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Chapter 9

Countering Terrorism: Beyond Deterrence

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In the wake of the attacks of 9/11, most governments tightened security measures, enacted harsh antiterrorism laws, curtailed the civil rights of suspected terrorists and of normal citizens, and increased the budget of the police, intelligence, and the military. Deterrence (broadly defined to also include preemptive measures etc.) is, and always has been, at the forefront of counterterrorism efforts.

Deterrence has also been the focus of many studies on terrorism by economists.[1] Contrary to a widely held belief, the economic analysis of terrorism rests on the premise that terrorists are rational actors.[2] Rationality does not refer to the goals of the terrorists, but to the means by which the goals are pursued. Terrorists systematically compare the costs and benefits of alternative courses of action; they compare the costs and benefits of achieving their goals by peaceful or by violent means and they compare the costs and benefits of different modes of attacks. There is substantial evidence that terrorists are rational in this sense.[3] In this framework, it can easily be seen why deterrence policy is potentially effective in reducing terrorist activity. By increasing the probability of apprehension and the severity of punishment, deterrence raises the expected costs of terrorism to prospective terrorists and induces them

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to revert to more peaceful means.[4] In striking contrast to the prominence given to deterrence, the evaluation of this strategy by many renowned terrorism experts is unfavorable. Hoffman, for example, claims, that countless times "attempts by the ruling regime to deter further violence...backfired catastrophically."[5] Fortunately, therefore, the rational choice framework also points to other, alternative policies to deterrence. The framework suggests that terrorist activity can be reduced by either lowering the benefits of terrorism to prospective terrorists or by reducing the costs of alternative courses of action (and thereby increasing the relative costs of terrorism).

We propose three strategies to deal with terrorism. Of these two strategies aim at lowering the benefits of terrorism to terrorists by decentralizing the polity, the economy, and the society (section 2) and by diffusing media attention (section 3). The third strategy attempts to raise the relative or opportunity costs of terrorism by lowering the price of its alternatives (section 4). Section 5 concludes the chapter.

Decentralize the Polity and the Economy

Terrorists seek to destabilize the polity and the economy. For example, in a video message in December 2001, bin Laden identifies the U.S. economy as a target: "It is important to hit the economy [of the United States], which is the base of its military power."[6] In the pages that follow, we argue that decentralization increases the resilience of a country's polity and economy. Again, if the resilience is increased and the effect of terrorist attacks is thereby diminished, prospective terrorists have less incentive to commit attacks in the first place.[7]

Any system with many different centers is more stable because of the ability of the various centers to substitute for each other. When one part of the system is negatively affected, another part or parts can take over. This basic insight also applies to terrorism. A target's vulnerability is lower in a decentralized society than in a centralized society. The more centers of power there are in a country, the less terrorists are able to hurt it. In a decentralized system, terrorists do not know where to strike because they are aware that each part can substitute for the other so that a strike will not achieve much. In contrast, in a centralized system most decision making takes place in one location. This power center is an ideal target for terrorists and therefore is in great danger of being attacked.

As a means of reducing vulnerability, decentralization of the polity and the economy can be achieved in various ways. Political decentralization may take at least two forms, horizontal decentralization or separation of powers, and vertical decentralization or federalism. In the first case, political authority is distributed over a number of different political actors. Most important is the classical separation of power between government, legislature, and courts.

In the second case, political power is spatially decentralized and is divided between various levels of government. According to an empirical analysis of the occurrence of terrorist attacks in 111 countries over the years 1972–2000, fiscal decentralization is found to reduce the number of events in a country; however, it had no effect if found for other indicators of federalism.[8]

A market economy is based on an extreme form of decentralization of decision making and implementation. Under competitive conditions, the suppliers are able to completely substitute for one other. If one of them is eradicated owing to a terrorist attack, the other suppliers are able to fill the void. They are prepared, and have an incentive, to step in. Therefore, the more an economy functions according to market principles, the less vulnerable it is to terrorist attacks.[9]

Diffusing Media Attention

The relationship between terrorists and the media can be described as "symbiotic."[10] The media want to make news to attract readers or viewers and have thus an incentive to sensationalize terrorism. The terrorists on their part rely on the media to spread fear and to publicize their cause. Terrorists have become very skilled in using the media to achieve the maximum effect.[11] They have learned to exploit the media to propagate their political demands to millions and even billions of people. Terrorists have fully adjusted their tactics to accommodate media needs.

