

# Appeasing nihilists? Some economic thoughts on reducing terrorist activity

*Jan Schnellenbach*

Philipps-University Marburg  
Department for Public Economics  
Am Plan 2  
35037 Marburg, Germany

schnellenbach@wiwi.uni-marburg.de

**Abstract.** Recent contributions to the economics of terrorism have given contradicting recommendations for campaigning against terrorism, from the proposal to deprive terrorists of their resources to the proposal of raising the opportunity costs of terrorism by increasing the wealth of the affected regions. Within a simple framework which differentiates between the decision to become an active terrorist and the decision to support terrorists and which allows for reciprocal reactions to anti-terrorism policies, it is argued here that undifferentiated deterrence may indeed backfire, but so may an increase of the opportunity costs of terrorism. A very targeted anti-terrorism policy aimed only at active terrorists would then be the most reasonable remaining approach.

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## 1. INTRODUCTION

There is a large number of economic approaches to the problem of terrorism that treat the individual decision to engage in terrorist activities as a rational choice calculus, which is largely in line with empirical evidence. For example, the data show that terrorist activities decrease with the severity and likelihood of prison sentences and with the effectiveness of the technology used to prevent terrorist acts (Landes 1978). And even if one is not willing to attribute individual rationality to each and every suicide bomber, one can still argue that the leaders of terrorist groups who guide and encourage the suicide bombers are rational individuals, so that the phenomenon of terrorism as a whole remains a reasonable subject for rational choice approaches (Rathbone and Rowley 2002).

Sandler and Enders (2004: 302) define terrorism as “*the premeditated use, or threat of use, of extranormal violence to obtain a political objective through intimidation or fear directed at a large audience*”. Until recently, there appears to have been a consensus that the political objectives that are assumed to appear in the utility function of terrorists are more or less “constructive” goals, such as establishing political independence for a region or an ethnic group, demanding the release of fellow terrorists from imprisonment, or promoting one’s own faith and ideology. If that is the case and terrorists are indeed rational, the amount of terrorist activity conducted by one specific group may be reduced by seeking a political compromise with that group – although, of course, the problem exists that in the longer run

terrorism may then be perceived as a feasible strategy by other political groups, which again would lead to an increase of terrorist activities. In conflicts such as the struggle between Irish republican catholics and protestant Ulster loyalists, the attempt to decrease terrorist activity by seeking political compromise has certainly led to a decline of terrorist activity.

On the other hand, the kidnapping of German politician Peter Lorenz by the Red Army Fraction in 1975, which has been peacefully resolved by exchanging Lorenz for imprisoned members of the terrorist group, is an example for a compromise that has motivated further attempts by terrorists to emulate this once-successful strategy. This is consistent with the game-theoretic insight that only a strict non-negotiating policy will deter terrorists from attempting extortions (Lapan and Sandler 1988, Sandler, Tschirhart and Cauley 1983, Selten 1988) and only in the case that attempting extortion does not involve other sources of utility, e.g. a reputational utility from decapitating the hostage if negotiations fail.

Recently, the argument has been made by different authors that islamic terrorism as we observe it today is not directed at enforcing “constructive” goals, but rather of a purely destructive or nihilist nature. This paper differs from other recent contributions to the economics of terrorism in assuming that there is a kind of terrorism which is not undertaken to achieve feasible political goals through extortion (as recently assumed by Frey and Luechinger 2003 as well as Konrad 2002) but which aims purely at producing damage to a perceived enemy, or as Plaut (2004) puts it: *“terrorists seek to achieve the annihilation of their targets, not a negotiated*

*solution*". Section 2 argues that the phenomenon of nihilist terrorism is indeed of empirical relevance, and not only with regard to islamist terrorism. In Section 3 it is argued that efforts to seek political compromise with nihilist terrorists or to offer them alternatives to careers in terrorism are likely to be futile or even counter-productive. In Section 4, however, an argument based upon the economics of reciprocity is made that conventional deterrence against terrorists has also the potential to evoke an increase of nihilist terrorism. Finally, Section 5 offers some conclusions.

