc. c) Ukrainian pro-Russian separatists self-proclaimed the independence of Donetsk and Luhansk. Russia invaded and the war of Donbas started.

IV.3 The 2022 invasion of Ukraine: a) In the Brussels Summit in June 2021, NATO leaders reiterated the decision taken at the 2008 Bucharest Summit that Ukraine would become a NATO member. b) The Donbas conflict continued without resolution and had intensified.

In these events that we identify as the immediate causes of the war a consistent pattern emerges: there is a conflict with pro-Russian speaking separatist regions, the intent to join the West's institutions, and the West's statements that in principle, joining the West will be approved in the future. Putin has argued that he invaded because there existed a military threat to Russian security, which as we have discussed it is not true. And the West has argued that Putin wants to recover militarily the old USSR, which is not true either. The real reason of the Russian aggression is not its military safety, nor the intention to recover Georgia and Ukraine and much less the ex-USSR; it is much simpler – to maintain Russia's influence in the region and to protect Russian speaking populations. The problem that the fast collapse of the USSR generated is that the formation of the new independent countries that resulted was poorly done. And many fundamental conflicts remained unresolved. The lack of international diplomacy, regional diplomacy and national diplomacy in these new independent countries had the consequence that these real conflicts were not resolved.

If the world had had a strong integrative system, it would have understood and seized the opportunity to help Russia and the other ex-USSR

¹²² See <https://www.britannica.com/place/Georgia/Independent-Georgia>

countries in their economic recovery in 1990. Economic integration of cultures with different ideologies is a good beginning to establish a common –even if restricted- integrative system. It happens with China and with Saudi Arabia; and it happened with Germany, Italy and Japan. Old enemies may become new friends and allies. However, instead of promoting an integrated global economy, the West left Russia alone, and after the crisis of the lost decade 1990-2000 Russia's strategy for economic recovery was to resume its inward-looking tradition, with the consequence that it reinforced Russia's autocratic imperialistic tradition, which in turn made it more difficult to achieve a real effective international diplomatic solution to the conflicts happening in Georgia and Ukraine.

Power conflicts are consequence of weak integrative systems. The collapse of the USSR destroyed its integrative system and left many unresolved real conflicts in the ex-USSR countries, which a weak global integrative system was not able to resolve through diplomacy. The war, the people killed on both sides and the human tragedy in Ukraine is a responsibility of Putin and of Russia; but the West's diplomacy could have done better than it did. Three times, in 2008, 2014 and 2022, the real conflicts have had the same outcome, a military confrontation – both Russia and the West should have learnt from the first and the second experience. If good diplomacy had emerged in the first two cases, the 2022 Russia-Ukraine war would not have happened. This third war will not improve the negotiating position of none of the participants. It is a lose-lose game with no winners. Russia will lose a lot. Ukraine's losses will be enormous. And the Western world will also lose. It is a tragedy that we have been unable to understand the enormous cost of not having a better developed global integrative system and a more integrated global economic system.

CONCLUSION: LESSONS TO BE LEARNT FROM THE LIKELY RESOLUTION OF THE WAR.

Power conflicts cannot be resolved by the power system alone, the intervention of the integrative and the economic systems is required. Building peace starts by understanding the others' point of view, and accepting to share an integrative system (even if it is incipient and incomplete) and an economic system. The situation in Ukraine most likely will end up in a negotiation in which the independence of Donetsk and Luhansk will be ac-

