

What Price the Kalashnikov?

THE ECONOMICS OF SMALL ARMS

This chapter documents the collection of information on global price variations of the Kalashnikov assault rifle. It uses the data to quantitatively test factors that influence demand and supply in the small arms market, and to investigate the relationship between weapons and civil war.

The Kalashnikov rifle was chosen as the subject of analysis because of its prevalence in the market, and because its essential characteristics have not changed since it was originally designed in 1947. This means price changes observed over time and across countries can be confidently ascribed to market conditions, rather than fundamental changes in the nature of the product itself.

Method

Researchers and journalists have produced a significant amount of survey and case study work on the small arms trade. Collecting and coding this data on weapons prices across countries is not a simple task. Which exact weapon was observed? What condition was the weapon in? Where was the weapon bought? Who bought the weapon? These are some of the many issues involved in collecting price data. This chapter does not provide an exhaustive or definitive record of global weapons prices. Instead, it represents a first attempt at documenting Kalashnikov prices and offers a basis for further efforts to deepen our understanding of the small arms market.

Cheaper weapons prices lead to an increased risk of civil war.



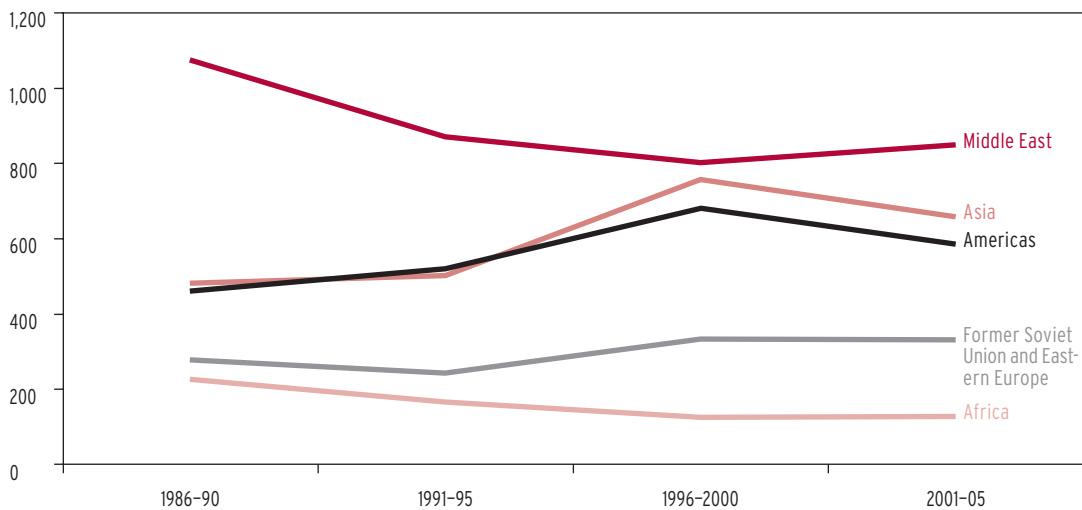
In order to understand this market, it is necessary to view it as a function of the incentives and constraints faced by buyers, suppliers, and regulators. This chapter introduces a basic demand-and-supply model of the small arms market and then, using the model, applies statistical analysis to the newly compiled price data. As with other commodities, the trade in weapons responds to the forces of demand and supply. Although the trade in weapons is generally subject to official restrictions, there is a flourishing trade on illicit markets, which respond quickly to changes in demand and supply.

The demand side of the market is modelled by looking at means (income) and motivation (interest in owning a weapon, for example because homicide rates are high or a conflict is threatened). Two key components are conceived on the supply side. One is the effectiveness of regulations aimed at restricting trade within and across national borders; the other is intrinsic supply costs, such as a country's civil war legacy, the military expenditure of neighbouring countries, and transport costs, all of which affect the availability of weapons.

A Yemeni man sells AK-47 assault rifles outside his shop in a village in the Haraz Mountains, 2004. © Christian Gahre

Figure 8.2 **Regional Kalashnikov prices (USD), 1986–2005***

REGIONAL PRICES



* No data was available for Western Europe for the period 1986-90, so this region was omitted entirely from the figure.

Findings

The chapter summarizes the results of including weapons price as a variable in models of civil war risk. The key findings are:

- Cheaper weapons prices lead to an increased risk of civil war, independently of other conflict risk factors.
- The more effective a country's regulations are, the higher weapons prices will be.
- Countries with more porous borders tend to have lower weapons prices. This is especially the case in Africa, where porous borders allow the supply of weapons to meet demand more readily.
- Contrary to popular perception, when controlling for other factors, the collapse of the Soviet Union does not appear to have had a significant impact on weapons prices.
- A country's weapons prices will tend to drop if neighbouring countries increase their military spending, apparently because of resulting proliferation.
- Weapons prices do not appear to be associated with homicide rates, economic downturns, or young male demographics.
- Excess weapons in post-conflict environments keep prices low and contribute to the risk of conflict throughout the region for some time after the end of conflict.

The chapter gives several examples of demand and supply forces at play. In Iraq, demand is outstripping supply and prices have skyrocketed. Generally, people want to buy Kalashnikovs for security, crime, or conflict. In Iraq, they are being bought for all three reasons, and so prices are at atypically high levels, even for a war zone. A basic wooden stock AK-47 was selling in 2006 for USD 400–800, compared with USD 80–150 in 2003. If and when coalition forces leave, prices are likely to fall, because foreign military control is the only factor currently keeping supply by neighbouring countries from fully meeting the Iraqis' strong demand for assault rifles.

Better enforcement of laws and regulations raises the price of weapons.

A contrasting scenario is offered by Africa, where, as Figure 8.2 shows, Kalashnikov prices are the lowest in the world, and falling. Income, regulatory effectiveness, war legacy, and supply cost variables all lower the price of weapons, but even controlling for these factors, being located in an African country makes purchasing an assault rifle around USD 200 cheaper than the world average. Statistical analysis suggests that this staggering Africa discount is driven by the porosity of national borders.

This initial compilation and analysis of price data is intended to provide a stimulus and framework for further quantitative research on small arms issues. Albeit imperfect, the existing dataset serves as a useful starting point for such efforts. ▀