## 2. NIHILISM AS A FEATURE OF TERRORIST ACTIVITY

The Merriam Webster dictionary defines nihilism as a "*doctrine or belief that conditions in the social organization are so bad as to make destruction desirable for its own sake independent of any constructive program or possibility*". But can the seemingly uncompromised taste for destruction shared, for example, by suicide bombers really be attributed to nihilism or is the terrorist act merely an instrument to achieve other, constructive purposes? Bernholz (2004) has introduced the notion of supreme values into the economic discussion of terrorism, reasoning that terrorists tend to have lexicographic preferences where the achievement of one primary purpose or the worshipping of a dominant ideology is more important than any other possible argument in the terrorist's utility function. For an individual with completely lexicographic preferences of this kind, there is no trade-off between consuming ordinary private or public goods on the one hand and becoming a

terrorist on the other hand. If he or she does indeed feel obliged to honour his or her supreme values, the individual is willing to sacrifice his or her career, income or even life if he or she believes that this is instrumental in achieving the primary purpose.

In such a framework, even suicide terrorism is not paradoxical *per se* from a rational choice perspective – it is simply the manifestation of a very odd set of individual preferences. There does, however, exist the problem that terrorist acts often are ill-suited to achieve the primary purposes that are usually attributed to individuals who engage in terrorist activity. It is, for example, quite clear that Israel will accept an independent state of Palestine only if the Palestinian side abstains from terrorist activity, or as the so-called *Roadmap* puts it: “*A two state solution to the Israeli-Palestinian conflict will only be achieved through an end to violence and terrorism, when the Palestinian people have a leadership acting decisively against terror [...]*”. If the aim of Palestinian terrorism was indeed to establish an independent state of Palestine, sustaining terrorist threats would obviously be counter-productive. However, a look at the internal charter of the *Islamic Jihad* movement (see Hatina 2001) shows that not so much the establishment of a Palestinian state is the primary purpose of this organisation, but the mere existence of the state of Israel on what is perceived to be arab soil is considered as unacceptable. Obviously, a rational jihadist cannot seriously expect that his or her terror does indeed lead to an abolition of the state of Israel – in this sense, the primary purpose that the organisation has defined for itself is simply not feasible.

But it can be interpreted as a justification for a nihilist taste for producing damage to a social organisation, in this case the state of Israel.

In a similar vein, Sarhane Ben Abdelmajid Fakhet, the leader of the terrorist group that conducted the train bombings in Madrid on March 11, 2004 has in his suicide note not only referred to the participation of Spain in the invasion of Iraq as justification for the attacks, but he also referred to a restoration of *Al Andalus*, i.e. of islamic rule over the Iberian Peninsula. A similar statement has been made by the leadership of Al Qaeda shortly after the attacks of September 11, 2001 (Wright 2004). Retaliation for an event that occurred 512 years before the Madrid bombing – the expulsion of muslim rulers from Spain in 1492 – and the obviously non-feasible purpose to restore the situation before this event serve as a narrative to justify the killing of 191 victims and the wounding of over 1800 individuals. Another very disturbing account of nihilist motives in terrorism is to be found in Laqueur (2003: 43-48) who reports on the plainly sadistic execution of terrorist acts by muslim terrorist groups, whose members apparently enjoy a perverse utility from the suffering of their victims.

These examples show that, besides the kind of terrorism that is used to serve feasible purposes, there exists a kind of terrorism that aims not at achieving clear-cut

political goals or at earning a private fortune through extortion. One of the assumptions made in this paper is therefore that there exists terror that aims *only* at threatening given social orders without having the purpose to achieve any feasible political goals. This hypothesis is loosely connected to some of the psychological literature on terrorism. Ditzler (2003), recurring to Hoffman (1995), makes a distinction between three types of terrorism. The first is *rational terrorism*, where the notion of rationality is much narrower compared to that of economics. It is meant to denote the activity of terrorists who aim at achieving “constructive” goals, who recognize trade-offs between the goals they attempt to achieve through terrorism and other arguments in their utility function and who can therefore be reasonably targeted by negotiations – put economically, these are terrorists who do not have lexicographic preferences. The other two types, *psychologically* and *culturally* motivated terrorists are typically characterised by lexicographic preferences. These may for example be psychologically disturbed individuals with an irrepressible want for revenge or retaliation through terror, or individuals who believe that they have to defend or expand their cultural worldviews by engaging in terrorism.

Pyszczynski et al. (2003, ch. 7) argue that terrorist activity often is not motivated by a desire to reach any “constructive” goals, but much rather by a deep-seated psychological want to annihilate those who do not share the cultural worldview of the terrorist himself. In the case of Islamic terrorism, the mere existence of pluralist and secularist alternatives to a fundamentalist way of life is perceived to be unacceptable: the *jihad* as a conquest of the *dar al-harb*, the non-Muslim world, is a

core motivation (Lincoln 2003). While such deep-seated psychological wants may be quite widespread in a population, it is interesting to ask what turns a latent into an actual terrorist. Sageman (2004), having studied the biographies of 171 jihadists, argues that group bonds and close social ties within groups that eventually turn into terror cells are an important factor.