cepted (maybe later on they may become part of Russia), Crimea will stay with Russia and Russia's lease of Sebastopol will be respected. Ukraine will commit to respect the Russian language and not to join NATO. Russia may gain some territory in eastern Ukraine, but it is clear as time passes by that Russian territorial gains, if they happen at all, will be nothing of real significance. Diplomacy could have achieved these results without so many huge losses for all the participants. Russia will lose: the lives of many soldiers, the expenses of the war for which repayment, if at all, will be insufficient, the good will of many Western European countries which will reduce their economic dependence on Russia and will increase their military expenditures, the good will of the US and the UK, where the anti-Russian sentiment in the people that has followed the killings has grown immensely, and the political support of most of the population in eastern Ukraine (except Donetsk and Luhansk) that will no longer remain pro-Russian. Ukraine will have enormous human and material losses, the human suffering of the war will take at least a generation to heal; and it will have Russia as an enemy for a long time. Ukraine's gains will be minuscule, the good will of the Western countries will diminish through time. For the Western countries the cost of isolating Russia will be huge, not only in economic terms but even more so in terms of geo-military nuclear global safety. To control the nuclear development in countries like North Korea and Iran will become much more difficult, if achievable at all. And an isolated nuclear power like Russia is a huge risk for the global future safety of the whole world. The Russia-Ukraine war will not solve anything that diplomacy could not have accomplished; and it has had and will continue to have huge costs for the world in human lives, human suffering, material losses and global nuclear safety. The lesson to be learnt is that the world has to strengthen its integrative system to be able to avoid barbarian wars that are no longer compatible with the advances in global communications, global production and consumption patterns in the economic sphere, and the new era of a nuclear power that can put humanity at risk.

EPILOGUE: GLOBAL CONFLICTS AND INTERNATIONAL INSTITUTIONS

The ICT (Information, Communications and Office Technology) revolution of our time has changed the global mode of production. ICT has allowed central management in a developed country of a segmented production that takes place in several underdeveloped countries. It explains to a large extent China's economic success, and has created a new highly interconnected economic world. Moreover, it has created a new global lifestyle, with global communications and digital products that have changed the way we see each other around the world. However, the technological changes brought about by the ICT revolution have been very abrupt and the global social institutions have lagged behind. Communications and the economic system have become global, but the integrative and the power systems have not. The global institutional arrangement is very weak and a common conceptual system hardly exists. The international law and international courts are not always accepted by the US and other developed economies. Moreover, many developed countries, particularly the US, insist that their courts have international validity. The consequence of the mismatch between the globalized economic system and the national, or regional at best, integrative system is that there is spare space for the power system to operate. This is the reason of the large military budgets in the US and in Russia, and after the Russia-Ukraine war it seems clear that it will be the future of Europe.

The consequence of the weakness of the international institutional arrangement is a world's unintegrated society in which the rule of the powerful still prevails. In my recent book *A new Global Order*, I have reviewed the problems caused by an inadequate global institutional arrangement in many other areas: global health crisis (Covid, mostly due to a very weak World Health Organization); global financial crisis (2008, due to inadequate decisions of poorly interconnected financial institutions); underdevelopment and poverty (much can be done at the global level and it is actually a growth opportunity for the world); global climate crisis (global coordinated efforts are clearly insufficient); international crime

and unlawful financial transactions (which jeopardize not only global and national security, but proper fiscal policies at the national level which are always restrained by the possibility of capital flight). The interested reader will find in this book a discussion on these topics, and proposals as to what has to be done.

Conflict is an evolutionary characteristic of human societies, and it is needed for appropriate social change, which is required given internal and external shocks. But conflict can be managed through a flexible integrative system or through an open power conflict. In the history of the world conflict within the in-group has been mostly managed by the integrative system, while conflict with out-groups has been usually managed through open power conflicts or the threat of them. Within the in-group, although the power system is always an aid and eventually open power conflicts do happen, the functionality of the society requires that most conflicts be managed through the integrative system. With out-groups, the threat of the use of power establishes diplomatic conditions for peace, and when diplomacy fails war is used. The problem of today's global reality is that the world has become too interrelated. Communications, lifestyles, and the economic system have been globalized and nuclear capabilities have an increasing possibility of global destruction. Thus, while the in-groups still exist in the national and regional integrative systems and the relations with the out-groups are still based on diplomacy and the potential use of open power (war); barbarian wars, as the recent Russian-Ukraine one, are no longer accepted by an interconnected global community with humanistic values, yet there is not a proper global integrative system to substitute the power system. Moreover, as we mentioned before, there are many global crucial problems that require a stronger global integrative system.

In realistic terms strengthening the global institutional arrangement will be very difficult, since today's political agenda is still based on the principle of the national interests which predominates upon humanitarian values and any other international agenda. But something will have to change, because the increasing globalization makes the future prevalence of selfish national interests too expensive for the world to be maintained without serious modifications. We will see what happens. Our purpose, however, is to alert the reader and the world of the need to look forward to a different, better integrated global system.

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