



Editor's commentaries on September 11, 2001

Terrorism

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Terrorism is defined as “the systematic employment of violence and intimidation to coerce a government or community into acceding to specific political demands” (The New Shorter Oxford English Dictionary, 1993). Whether or not such an act is viewed as good or evil depends on particular circumstances and involves a normative judgment.

For example, during the early stages of the French Revolution, adherents or supporters of the *Jacobins* advocated and practiced methods of partisan repression and bloodshed in the propagation of principles of democracy. Many French citizens viewed such terrorist acts favorably, at least until the Revolution of 1789 descended into the Terror of 1793–94 under the Directorate dominated by Danton, Robespierre and Marat (Hugo, [1874], 1998). Yet these same terrorist acts were viewed throughout as evil by most members of the French Aristocracy and by many others loyal to the Crown and fundamentally opposed to French republicanism.

Similarly many Irish American Catholics revere and fund acts of terror perpetrated against the United Kingdom by the *Irish Republican Army*, whereas the large majority of United Kingdom citizens view these same acts as evil applications of atheistic, Marxist-Leninist dogma.

Most recently, the governments of several countries in Africa and the Middle East, notably Afghanistan, Somalia, Iraq, the Yemen, Sudan, Libya, Syria, Pakistan, Iran, and Saudi-Arabia, have nurtured and financially supported the training of terrorists broadly defined as members of *al Qaeda* to enable them to launch a sequence of successful terrorist attacks on the United States and to threaten similar attacks on other advanced Western nations. Yet, the vast majority of citizens of all civilized, advanced nations despise *al Qaeda* as the epitome of evil, indeed as the Godless perpetrators of torture, pillage, enslavement of women and mass murder and mutilation.

1. The heterogeneous nature of terrorist groups

Terrorist groups manifest themselves in a wide variety of shapes and sizes. Some groups, like the *Irish Republican Army*, *La Cosa Nostra*, *Fatah*, *Hamas* and *Hezbollah*, *Baader-Meinhof* and *The Shining Path*, are geographically concentrated and culturally and politically homogeneous. Other groups, like *al Qaeda* are geographically dispersed and culturally and politically diverse. More rarely, terrorists take the form of lone individuals, like the *Unabomber*, who respond violently perhaps to mental illness, perhaps to perceived personal failure to perform satisfactorily in civilized society.

Small homogeneous groups organize their activities rather like the special interest groups depicted in Mancur Olson's (1965) logic of collective action. They overcome the free-rider problem that confronts all organizations pursuing goals that are public goods or bads, in part by privatizing the benefits from collective action and in part by enforcing supply either through physical intimidation or by moral suasion. Because they operate illegally and cannot enforce contracts through the legal system, they must rely heavily on networks of trust, based either on religious fanaticism or on excessive greed for wealth, but always reinforced by violence against individuals and the families of individuals who seek to defect from or to betray the group. In such circumstances, individuals who join a tightly knit terrorist group confront the equivalent of a serious transitional gains trap that strongly deters exit (Tullock, 1975).

Large, heterogeneous terrorist groups confront more serious difficulties in building membership and in deterring defections and betrayals. Mancur Olson (1965) predicted that large groups pursuing goals with pronounced publicness characteristics tend to be less successful than smaller, more homogeneous groups unless they are organized for some other purpose that provides private benefits to their members. In essence, such terrorist groups by-product terrorism by providing selective benefits.

For example, the *al Qaeda* leadership preys on illiterate, simple-minded male drop-outs drawn primarily from a range of Middle Eastern countries (but also from Europe, North America, Africa, Australasia and Asia) by indoctrinating them in fanatical Islam, by focusing hostility towards such "Western Values" as capitalism and individualism and by promising each terrorist such Heavenly pleasures as rivers of sweet honey and holy wine, 72 virgin brides and free passes to Paradise for 70 of his friends and relatives should he die in an attack on the Infidels. Many are coerced into engaging in suicide attacks by threats of torture or death threats to their families should they refuse to serve coupled with promises of long-term financial support of their dependents should they successfully complete their mission.

Senior members who actively plan or execute terrorist attacks are provided with affluent lifestyles and international travel that are unattainable through ordinary market transactions. The *Fatah* motivates its membership into launching suicidal attacks on Israel by promising the establishment of a socialist State of Palestine and the removal of the Jewish occupation. *Hamas* and *Hezbollah* motivate membership by promising the elimination of Israel from the map of the Middle East.

