

# Not by Bullets Alone

**DEALING WITH TERRORISM — STICK OR CARROT?**

BY BRUNO S. FREY

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A man straps a bomb to his body, walks into a crowded market, and detonates it, killing himself and dozens of others. Is he rational? If you're like most people, you probably doubt it. But consider: The terrorist has goals and acts systematically to attain them. Bruno Frey, an economist at the University of Zurich, says this makes him rational — and, as a result, subject to economic analysis.

In his book, *Dealing with Terrorism — Stick or Carrot?* Frey argues that conventional approaches to dealing with terrorism are flawed. Relying on coercion — especially the use of force against terrorists and countries that harbor them — can be counterproductive. Instead, he would like to see incentives used to induce terrorists to refrain from violence and to prevent potential terrorists from joining organizations like Al Qaeda.

Such a reorientation of policy would turn “the whole interaction between terrorists and the government” into a positive sum game, in which both sides benefit. The government would expend fewer resources on costly military interventions. And the terrorists would be given an opportunity to alter their current circumstances, which otherwise could lead to eventual incarceration or death.

Frey calls this the “economic approach” to analyzing terrorism. Its guiding principle is that terrorists “compare the costs and benefits of alternative actions.” When the benefits of engaging in terrorism rise, they engage in more of it. And when the costs rise, they engage in less of it. The key is to reduce the benefits that terrorists receive from engaging in violence — and, in the process, increase the opportunity costs of those actions.

**The Proposals**

Frey has three general proposals to either reduce the frequency or effectiveness of terrorism. First, to encourage decentralization — in the economy, government, and society generally. A country with multiple power centers makes a terrorist attack less devastating. On Sept. 11, 2001,

terrorists were able to bring down the World Trade Center buildings, structures that were strongly associated with Western market capitalism. In that way, it was a significant symbolic blow. But it did not fundamentally cripple the American economy, which is quite decentralized, with production and decisionmaking taking place all over the country. Countries with more centralized economies — especially those in which government plays a strong role and economic activity is isolated to a few geographic areas — would probably face greater turmoil following a terrorist attack.

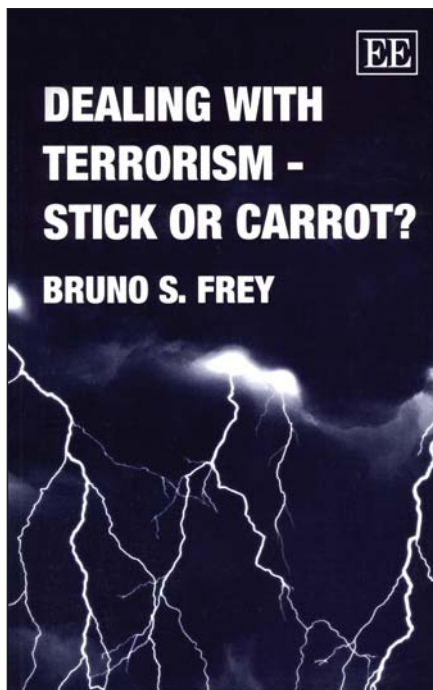
Second, to divert attention from terrorist groups. Consider the Palestinian Islamic Jihad (PIJ). It would like to see the destruction of the state of Israel and the establishment of a Palestinian state in its place. Members of the PIJ engage in suicide bombings and other terrorist attacks to further those goals. By taking such extreme action and having it broadcast around the world, these terrorists believe they can sway others who believe in their cause to support them and/or to scare those who oppose them to seek a compromise.

Frey suggests that when such an attack occurs, the government should simply decline to state which particular organization is responsible. This, he believes, would reduce the benefits that the PIJ would reap from such an act, because multiple groups with multiple goals, some of which are not necessarily consistent with the PIJ's, could plausibly claim credit for the attack. The act itself will have

been successful, but it will have done less to further the larger goal.

In addition, terrorist groups are often in intense competition with each other, even when they have similar beliefs. For instance, they may compete for the same group of possible new recruits. If one organization believes that another can “free ride” on a terrorist attack the first group commits, it's less likely to commit such an attack. By denying an organization credit for a terrorist act, you can deny it some of the attention and prestige it desires.