Before the economic implications of a nihilist motivation for terrorism are explored in the next section, it is important to note that, although at the moment islamic terrorism appears to be a prominent example, it is certainly not a feature to be found exclusively in islamic terrorism. The bombing of an office building in Oklahoma City in 1995 or the series of mail bombs sent by the so-called Unabomber are other recent examples for a nihilist motivation in terrorism. Thus, culturally motivated terrorism does also not necessarily need to have religious roots. On the contrary, completely secular political belief systems may also serve as a motivation.

### 3. ON THE DIFFICULTIES OF APPEASING A NIHILIST

**3.1. The economics of carrots in anti-terrorism policy.** Frey (2004) argues that an effective anti-terrorism policy can be designed around the idea of playing a positive-sum game. According to this approach, policy ought to be designed such that it leads to a pareto-superior situation compared to the status quo – i.e., it has to produce welfare gains for terrorists as well as for those who suffer from terrorist attacks. A pure deterrence strategy with the intent to increase the welfare of (potential) terror victims at the expense of terrorists does obviously not meet

this requirement. Playing a positive-sum game with terrorists clearly implies a voluntary exchange between two parties: a society that is harmed by terror offers to exchange resources in order to gain peace and a terrorist offers peace in order to gain resources to which he or she has not had access before. This exchange does not necessarily need to take the form of an explicit contract, which would introduce new problems of surveillance and enforcement. Frey and Luechinger (2002, 2003) instead propose the more elegant solution to set incentives in the form of rising opportunity costs of terrorist activity. According to this reasoning, making alternatives to terrorist careers more attractive will automatically lead individuals who ponder on the allocation of their resources to invest more of them into other activities and less into pursuing terrorism.

From this perspective, it is reasonable that anti-terrorist policies simply ought to exploit this substitution effect in order to reduce terrorist activity. This can for example be achieved on a broad scale by investing into foreign aid in order to increase the income that can be achieved in peaceful occupations, or in a more targeted fashion by offering alternative careers to terrorists, i.e. by increasing the attraction of exiting a terrorist organisation and returning to civil society. In a similar vein, Frey and Luechinger propose to open the process of political participation to terrorists in order to increase their potential to pursue their goals through non-violent activities and reduce their attraction to violence.

These proposals provoke some obvious objections. For example, an extension of the simple model to multiple periods and individuals leads directly to the problem

that in the longer run, increasing the opportunity costs of terrorism may be understood as an indirect reward for terrorist activity. If Palestinian terror is rewarded not only with international sympathy for the Palestinian cause, but also answered with foreign aid in order to increase the opportunity costs of terror to Palestinians, this terrorist strategy may easily become a blueprint for separatist movements around the world – even if raising the opportunity costs should prove to be a successful strategy to reduce *Palestinian* terrorism, which, given the empirical evidence on the relative income status of terrorists (Krueger and Maleckova 2004), appears to be doubtful. On the contrary, the argument can be made quite convincingly that in the Palestinian case, the attempt to enter a positive sum game has encouraged terrorism (Dershowitz 2002). The relevant question is thus: Why does the substitution effect fail at least in some instances when the opportunity costs of terror are increased?

**3.2. A first choice: becoming a terrorist or remaining peaceful.** An important first step towards understanding why appeasement may fail is to make a distinction between two very different choices. The decision if one wants to become a terrorist or remain a member of civil society is essentially not the result of a marginal calculus, but a binary choice. This is particularly obvious for suicide bombers: either the expected utility from producing a disutility to others exceeds the expected utility from leading a non-violent life or not, but it is impossible to substitute some terrorism for some peaceful family life or vice versa. Although less extreme, the same is normally true for non-suicidal terrorists. Being a terrorist and pursuing normal

ways of earning and spending an income are usually mutually exclusive lifestyles where marginal adjustments are difficult to make.

For the extreme case of a lexicographic nihilist, it is obvious that she is non-appeasable in the sense that she prefers a state of the world with lower utility for her opponent to a state with higher utility for her opponent, regardless of the values that the other arguments in her utility function such as normal consumption goods or non-violent political participation take under these two states. Therefore, all lexicographic nihilists necessarily become active terrorists – even if reputational rewards for terrorism would take negative values, i.e. a negative reputation follows from violent acts. This does also hint at the limited explanatory power of assuming supreme values in the form of lexicographic preferences, such as a lexicographic preference for doing harm to other individuals. The only means of preventing a lexicographic nihilist from doing harm is to lock him away. It is, however, not necessary to assume such an extreme preference ordering in order to explain the choice of becoming a terrorist.