Large terrorist groups that are not grounded in one nation state clearly confront serious problems of free riding that cannot be overcome solely by reliance on selective benefits. To effect supply, the larger umbrella organizations, such as *al Qaeda*, encourage the emergence of a network of much smaller cells motivated and trained through a wide range of geographically dispersed training camps. The network externalities provided by the umbrella group allows such a terrorist group to obviate the impact of changing national borders that otherwise would tend to weaken the internal cohesion of the group (Olson, 1980). The small nature of each cell also allows cell leaders to foster an atmosphere of trust and a fear of exit conducive to high risk-taking among the membership. Because the cells operate independently of each other, the identification of any one cell by the victims of an act of terrorism does not automatically or easily expose other cells or the umbrella organization to effective retributive action.

Furthermore, pan-Islam disposes adherents of that faith to view themselves as Muslims first, and as citizens of particular countries second. Clearly, this doctrine helps *al Qaeda* and other multi-national terrorist groups to overcome the logic of collective action.

2. Linkages with nation states

Terrorist groups often enjoy the geographical protection and financial support of countries that share common terrorist objectives but that desire to avoid the international sanctions that would be invoked by overt action. Such has been the case of successive governments of the Irish Republic that until recently provided covert support for the *IRA*. It continues to be the case in Palestine, with respect not only to *Fatah* but also to *Hamas* and *Hezbollah*. It is clearly the case of Iraq, the Yemen, Syria, Pakistan, and Saudi-Arabia with respect to *al Qaeda*.

The relationship between terrorist groups and nation states, however, is more complex than a simple sharing of hatreds. The insecure governments of certain nation states pay off terrorists within their borders to avoid destabilizing military attacks and/or to secure their support in attacking border enemies.

Such is the case with Egypt, Saudi-Arabia, Pakistan, and the Yemen with respect to *al Qaeda* and of Palestine with respect to *Hamas* and *Hezbollah*.

The temporary controlling authorities in such failed states as Somalia, the Yemen, Sudan and, most spectacularly, Afghanistan go yet further, allowing themselves to be purchased by such well-funded terrorist groups as *al Qaeda*, placing themselves on the payroll of the terrorists and effectively becoming handmaidens to their designs. The public choice analysis of such hijacked states does not yet exist. Inevitably, a relevant literature will emerge in the wake of September 11, 2001 (Shughart, 2003).

3. The goals of terrorists

By the nature of its terrain, terrorism undoubtedly attracts the services of a number of mentally unstable individuals, whose behavior cannot be subjected systematically to economic analysis. For the most part, however, such individuals are the exception rather than the rule, and, typically, do not achieve significant leadership roles in substantive terrorist groups. They do not do so because terrorist groups pursue rational goals that would be subverted or nullified by unpredictable behavior. Those who are mentally disturbed are used by the rational leaders of terrorist groups, as are the ignorant, religiously indoctrinated fanatics who seek an early entry into Paradise, and or who seek large financial side payments to their families, as compensation for engaging in acts of self-destruction.

The leaders of all successful terrorist groups are rational actors motivated by the maximization of some combination of expected wealth, power, fame and patronage, much in the way of other members of society. They differ markedly from most other individuals with respect to their attitudes towards risk, typically manifesting risk preference in relatively extreme forms such as a relatively low regard for human life and a relatively low level of genuine attachment to associates and colleagues. Because these latter preferences differ so markedly from those of other individuals, their behavior appears to be irrational. Fundamentally, however, this is not the case.

Individuals with similar preferences and attitudes towards risk occupy many legitimate areas of activity. Examples include William Jefferson Clinton in politics, Michael Milken in stock trading and Jimmy Bakker in the populist religion market. Such individuals respond to perceived rewards and penalties, albeit while skirting the edges of potential personal disaster.

Terrorist leaders likewise respond rationally to expected costs and benefits. They can be deterred or diverted by actions that manifestly lower the net expected benefits of terrorist attempts (Shughart, 2003). Their rational goals imply that they seek to impose the maximum possible terrorist cost for any

given outlay of resources (Enders and Sandler, 1995). Because they operate in environments unregulated by any rule of law, their behavior is less constrained as it edges towards extremism than typically is the case of those with similar pathological symptoms who remain more or less within the civilized sectors of society.

4. The relevance of religion

Many of the Middle Eastern terrorist groups, notably *al Qaeda*, *the Palestinian Islamic Jihad*, *Hamas* and *Hezbollah* organize themselves around the rhetoric of a radical interpretation of Islam and seek to impose this religion on Middle Eastern countries that are deemed to have betrayed the Muslim faith. It is doubtful whether the affluent leaders of these groups, for example Osama bin Laden in the case of *al Qaeda*, or Dr. Rathi Abd al-Aziz and Sheikh "As" ad Bayyud al-Tamimi in the case of the *Palestinian Islamic Jihad*, have any serious use for the Muslim faith other than as a device for attracting followers. Certainly their respective life-styles do not conform to the stringent standards required by that faith. Such, however, is not the case for the large majority of their footsoldiers.

