

# Three Strategies to Deal with Terrorism

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## Abstract

Deterrence has been a crucial element in fighting terrorism. An economic analysis of terrorism also points to other, alternative and potentially superior policies. We suggest three policies, which can well be integrated into existing constitutions of democratic and rule-based countries. Two policies are based on diminishing the benefits of committing terrorist acts for prospective terrorists. This can be done by decentralizing various parts of the society or by diverting attention from terrorists, once a terrorist act has been committed. A third policy is to raise the relative costs of terrorism by lowering the costs of non-violent means for pursuing political goals. (101 words)

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## **1. Introduction**

Most people, including above all politicians but also academics, automatically identify anti-terrorist policy with deterrence. Actual or potential terrorists must be subdued by harsh measures in order to prevent them to undertake any action. If they nevertheless become active, they must be punished so severely that nobody else dares to imitate them. Governments all over the world have followed this strategy by enacting strict anti-terrorism laws, by tightening security in all possible areas, by curtailing political and human rights of the population in general, and by strongly increasing the budgets of the police, intelligence and the military forces.

The Economic Approach to Terrorism has, with few exceptions followed this line (for general introductions into the economic analysis of terrorism, see Frey 2004; Enders and Sandler 2006; Krueger 2007). It is based on the rational choice approach to crime pioneered by Becker (1968) stipulating that all individuals, including criminals, systematically respond to a change in the relative cost of the actions considered. Increasing the probability of apprehension and the severity of punishment induces individuals to revert to non-violent activities. This also applies to terrorists (Landes 1978). This expected utility calculation focuses on negative sanctions, or on deterrence, and tends to disregard other possibilities to change the relative costs of violent against non-violent means of action.

In this paper, we take a totally different policy perspective. We propose three strategies to deal with terrorism. 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.

## **2. 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 US economy as a target: “It is important to hit the economy [of the US], which is the base of its military power [...]” (BBC News 2001). In the following, 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 (Frey and Luechinger 2004).

Any system with many different centers is more stable due to 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 more so 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 over 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; no effect is found for other indicators of federalism (Dreher and Fischer 2007).

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 another. If one of them is eradicated due 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 (see Frey, Luechinger and Stutzer 2007a; b for a survey on the economic consequences of terrorism and an estimate of the overall consequences of terrorism in France and the British Isles).

### **3. Diffusing Media Attention**

The relationship between terrorists and the media can be described as “symbiotic” (Chalk 1995; Rohner and Frey 2007). 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 a maximum effect (Nacos 1994). 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 in order 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 (Wilkinson 2000). 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 which 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 limited.

We propose an alternative way of diffusing media attention without infringing on the freedom of the press (see also Frey 1988). 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 to be responsible. 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 disperses 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 having undertaken 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, in order 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 counter-terrorist methods 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.

#### **4. 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 non-violent 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 (2003) and Berrebi (2008) find that poverty does not increase the propensity to participate in terrorism. 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 (Maleckova 2006; Krueger 2007). 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 (Berrebi 2003; Krueger and Maleckova 2003). Finally, according to cross-country studies, poverty does not increase terrorism risk, as assessed by an international risk agency (Abadie 2006) or reflected in the number of international terrorist attacks (Piazza 2006), nor do perpetrators predominantly stem from poor countries (Krueger and Laitin 2008). The pattern can be explained by understanding that terrorists are not so much motivated by their own material gain but rather 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 (Krueger 2007). Therefore, in the following we propose counter-terrorism policies aiming at lowering the relative costs of pursuing political goals by non-violent means by reintegrating terrorists and providing access to the political process as well as welcoming repentants (see more fully Frey and Luechinger 2003).

One of the most fundamental human motivations is the need to belong, and this also applies to terrorists. 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 (Hardin 2002). 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* (2005, p. 25) 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.” This evaluation is

buttressed by Neumann (2003, p. 154) 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.”

If terrorists’ and their supporters’ inclination to participate in violent activities can be lowered by offering them non-violent 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 (the literature is reviewed in Frey and Luechinger 2007). 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, i.e. terrorist activity is most prevalent in countries with an intermediate degree of political freedoms or democracy. This is evidence for two countervailing effects: On the one hand, wide-ranging political rights decrease the costs of non-violent 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 (2008) calculate the average number of terrorist attacks per country based on the origin of the perpetrators. 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 micro-data. MacCulloch and Pezzini (2002) analyze the determinants of revolutionary preferences of respondents in three surveys conducted over three time periods between 1981 and 1997, containing the answers of 130,000 people living in 61 countries. 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 3 to 4 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 (Krueger and Laitin 2008) and stated preferences (MacCulloch and Pezzini 2002).

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 programme turned out to be an overwhelming success (Wilkinson 2000). It provided the police with detailed information, which helped to crack open the *Brigate Rosse* cells.

## **5. Concluding Remarks**

Politicians and most academics focus on deterrence and pre-emption when considering counter-terrorism policies. We argue that the application of the economic methodology to the study of terrorism offers a wider range of anti-terrorism 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 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 paper support the view that “there is no contradiction between a robust application of constitutional rights and an effective counterterrorism strategy” (Cole and Dempsey 2002, p. 15). On the contrary, extensive separation of powers is the cornerstone of the constitution in all democratic countries, 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 counter-terrorism policies also point at the costs and potentially counter-productive effects of ill-founded counter-policies. 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 from doing so.

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