Suppose that an individual's utility function takes the following general form

$$u = u(y, u_O, \rho, \vartheta) \tag{1}$$

where  $y$  is the own household income,  $u_O$  is the utility of the opponent,  $\rho$  is earthly reputation and  $\vartheta$  is an ethereal reward that an individual may believe to gain in exchange for mundane sacrifices. Clearly, a lexicographic nihilist who does not aim at raising  $y$  through terrorist activities (e.g. through extortion), who is not

interested in his reputation and who only wants to do harm to his opponent, even negative values of  $\rho$  and/or  $\vartheta$  cannot deter him from diminishing  $u_O$  to a target level  $u_O^*$ . The level  $u_O^*$  to which any single terrorist can depreciate the utility of her victims does, on the other hand, depend on the resources made available to her by a network of supporters who are not active terrorists themselves. This target level is taken as exogenous for now, but will be more closely considered in the following subsection. Suppose further that a non-violent career allows earning an income  $\bar{y}$  while the household of an active terrorist lives on an income  $\underline{y}$ . Then, while a rise of  $\bar{y}$  would *ceteris paribus* imply that a career in terrorism becomes less attractive, for a lexicographic nihilist it will still be the case that

$$u(\bar{y}, u_O, 0, 0) < u(\underline{y}, u_O^*, \rho, \vartheta) \quad (2)$$

as long as  $u_O > u_O^*$ , i.e. even while increasing the opportunity costs of a terrorist career makes a peaceful life marginally more attractive, a lexicographic nihilist is unappeasable.

A moderate nihilist can be assumed to be distinguished from a lexicographic nihilist by having a normal, continuous and differentiable utility function with the twist that her utility declines if  $u_O$  rises. This does, however, only slightly alter the binary choice of a moderate compared to a lexicographic nihilist. A moderate nihilist compares the two states of the world and enters a terrorist career if the non-pecuniary rewards are sufficiently high to make sacrificing a civilian income  $\bar{y}$  and diminishing  $u_O$  his preferred choice. The moderate nihilist *may* be appeased by raising his civilian income to a high enough level relative to his income as

a terrorist – but the necessary amount may be very high if the non-pecuniary rewards for being a terrorist are significant. Therefore, the introduction of supreme values (i.e. of lexicographic preferences) by Bernholz (2004) is not a necessary condition to explain a decision of individuals to become a terrorist or even a suicide bomber. Moderate nihilists react to pecuniary and to non-pecuniary incentives, but marginally raising the opportunity costs of terrorism may not be sufficient to alter the binary choices made by these individuals. In other words, there is a range of parameter values for which even potential terrorists with non-lexicographic, but malevolent preferences are non-appeasable with small changes of the opportunity costs of a terrorist career.

**3.3. A second choice: supporting terrorism.** Terrorist organisations do often rely on the support of individuals who are not active terrorists themselves, but who have sympathy for the goals of these organisations and who supply resources to them and thereby enable them to pursue a full-time career in terrorism. So far, the income  $\underline{y}$  generated from a terrorist career and the target level  $u_0^*$  of terrorist activities have been taken as given. It can, however, be reasonably assumed that both depend on the magnitude of support that active terrorists enjoy from those who are sympathetic with their activities. Suppose that, in the absence of a system that formally enforces the payment of taxes among the supporters of terrorism,  $u_0^*$  depends on the amount of voluntary contributions from these individuals. In plain words, the level of harm that can be done to the victims of terrorism by any single active terrorist rises with voluntary contributions by supporters of terrorism. This

assumption can be motivated quite easily and appears to be reasonably realistic. An active terrorist with a relatively large amount of resources at her disposal will naturally be able to buy relatively more effective weaponry, invest relatively more into collecting information about targets where she can produce a larger damage and so on.

Some of the standard results from the literature on voluntary contributions to public goods inform us that the aggregate level of contributions remains constant if wealth or income is redistributed within a fixed population of contributors in a zero sum fashion (see Bergstrom et al. 1986), but that an increase of overall wealth or income of this population will increase both the consumption of private goods and the aggregate voluntary contributions to the public good. Increasing the wealth of a population of supporters of terrorism (i.e., of individuals who have moderately nihilist preferences, but who do not choose to become active terrorists themselves) will thus, *ceteris paribus*, lead to an increase of resources that are made available to active terrorists. One can of course think of further effects of a wealth increase: For example, reciprocally minded individuals might react by feeling indebted to the donor who is responsible for their increase in wealth.