Although it is currently politically correct to refer to Islam as a peaceful religion, this is a less than accurate interpretation even with respect to its less radical versions. Contemporary Muslim faith, rather like medieval Christianity, is very rule oriented, in the sense that it sets out precise requirements for prayer, fasting, alms and economic exchange.

This type of rule-oriented doctrine leads to dogmatic and precise rule-following behavior on the part of ignorant and ill-educated Muslims and provides a fertile breeding ground for terrorism when manipulated by charismatic leaders. Such strict adherence to doctrine also fosters conflict between Islamic sects on the basis of relatively minor differences of interpretation. For example, Shias consider Sunnis to be apostates and vice versa.

Unlike Christianity, the Muslim faith has experienced no modernization to accommodate the requirements of a developing world. Indeed, contemporary Islamic thought is impoverished as a consequence of the suffocation of Muslim intellectual activity since the tenth century (Kuran, 1995: 176). As Kuran notes (*ibid.*) the Islamic scholar Mohammed Arkoun makes two distinctions in characterizing public discourse in the Islamic world. One is between the *thinkable* and the *unthinkable*, the other between the *thought* and the *unthought*.

Noting that past generations of Muslims treated key tenets of the European Enlightenment as unthinkable, Arkoun argues that present generations of Muslims cannot even conceive of applying the methods of historical cri-

ticism to sacred texts and cherished traditions (*ibid.*). In consequence, the “resurgence of Islam is taking place on the basis of an immense unthought accumulated over centuries”.

If Arkoun is correct, he provides an explanation of the process through which educated leaders of terrorist groups secure such a powerful grip over the minds of their followers. By transferring beliefs from the realm of the thinkable to that of the unthinkable, social pressures within the group induce the withdrawal of those beliefs from public discourse. Members of the group become progressively less conscious of the disadvantages of what is now publicly favored and increasingly more conscious of the advantages. As a result, private opinion moves against the publicly disfavored alternatives. This offers an explanation of why groups go to extremes.

5. The relevance of geography

With the singular and important exception of *al Qaeda*, modern terrorist groups typically emerge within specific countries to eliminate governments that are perceived to be inimical, on religious, political or other grounds, to the goals of their leadership. The evidence strongly suggests that the large majority of countries that attract such terrorist groups are relatively small countries, surrounded geographically by other countries.

Hosts that manifest dictatorial oppression, religious conflict, periodic wars and periodically changing borders are especially attractive to such parasites. Countries that have access to sea routes and, therefore, that benefit from the comparative advantage of international trade, appear to be relatively less attractive as potential hosts. Presumably, the perceived economic advantages of trade outweigh the trade-destructive rhetoric of fighting for Islam typically utilized by terrorist leaders to motivate the local population into violence.

Many of the host countries are vulnerable to terrorism because they are the victims of artificial geographical boundaries imposed by former colonial Empires without regard to ethnic composition. Such is the case within much of the Middle East and much of sub-Saharan Africa (Rowley, 2000). Such synthetic nation-states, especially when they do not federalize in order to reflect customary tribal preferences, predictably result in ethnic violence and become breeding grounds for terrorist parasites (Shughart, 2003). The single party systems and outright dictatorships that dominate much of the Middle East and sub-Saharan Africa are highly attractive to pathological terrorist leaders not least because such politically vulnerable regimes tend to pay off rather than to confront terrorists by offering them safe harbor and subsidized access to economic resources.

6. The asymmetric nature of terrorist war

In the early twenty-first century, the United States is the world's only superpower, comparable in terms of military dominance to the ancient Roman Empire during the first two hundred years, A.D., and to the British Empire at its peak in the mid-nineteenth century. In principle, it should be invulnerable to its enemies, credibly capable of annihilating them should they dare to challenge its private space. Yet, the United States is peculiarly vulnerable to terrorist attack ironically because its human and physical capital is so valuable.

The term "asymmetric warfare" was coined first in the USSR during its unsuccessful attempt to defend its imperial seizure of Afghanistan against the "Holy Warriors" of the *Mujahedeen*. The term entered into the US military lexicon only in 1995 defined with elegant simplicity as "not fighting fair" (Bray, 2002: 25). Asymmetric warfare implies that singularly weaker forces are capable of imposing devastating costs on a massively stronger enemy without necessarily fearing the ultimate penalty of a nuclear or a nuclear-equivalent response. September 11, 2001 was the first manifestation of this phenomenon. This may prove to be the foretaste of yet more spectacular devastations should the terrorist presence not be substantially eradicated by forceful American action.