Terrorists can be prevented from committing violent acts by reducing the utility gained from such behavior. One way to ensure that terrorists derive lower benefits from terrorism consists in the government ascertaining that a particular terrorist act is not attributed to a particular terrorist group. This prevents terrorists receiving credit for the act, and thereby gaining full public attention for having committed it. The government must see to it that no particular terrorist group is able to monopolize media attention. Therefore, several scholars advocate media censorship, statutory regulations, or voluntary self-restraint.[12] All information on who committed a particular terrorist act is then suppressed. But in an open and free society, it is impossible to withhold the type of information that the public is eager to know. Further, such intervention does not bind the foreign press and news media. Any news about the occurrence of a terrorist act and the likely perpetrators is therefore very likely to leak out. Terrorists seeking publicity can easily inform foreign news agencies. This first strategy must therefore be rejected as being ineffective and incompatible with democracy as the freedom of the press is seriously curtailed.

We propose an alternative way of diffusing media attention without infringing on the freedom of the press.[13] The government can divert attention from terrorist organizations and their goals by supplying more information

to the public than desired by the terrorist group responsible for a particular violent act. It must be made known that several terrorist groups could be responsible for a particular terrorist act. Experience shows indeed that in the case of most terrorist attacks several groups of terrorists have claimed responsibility. The authorities have to reveal that they never know with certainty which terrorist group may have committed a violent act. Rather the government must publicly discuss various reasonable hypotheses. As a consequence, the media disperse public attention to many different, and possibly conflicting, political groups and goals.

The information strategy of refusing to attribute a terrorist attack to one particular group can be expected to have systematic effects on the behavior of terrorists. The benefits derived from having committed a terrorist act decreases for the group that undertook it because the group does not reap the public attention hoped for. The political goals it wants to publicize are not propagated as much as desired. This reduction in publicity makes the terrorist act (to a certain degree) senseless, as modern terrorism essentially depends on publicity. Terrorists who are ready to take a high risk, even the risk of death, to put forth their political beliefs, feel deeply dissatisfied. Their frustration is intensified by the feeling that other, not equally as "brave" political groups, are given a free publicity ride. The terrorists become frustrated and will either desist from further activities, or increasingly expose themselves to ordinary counterterrorist measures by the police. The amount of terrorism will decrease; the dissatisfaction with existing political and social conditions will be expressed in different, less violent ways.

Positive Incentives

Positive incentives consist of providing people with previously unattainable opportunities to increase their utility. Since these opportunities are only available for people and groups abstaining from violence, the opportunity costs of remaining or becoming a terrorist are raised. Similarly, by offering nonviolent alternatives to address terrorists' political goals, the relative costs of terrorism increase. At first glance, an obvious possibility to raise opportunity costs would be to increase the income in peaceful occupations. The reasoning is that the more an individual can gain in ordinary activity, the less she or he is inclined to engage in terrorism. However, contrary to popular opinion, the preponderance of evidence suggests that there is no economic foundation for terrorism. Analyzing the characteristics of members of Israeli extremists, the Hezbollah, Hamas, and Palestinian Islamic Jihad, Krueger and Maleckova and Berrebi find that poverty does not increase the propensity to participate in terrorism.[14] If anything, terrorists, including suicide bombers, come from the ranks of the better-off in society. The same pattern reverberates in public opinion data on attitudes toward violence and terrorism. Among

the better-educated and better-off respondents, more respondents consider terrorist attacks to be justifiable than among the respondents from lower ranks.[15] Further, opinion polls conducted in the West Bank and Gaza strip find little evidence to suggest that a deteriorating economy increases support for terrorism. Time-series analyses fail to find a significant relationship between terrorism and GDP growth in Israel.[16] Finally, according to cross-country studies, poverty does not increase terrorism risk, as assessed by an international risk agency[17] or as reflected in the number of international terrorist attacks,[18] nor do perpetrators predominantly come from poor countries.[19] The pattern can be explained by understanding that terrorists are not so much motivated by their own material gain as by their political cause. The well-educated and well-off individuals usually have stronger political views than the general population and are more prepared to pursue their political goals—be it with terrorism or other form of political participation.[20] Therefore, in the following pages we propose counterterrorism policies aiming at lowering the relative costs of pursuing political goals by nonviolent means by reintegrating terrorists into mainstream politics and providing access to the political process as well as welcoming repentants.[21]

One of the most fundamental human motivations is the need to belong, and this applies to terrorists also. The isolation from other social entities gives strength to the terrorist group because it has become the only place where a sense of belonging is nurtured. An effective way to overcome terrorism is to break up this isolation. The (potential) terrorists must experience that there are other social bodies able to care for their need to belong. Interaction between groups tends to reduce extremist views, which are more likely to flourish in isolated groups of like-minded people. Segregation reinforces extremism and vice versa.[22] Therefore, breaking up this vicious circle of segregation and extremism should lower terrorists' inclination to participate in violent activities.