There are two fundamental objections that can be made against reasoning within such a simple model of reciprocity when the subject is nihilist terrorism. The first objection concerns the explicitly nihilist argument in the utility function of supporters of terrorism. If we are prepared to accept that such an argument exists in the preferences of a group of individuals, then a change of preferences (a reduction of

the nihilist propensity) would be necessary in order to overcompensate the increase of support for terrorism that results from an increase of wealth. But achieving a change of preferences is most likely much more ambitious than establishing cooperative behaviour of rational, but mutually disinterested individuals. In a framework in which nihilist preferences exist, it is therefore very unlikely that a contribution of a potential victim of terrorism to an increase of the wealth of a group of potential supporters of terrorism could actually reduce the aggregate level of support for terrorism by evoking adherence to Axelrodian tit-for-tat strategies – especially since the potential supporter of terrorism is in the role of a last mover and her individual decision to contribute to terrorism or not is hardly observable to the donor who is responsible for her increase in wealth (see also Hirshleifer 1987 for the role of malevolent last movers).

The second objection is concerned with the economic logic of reciprocity itself. A point frequently made in theoretical reasoning on reciprocity is that not only the resulting distributions matter if one wants to evoke complaisant behaviour of an adversary, but also the intentions behind the strategy choices (see Rabin 1993 and the recent generalisation to sequential games by Dufwenberg and Kirchsteiger 2004). If cooperative behaviour – abstaining from supporting terrorism at the normal utility-maximising level – is to be achieved, it is important that the perceived motivation of a wealth transfer from potential victims to potential supporters of terrorism is pure kindness. If, on the other hand, the recipients of a wealth transfer perceive it to be the donor's intention that he attempts to bribe them into reducing

their support for terrorism, no cooperative behaviour can be expected as a response. The wealth transfer is then not interpreted as an act of kindness, but rather as an instrument used by a self-interested donor to increase his net welfare by reducing his exposure to terrorist threats. Thus, even if the problem of a necessary change of nihilist preferences did not exist, there would still be the obstacle that a wealth transfer to a population containing supporters of terrorism must be understood as an honest act of kindness in order to reduce their support of active terrorists.

Given these considerations, it appears to be a likely outcome of a wealth transfer to a population containing supporters of terrorism that the amount of support granted to active terrorists does in fact rise. This, however, has repercussions on the decision to become an active terrorist sketched in the preceding subsection. Depending on how the additional means that are now supplied to active terrorists are used, either  $u_O^*$  can be lowered (terrorism becomes more efficient, i.e. more severe and harmful for the victims) or  $\underline{y}$ , the household income attainable by active terrorists may rise. The former obviously renders all forms of active terrorism, conventional and suicide attacks, more attractive in the binary choice (2). The latter has the same effect for conventional terrorism, and it may also help to increase active participation in suicide attacks if the attackers themselves are altruistic towards other members of their households and believe they can increase their wealth through participation in suicidal terrorist attacks. An example for such an incentive is the fact that the regime of Saddam Hussein regularly awarded substantial grants to families of Palestinian suicide bombers.

In any case, given only moderately nihilist preferences and the resulting likely failure to evoke a complaisant reciprocal reaction through wealth transfers, it can be expected that such transfers actually lead to an *increase* of terrorism. This increase may manifest itself both in an increased severity of terrorism, due to the additional resources made available to active terrorists, and also in an increased frequency of terrorist attacks, due to the fact that the career option of becoming an active terrorist becomes more attractive and more individuals may be lured into giving up their civilian lifestyles.

#### 4. DETERRENCE AND RECIPROCITY IN THE CAMPAIGN AGAINST TERROR

The discussion so far has indicated that wealth transfers (e.g. through foreign aid) are likely not to be suitable instruments to reduce terrorist activity if the population receiving these transfers comprehends individuals that have nihilist preferences. Contrary to the argument made by Bernholz (2004), it has been shown that moderate nihilism suffices to make this argument and that lexicographic preferences are not necessary to explain even suicidal terrorism. It would be an obvious reaction to this argument to endorse a strict deterrence-based approach to fight terrorism. Bernholz, for example, argues that depriving terrorists of their resources is the only reliable means of reducing terrorist activity. However, it has to be noted that such an approach has its own shortcomings which must not be ignored.