Third, to provide positive incentives for actual and potential terrorists to not engage in violent acts. By expanding the horizons of a potential terrorist, you can decrease the benefits and/or increase the costs of engaging in terrorism. If you are a



potential member of, say, Al Qaeda but get to know Westerners and understand their cultures and systems of government, you may become less likely to become a terrorist — for at least two reasons. First, you might sympathize less with Al Qaeda's goals. This reduces the psychic benefits you receive from joining a terrorist group. Second, you might come to believe that it is possible to improve economic conditions for you and your family. This increases the perceived opportunity cost of engaging in terrorism.

But how can potential terrorists actually gain such exposure to new cultures? On a micro level, Frey argues for a vigorous student exchange program. On a more macro level, he argues for reducing or eliminating sanctions against "rogue" states in an effort to bring them back into the international community. In addition, he argues that repentants should be welcomed. Terrorists who are serious about renouncing their actions and willing to provide information about their former associates should be given reduced punishments and guaranteed secure futures.

### **But Will They Work?**

Frey's framework of analysis is persuasive. But some will remain skeptical, and argue that terrorists just can't be reasoned with in the way that Frey argues. Instead, the only thing they understand is violence — and we must adopt policies that recognize this ugly fact.

Is that necessarily inconsistent with an "economic approach" to dealing with terrorism? Arguably not. By using force or the threat of it, governments are raising the costs of engaging in terrorist activity — do so and you face the possibility of being killed or sent to prison. This clearly affects the decisionmaking process for terrorists. It's similar to taxing other activities deemed undesirable, such as smoking, only the consequences are much greater.

Military intervention, then, can be seen as broadly consistent with Frey's overall strategy of relying on incentives to alter behavior — although it does conflict with his more specific proposals. It's difficult to engage in military action without singling out a specific organization as responsible for terrorist activity. In addition, it's inconsistent with offering terrorists incentives to resist from further attacks and to reintegrate them back into peaceful society. In short, "deterrence policy is difficult to combine with the positive approaches," Frey offers.

Moreover, war is expensive — in terms of both blood and treasure. Just as important, it may exacerbate the problem. By invading and then occupying foreign countries, you can create great anger throughout a region — and, hence, breed a whole new generation of terrorists who otherwise might have been less receptive to joining groups like Al Qaeda. So the use of force can raise the costs that terrorists face, but this approach has high costs, direct as well as indirect, of its own. Overall, it's better to use carrots than sticks, Frey argues.

### **Why Haven't They Been Adopted?**

If that's true, then why do governments resort to sticks rather than bring out the carrots? Partly, Frey argues, because governments don't want to be seen as weak. Better to act quickly and forcefully in response to a terrorist attack than to wait and consider what would be the most effective overall policy. (Indeed, even if governments do employ some of the policies that Frey suggests, they are unlikely to make them known, lest they be seen as appeasers. So while Frey is unable to offer many examples of his proposals working in practice — something that might help persuade skeptics — that doesn't necessarily mean that such examples don't exist.)

The carrot approach might also be unpopular because some of the key agencies within government — the military, the intelligence community, and the police — benefit from the use of force, Frey argues. They receive more resources and prestige. This argument is consistent with a standard "public choice" analysis: People in government are self-interested and enact policies that benefit them and their agencies. But is it right? In the case of U.S. antiterrorist policies, the facts don't seem to support this analysis.

There certainly were important public figures who favored going to war in Iraq, especially among civilian members of the Departments of Defense and State. But arguably the most prominent and articulate opponents of intervention were some of the very people who Frey states had an interest in going to war — military leaders, both active and retired. They argued that the direct costs of intervention were going to be larger than projected. They warned that intervention would not rid the Middle East of terrorists — that, in fact, it might increase their number. And, finally, they argued that it was hubristic to think that the United States could mold other countries in its image through the use of force.

This has significant implications for Frey's approach to fighting terrorism. It suggests that public opinion was more important in the drive to war than the self-interested behavior of government officials. The public supported military intervention, and got it. Polls suggest that a majority of people are having doubts now, and this, too, may affect the course of the war.

This means that government doesn't necessarily act according to a logic of its own, and that it's possible to implement noncoercive antiterrorist measures. This should gratify Frey. On the other hand, it means that he needs to convince a large share of the public that his approach has merit. He has his work cut out for him. It's one thing to believe that a specific military intervention is unwise or being prosecuted badly. It's quite another to believe that, as a general rule, carrots can be substituted for sticks. The former, no doubt, should be employed more widely. But the latter, for better or worse, are a tool that people will always be tempted to use. **RF**