Further, terrorists can be granted access to the normal political process and they should be motivated to pursue their political goals by legal means. This approach was effective in Northern Ireland. From the Northern Ireland peace process the *Economist* draws a general lesson: "[O]ffer such people [terrorists] a legitimate way to get what they care about most and they drop the most extreme aims, and give up terrorism too."[23] This evaluation is buttressed by Neumann who writes that "the peace process of the 1990s appeared to set a precedent well beyond Northern Ireland in showing that the main insurgent group—the Republican movement, consisting of the Provisional Irish Republican Army (IRA) and its political front, Sinn Fein—could be persuaded to abandon its military campaign in exchange for nothing but a place at the negotiating table."[24]

If terrorists' and their supporters' inclination to participate in violent activities can be lowered by offering them nonviolent alternatives to address their grievances, one should observe less terrorism in countries with extensive

political rights and civil liberties. A growing body of cross-country studies is providing evidence on the relationship between political rights, civil liberties, and terrorism.[25] Several studies investigate differences in the occurrence of terrorism across countries. In these studies, the majority of results points to an inverted u-shaped relationship between terrorism and political freedom or democracy, that is, terrorist activity is most prevalent in countries with an intermediate degree of political freedom or democracy. This is evidence for two countervailing effects: On the one hand, wide-ranging political rights decrease the costs of nonviolent legal activities and increase the relative costs of terrorism, as posited above. On the other hand, freedom of speech, movement, and association facilitate terrorism as they permit parochial interests to get organized and reduce the costs of conducting terrorist activities. However, there is even more direct evidence supporting the positive incentive hypothesis. Krueger and Laitin calculate the average number of terrorist attacks per country based on the origin of the perpetrators.[26] The results strongly support the positive incentive hypothesis: Countries with a lower level of civil liberties or political rights have, on average, a higher participation rate in terrorism. Further, there is also evidence for the positive incentive hypothesis from microdata. MacCulloch and Pezzini analyze the determinants of revolutionary preferences of respondents in three surveys conducted over three periods between 1981 and 1997, containing the answers of 130,000 people living in 61 countries.[27] Revolutionary preferences are elicited by agreement/disagreement to the following statement: "The entire way our society is organized must be radically changed by revolutionary action." The effect of political freedom on support of revolutionary actions is analyzed with a probit regression controlling for individual characteristics, macroeconomic variables, country and time fixed-effects. The coefficient on Freedom House's composite index of political freedom is negative and significant. An individual, living in a country that loses one point in the level of freedom on the three-point scale, demonstrates an increase in the probability of supporting a revolt by three to four percentage points, depending on the specification. Similarly, civil liberties and political rights both have negative and significant effects on revolutionary tastes. Hence, denial of civil liberties and political freedom increases the propensity to undertake terrorist acts. This is shown by both individuals' behavior and stated preferences.

Another policy to increase the opportunity costs of terrorism is to welcome repentants. Persons engaged in terrorist movements can be offered incentives, most importantly reduced punishment and a secure future, if they are prepared to leave the organization they are involved with and are ready to talk about it and its objectives. The prospect of being supported raises a member's opportunity costs of remaining a terrorist. Such an approach has indeed been put into practice with great success. In Italy, a law introduced in 1982, the *legge sui pentiti* (law on repentants), left it up to the discretion of the courts to reduce sentences quite substantially, on condition that convicted

terrorists provide tangible information leading to the arrest and conviction of fellow terrorists. The implementation of this principal witness program turned out to be an overwhelming success.[28] It provided the police with detailed information, which helped to crack open the *Brigate Rosse* cells.

