

Abstract

The literature on globalization and conflict has narrowly appreciated the varying implications of economic openness to the national economy and thereby political leaders' political costs. Economic openness can facilitate international peace by increasing opportunity costs that states have to pay in cases of conflict, or by making states' talks costly in a bargaining situation. On the other hand, when economic openness exacerbates income inequality within countries, political costs of losing economic benefits of openness are reduced, especially where distributional issues are vital to political leadership. When the size of opportunity costs decreases, states' talks are not costly anymore. This paper tests how economic openness affects militarized interstate disputes through its impact on inequality. Inequality, as an endogenous variable, is explained by important covariates such as development, trade, foreign direct investment, the regime type, and political leaders' winning coalition. To this end, this paper implements the full maximum likelihood estimation method for the binary dependent variable model with a continuous endogenous variable. Finally, this paper shows that the pacifying effect of economic openness on militarized interstate disputes is offset by its negative effect on an equal income distribution especially in developing countries.