PEACE & ITS ECONOMIC VALUE

Abolition 2020 – July 30, 2019
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The Institute for Economics & Peace

March
SDG16+ Progress Report 2019

April
Mexico Peace Index 2019

June
Global Peace Index 2019

November
Positive Peace Report 2018

December
Global Terrorism Index 2018
Global nuclear inventory, 1945–2017

Despite a considerable fall in the total number of stockpiled and active nuclear weapons since the end of the Cold War, more countries than ever before are sustainable nuclear arsenal.

Source: Federation of American Scientists Nuclear Notebook
2019 GLOBAL PEACE INDEX

A SNAPSHOT OF THE GLOBAL STATE OF PEACE

THE STATE OF PEACE

VERY HIGH  HIGH  MEDIUM  LOW  VERY LOW  NOT INCLUDED
## Variables included in the economic impact of violence, 2019

<table>
<thead>
<tr>
<th>Security Services and Prevention Oriented Costs</th>
<th>Armed Conflict Related Costs</th>
<th>Interpersonal and Self-InFLICTed Violence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Military expenditure</td>
<td>1. Direct costs of deaths from internal violent conflict</td>
<td>1. Homicide</td>
</tr>
<tr>
<td>2. Internal security expenditure</td>
<td>2. Direct costs of deaths from external violent conflict</td>
<td>2. Violent assault</td>
</tr>
<tr>
<td>4. Private security</td>
<td>4. Losses from status as refugees and IDPs</td>
<td>4. Fear of crime</td>
</tr>
<tr>
<td>5. UN peacekeeping</td>
<td>5. Small arms imports</td>
<td>5. Indirect costs of incarceration</td>
</tr>
<tr>
<td>6. ODA peacebuilding expenditure</td>
<td>6. Terrorism</td>
<td>6. Suicide</td>
</tr>
</tbody>
</table>
The global impact of violence, 2019

$14.1$ TRILLION

Which is equivalent to

11.2% of total world GDP OR $1853 per person

If the world decreased violence by 10%...

$1.48$ TRILLION

Could be directed to other economic activities

*This is a highly conservative estimate.*
Breakdown of the economic impact of violence
Military expenditure accounts for over 40% of the total economic impact of violence.

A 1% reduction in the cost of violence is the equivalent to:
- total global Official Development Assistance in 2017

A 10% reduction in the cost of violence is the equivalent to:
- The global total Foreign Direct Investment in 2018
- The third largest economy in the world, behind only China and the US

Source: IEP
## Military expenditure: Total, per capita, % of GDP

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>648</td>
<td>Saudi Arabia</td>
<td>2013</td>
<td>North Korea*</td>
<td>24</td>
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<tr>
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<td>USA</td>
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<td>Oman</td>
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<tr>
<td>South Korea</td>
<td>43</td>
<td>Bahrain</td>
<td>891</td>
<td>Israel</td>
<td>5</td>
</tr>
</tbody>
</table>

*estimate
What is Positive Peace?

NEGATIVE PEACE

...is the absence of violence or fear of violence.

POSITIVE PEACE

...is the attitudes, institutions & structures that create and sustain peaceful societies.
Positive Peace creates the optimum environment for human potential to flourish.

High levels of Positive Peace are associated with:

- Higher per capita income
- Resilience
- Better environmental outcomes
- Higher GDP growth per annum
- Better performance on MDGs
Positive Peace and economic growth

Real GDP growth is correlated with changes in the PPI overall score.

Source: IEP; United Nations
Prosperity gap between high and low peace countries, 2016

In a scenario where low peace countries achieved an average growth rate equivalent to high peace countries, their per capita income would have been over three times higher than it actually was in 2016.
Change in Real Effective Exchange Rates by Positive Peace Group, non-OECD countries, 2005 - 2016

Source: WDI, IEP calculations
Change in Credit Rating Score by Positive Peace Group, 2010 - 2016

Number of countries = 30
Median = 0%
Mean = 0.6%

Number of countries = 21
Median = -1%
Mean = -1.9%

Source: S&P Global Ratings, IEP calculations
Economics and Peace – Making the Link

• Positive Peace provides the framework for robust economic development.

• As peace improves, doing business also becomes easier.

• Improvements in Positive Peace are linked to strengthening of domestic currencies.

• Credit ratings are also more likely to fall when countries experience deteriorations in Positive Peace.

• Costs associated with violence expressed as percentage of GDP, increases exponentially as move from most peaceful to least peaceful countries.

• Countries that are high in Positive Peace have less volatile economic performances.
Positive Peace & GDP

Every 1% improvement in Positive Peace is associated with a 2.9% growth in GDP per capita.

Source: World Bank, IEP
Median Annual Growth in GDP per Capita, 2005 - 2017

Source: World Bank, IEP
Change in Real Effective Exchange Rates by Positive Peace Group, non-OECD countries, 2005 - 2016

Source: WDI, IEP calculations
Change in Credit Rating Score by Positive Peace Group, 2010 - 2016

- **3rd Quartile**: Median = 0%
- **1st Quartile**: Median = -1%

Number of countries: 30
Mean = 0.6%

Number of countries: 21
Mean = -1.9%

**Source**: S&P Global Ratings, IEP calculations
2018 POSITIVE PEACE INDEX
TRACKING PEACE TRANSITIONS THROUGH A SYSTEMS THINKING APPROACH