Nihilist preferences are not an easily observable feature of individuals, which leads to the difficulty that positive wealth transfers cannot be targeted only to those individuals with rationally disinterested preferences. However, this difficulty to identify the voluntary supporters of active terrorists also implies that a broad-based reduction of resources available to terrorists would require that the entire population is deprived of its resources. This raises the obvious normative objection that, if one is committed to normative individualism, one can hardly justify to reduce, as a collateral damage, the welfare of individuals who do not support terrorism (see also Franck et al. (2004) for a formal treatment of such a moral dilemma). But it also raises the problem that such a strategy is not a prudent anti-terrorism policy if it provokes reciprocal reactions within the affected population.

Even if attempts to evoke a complaisant reciprocal reaction from individuals with nihilist preferences by increasing their wealth are futile, it is still possible that they are willing to retaliate against attempts to deprive them of their wealth – in other words, there may be an asymmetry between a willingness to concede and a willingness to retaliate in responding to actions of an opponent, an asymmetry between positive and negative reciprocity. While the general existence of both types of reciprocity is empirically well documented (Fehr and Gächter 1998, 2000), the specific framework sketched here entails the problem that hostile acts can be easily identified and evoke negative reciprocity immediately, while the motives behind kind acts such as wealth transfers can be easily questioned in conflict situations of this kind. Thus, even if positive reciprocity is likely to fail, negative reciprocity is likely to

occur as a response to attempts of depriving a population containing supporters of terrorism of their resources.

Measures of undifferentiated deterrence directed at an entire population of actual and latent supporters of terrorism do therefore yield ambiguous results. While withdrawing (by force) the resources available to a population with a positive share of supporters of terrorism certainly reduces the overall potential for terrorism support, this may through a negatively reciprocal reaction be overcompensated by an increase of individual voluntary contributions to active terrorists. Even if this is not the case and the amount of resources available to active terrorists shrinks, the value of the reputation parameter  $\rho$  in (2) can be expected to increase, which can overcompensate an increase of  $u_O^*$  and induce more individuals to become active terrorists. This tendency is supported by the fact that undifferentiated deterrence of this kind not only reduces  $\underline{y}$ , but also the civilian income  $\bar{y}$ . Such an increase of the number of active terrorists with a simultaneous decline of material resources available to them does likely imply a shift to a different type of terror, away from elaborated large-scale attacks and towards an *intifada*-style threat. In this sense, undifferentiated deterrence is counter-productive.

However, if neither deterrence of this kind nor appeasement are reasonable strategies in a campaign against terrorism, then of what kind are the alternatives? Sageman (2004) points out with regard to islamic terrorism that there is a pool of individuals who took part in terrorist training camps, but who then decided not to become an active part of terror cells. He argues that these individuals ought to be not

a target of prosecution, but should rather be persuaded to infiltrate terror cells as agents of western intelligence. This hints towards the fact that a highly specialised and very targeted form of deterrence, aimed only at active terrorists and conducted by intelligence services rather than with the use of military force, is a third possible option as an anti-terrorism policy. It has the virtue that it provokes negatively reciprocal reactions not within an entire population hosting some supporters of terrorism, but only from those who sympathise with active terrorists - i.e., only from those who have nihilist preferences. If conducted properly, such an approach generates the information necessary to frustrate attempted terrorist attacks, as well as to retaliate against active terrorists, but leaves the sentiments of all individuals with standard, rationally disinterested preferences unchanged.

## 5. CONCLUSIONS

It has been argued in this paper that two measures proposed in the economic literature for a campaign against terrorism – undifferentiated deterrence and appeasement – may have the unfortunate effect that they actually *increase* the level of terrorist activities instead of decreasing it, under the assumptions that i) some people have nihilist preferences, ii) the decision to become an active terrorist is different from the decision to support active terrorists and iii) individuals tend to reciprocate. The result is, of course, somewhat discouraging: There is no silver bullet to put an end to terrorism and all measures proposed have some deficiencies. This is certainly also true for the third possible strategy proposed at the end of the

preceding section, but its deficiencies lie beyond the scope of the framework that has been used here.

Furthermore, the framework used for discussion here is limited to cases in which nihilist preferences are a widespread phenomenon in a population, so that voluntary support of active terrorists by civilians matters. However, there are cases conceivable where such widespread nihilist preferences do not exist, but where only an autocratic regime with such preferences channels resources into terrorism. Whether a regime change through military force would be instrumental for a decrease of terrorist activity is clearly a question that cannot be answered within the framework sketched here.

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