Concluding Remarks

Politicians and most academics focus on deterrence and preemption when considering counterterrorism policies. We argue that the application of the economic methodology to the study of terrorism offers a wider range of antiterrorism policies. A first alternative to deterrence is to reduce terrorist attacks by making them less attractive to terrorists. This can be done by immunizing targets through decentralization, or by diffusing media attention once an attack has taken place. Another strategy is to raise the opportunity cost to terrorists. Specifically, we suggest reintegrating terrorists into the mainstream society and providing access to the political process, and welcoming repentants. The strategy of offering positive incentives to terrorists to relinquish violence has been used with good results in the bloody Northern Ireland conflict. Further evidence on the effectiveness of this approach comes from cross-country studies on the relationship between civil liberties, political rights, and terrorism. Terrorists often originate from countries with regimes that suppress the political rights and civil liberties of their citizens. Moreover, countries with an intermediate level of political rights and civil liberties face the highest terrorism risk.

The three policies against terrorism outlined in this chapter support the view that "there is no contradiction between a robust application of constitutional rights and an effective counterterrorism strategy."[29] On the contrary, extensive separation of powers is the cornerstone of the constitution in all democratic countries, as it is of a federalist structure in many. Publicity of terrorists can be reduced without infringing on the freedom of the press, but by the rigid application of the principle that someone is considered innocent until proven guilty. Finally, no trade-off exists between civil liberty (and political rights) and security. The analysis of alternative counterterrorism policies also point at the costs and potentially counterproductive effects of ill-founded counterpolicies. In the fight against terrorism, governments often curtail civil liberties and undermine the separation of powers. As the preceding discussion suggests, such reactions—even if well intentioned—may inspire more people to resort to terrorism than prevent them from doing so.

Notes

1. For general introductions into the economic analysis of terrorism, see Bruno S. Frey, *Dealing with Terrorism- Stick or Carrot?* (Cheltenham, UK, and Northampton,

MA: Edward Elgar, 2004); Walter Enders and Todd Sandler, *The Political Economy of Terrorism* (Cambridge: Cambridge University Press, 2006); Alan B. Krueger, *What Makes a Terrorist? Economics and the Roots of Terrorism* (Princeton, NJ: Princeton University Press, 2007).