In order to understand the varying degrees to which terrorists engage in violence and the varying levels of devastation that they are prepared to impose it is important to distinguish between two types of terrorist groups, namely those that are stationary and those that are non-stationary (McGuire and Olson, 1996).

Stationary terrorists, such as the *IRA*, *Fatah*, *Hamas* and *Hezbollah*, that operate from well-defined territories and seek to advance the interests of members within the same or closely adjacent locations, predictably will engage in strictly localized and limited terrorist attacks. To engage in nuclear, biological or chemical attacks of any magnitude would be to run significant risks of harming their own members as well as of inducing equally devastating retaliations from those harmed. In a sense, rational stationary terrorists that have an *encompassing interest* (Olson, 1993) in the territory within which they operate are constrained from acts of widespread destruction.

Of course, if terrorists establish themselves as parasites on a host that believes that victims of terrorism will not retaliate by annihilating the host population – as was the case with *al Qaeda* in Afghanistan prior to September 11, 2001 – these constraints will not apply. For such terrorists have no encompassing interest in the host country from which they operate.

Non-stationary or roving terrorists operating through networks of interactive cells located secretly in many countries are the most dangerous of all,

since such cells have no encompassing interest whatsoever in the countries from which they operate and confront minimal risks of major retaliation even if their location is discovered following a terrorist attack. This is the reason the American victory in Afghanistan over Taliban and *al Qaeda* forces in the months following September 11, 2001 is only a first step in the war against terrorism. The non-stationary cells of *al Qaeda* located, it is estimated, in some forty to sixty countries world wide are significantly more dangerous than were those located in Afghanistan under the leadership of Osama bin Laden and Mohammed Omar.

Because rogue states like Iraq and Pakistan may be willing suppliers of weapons of mass destruction both to stationary and to non-stationary terrorist groups, the war on terrorism cannot be deemed to be successful until their autocratic leaders have been removed and their political systems have adjusted to secure individual liberties, private property rights, limited government and the rule of law.

7. The cost of terrorism

Because of the nature of an asymmetric war, terrorists are able to impose very high costs on their enemies at seemingly trivial costs to themselves. September 11, 2001 is the most extreme example to date of this asymmetry. It has been estimated that the successful attacks launched on that day against the United States may have cost the terrorists no more than \$200,000. (The terrorist lives lost were at most costless since the perpetrators were expediting their journey to Paradise).

The present value of the economic damage to the United States economy, however, has been estimated to be perhaps as much as two trillion dollars (Navarro and Spencer, 2001). Immediate costs, counting the value of lives lost, property damage and lost production are well in excess of \$100 billion. The annual cost of airport and airline anti-terrorist measures is estimated to be in excess of \$40 billion. Although the initial stock market estimates of the collapse of market capitalization undoubtedly were excessive at \$2 trillion, nevertheless, the loss of investor confidence (animal spirits) together with the drag on economic incentives likely to ensue from greater government involvement in the economy and from larger budget deficits predictably will extract a savage toll on the rate of growth of the US economy over the following several years.

Since September 11, 2001 involved only a very limited strike at localized US assets, and since credibly *al Qaeda* agents have access to weapons of widespread destruction, the expected cost of terrorism to the United States and to its other seriously committed allies is dramatically higher than the two

trillion dollar estimate by Navarro and Spencer, at least in the absence of a successful war on the terrorist network. Yet, in an environment in which weapons of mass destruction become ever cheaper and easier to hide, the very notion of a successful war against roving networks of terrorists is at best likely to prove ambiguous.

Fundamentally, moreover, the economic costs of terrorism against the United States pale into insignificance by comparison with the loss of liberties and the erosion of the rule of law that the war on terrorism inevitably imposes. The American criminal laws, already badly crippled by complex rules of discovery, by excessively lax bail facilities, by televised trial circuses and by a decrepit jury system (Tullock, 1997) are clearly incapable of dealing effectively with accused terrorists. Inevitably, the administration has resorted to a *de facto* suspension of *habeas corpus* and to reliance on military tribunals in order to skirt the manifest limitations of the American trial courts.

Equally serious are the adverse implications of the war on terrorism for the freedom of movement and protection against search of innocent American citizens. Such freedoms, hard won in the eighteenth century by the Founding Fathers, almost squandered in the mid-nineteenth century during the War of Northern Aggression, and only slowly re-established thereafter, are in process of being shredded once again.

The most significant costs imposed on Americans by the successful terrorist attacks of September 11, 2001 undoubtedly are those arising from the erosion of individual freedoms, private property rights, limited government and the rule of law.

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