2. The opposite and commonly held notion of the irrational terrorists is expressed, for example, by Albert Parry, *Terrorism: From Robespierre to Arafat* (New York: Vanguard Press, 1976), 26: "[I]t is important to establish the mental deviation or sheer aberration of many terrorists."
3. For example, Jon Cauley and Eric Iksoon Im, "Intervention Policy Analysis of Skyjackings and Other Terrorist Incidents," *American Economic Review* 78 (1988): 27–31 and Walter Enders and Todd Sandler, "The Effectiveness of Antiterrorism Policies: A Vector-Autoregression-Intervention Analysis," *American Political Science Review* 87 (1993): 829–844 show that security measures decrease the type of attacks they are designed for but, at the same time, terrorists react by substituting one type of attack with another, often more deadly one.
4. William M. Landes, "An Economic Study of U.S. Aircraft Hijacking, 1961–1976," *Journal of Law and Economics* 21 (1978): 1–31.
5. Bruce Hoffman, *Inside Terrorism* (New York: Columbia University Press, 1998), 61.
6. BBC News, "Bin Laden Video Excerpts," BBC News Transcript, http://news.bbc.co.uk/2/hi/middle_east/1729882.stm (accessed January 21, 2008).
7. Bruno S. Frey and Simon Luechinger, "Decentralization as a Disincentive for Terror," *European Journal of Political Economy* 20 (2004): 509–515.
8. Axel Dreher and Justina A. V. Fischer, "Decentralization as a Disincentive for Terror? An Empirical Test," Mimeo, KOF Swiss Economic Institute, ETH Zurich, 2007.
9. See Bruno S. Frey, Bruno S., Simon Luechinger, and Alois Stutzer, "Calculating Tragedy: Assessing the Costs of Terrorism," *Journal of Economic Surveys* 21(2007): 1–24 and Bruno S. Frey, Simon Luechinger, and Alois Stutzer, "The Life Satisfaction Approach to the Value of Public Goods: The Case of Terrorism," *Public Choice* 138 (2009): 317–345, for a survey on the economic consequences of terrorism and an estimate of the overall consequences of terrorism in France and the British Isles.
10. See Peter Chalk, "The Liberal Democratic Response to Terrorism," *Terrorism and Political Violence* 7 (1995): 10–44; Dominic Rohner and Bruno S. Frey, "Blood and Ink! The Common-Interest-Game between Terrorists and the Media," *Public Choice* 133 (2007): 129–145.
11. Brigitte L. Nacos, *Terrorism and the Media: From the Iran Hostage Crisis to the Oklahoma City Bombing* (New York: Columbia University Press, 1994).
12. Paul Wilkinson, *Terrorism versus Democracy: The Liberal State Response* (London and Portland, OR: Frank Cass, 2000).
13. See also Bruno S. Frey, "Fighting Political Terrorism by Refusing Recognition," *Journal of Public Policy* 7 (1988): 179–188.
14. Alan B. Krueger and Jitka Maleckova, "Education, Poverty and Terrorism: Is There a Causal Connection?" *Journal of Economic Perspectives* 17 (2003): 119–144; Claude Berrebi, "Evidence about the Link between Education, Poverty and Terrorism among Palestinians," *Peace Economics, Peace Science and Public Policy* 13 (2007): article 2.
15. Jitka Maleckova, "Terrorists and the Societies from Which They Come," in *Tangled Roots: Social and Psychological Factors in the Genesis of Terrorism*, ed. Jeff Victoroff (Washington, DC: IOS Press, 2006), 147–161; Alan B. Krueger, *What Makes a Terrorist? Economics and the Roots of Terrorism* (Princeton, NJ: Princeton University Press).
16. Alan B. Krueger and Jitka Maleckova, "Education, Poverty and Terrorism: Is There a Causal Connection?" *Journal of Economic Perspectives* 17 (2003): 119–144; Claude Berrebi, "Evidence about the Link between Education, Poverty and Terrorism among Palestinians," *Peace Economics, Peace Science and Public Policy* 13 (2007): article 2.
17. Alberto Abadie, Poverty, "Political Freedom, and the Roots of Terrorism," *American Economic Review. Papers and Proceedings* 96 (2006): 50–56.
18. James A. Piazza, "Rooted in Poverty? Terrorism, Poor Economic Development, and Social Cleavages," *Terrorism and Political Violence* 18 (2006): 159–177.
19. Alan B. Krueger and David D. Laitin, "Kto Kogo? A Cross-Country Study of the Origins and Targets of Terrorism," in *Terrorism, Economic Development, and Political Openness*, ed. Philip Keefer and Norman Loayza (Cambridge: Cambridge University Press, 2008): 148–173.
20. Alan B. Krueger, *What Makes a Terrorist? Economics and the Roots of Terrorism* (Princeton, NJ: Princeton University Press).
21. See more fully Bruno S. Frey and Simon Luechinger, "How to Fight Terrorism: Alternatives to Deterrence," *Defence and Peace Economics* 14 (2003): 237–249.
22. Russel Hardin, "The Crippled Epistemology of Extremism," in *Political Extremism and Rationality*, ed. Albert Breton, Gianluigi Galeotti, Pierre Salmon, and Ronald Wintrobe (Cambridge and New York: Cambridge University Press, 2002): 143–160.
23. "Democracy in the Middle East: Mainstreaming Terrorists," *Economist*, June 25, 2005, 15.
24. Peter R. Neumann, "Bringing in the Rogues: Political Violence, the British Government and Sinn Fein," *Terrorism and Political Violence* 15 (2003): 154.
25. The literature is reviewed in Bruno S. Frey, Bruno S., and Simon Luechinger, "Terrorism: Considering New Policies," in *The Economic Costs and Consequences of Terrorism*, ed. Harry W. Richardson, Peter Gordon, and James E. Moore (Cheltenham, UK, and Northampton, MA: Edward Elgar, 2007): 17–37.
26. Alan B. Krueger and David D. Laitin, "Kto Kogo? A Cross-Country Study of the Origins and Targets of Terrorism," in *Terrorism, Economic Development, and Political Openness*, ed. Philip Keefer and Norman Loayza (Cambridge: Cambridge University Press, 2008): 148–173.
27. Robert J. MacCulloch and Silvia Pezzini, "The Role of Freedom, Growth and Religion in the Taste for Revolution," STICERD Working Paper No. 36, London School of Economics and Political Science, 2002.
28. Paul Wilkinson, *Terrorism versus Democracy: The Liberal State Response* (London and Portland, OR: Frank Cass, 2000).
29. David Cole and James X. Dempsey, *Terrorism and the Constitution. Sacrificing Civil Liberties in the Name of National Security* (New York: New Press, 2002), 15.