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Book Review

Enders, Walter and Todd Sandler. 2006. *The Political Economy of Terrorism*. Cambridge: Cambridge University Press. xiii + 278 pp. 0-521-61650-6 (paperback)/0-521-85100-9 (hardback). Price: £14.99/£40.00.

by Bjørn Møller (5 May 2006)

The work is written by two of the most prominent contemporary defense economists, both of whom have a long-standing interest in, and publications record on, terrorism and counter-terrorism. It thus offers a valuable account of the state of the art of political economy approaches to the study of this highly topical phenomenon. As it is mainly structured according to methodological criteria, however, the work is not so much comparable to a book on “all you need to know about house repair,” as to one on “hundred ways to use a hammer.”

Even though parts of the text are quite technical, most of it is certainly accessible to non-economists and readers with only ordinary mathematical skills. The methodologies applied range from game theory to regression analysis. Much of the empirical parts are based on the ITERATE data set (International Terrorism: Attributes on Terrorist Events), but other data sets are also taken into account. Nonetheless, the book does not provide as much actual statistical information on terrorism as one might have hoped for.

One of the main assumptions throughout the work is that terrorists are rational actors, comparable to the proverbial *homo economicus*, with clearly defined preferences and with strategies for maximizing their values. The authors even make a persuasive case that suicide bombers are (or at least may be) rational value-maximizers who simply make an “investment” (with their life) in the well-being of future generations. They might have added that religious suicide bombers may also see it as rational to sacrifice their lives if they believe in an afterlife, offering rewards that may well surpass those of a rather miserable life here on earth.

The interactive contest between terrorists and governments engaged in counter-terrorism eminently lends itself to analysis by means of game theory. This may illuminate terrorists’ choice between taking non-terrorist or terrorist action and, if the latter, between and among various forms of terrorism. These choices are made in consideration of counter-terrorist strategies adopted by their opponents, who in turn face a choice between (various forms of) defensive or proactive strategies and tactics. Whereas the well-known “prisoners’ dilemma” game may describe traditional terrorists, that of “chicken” may be a more appropriate rendering of the struggle against millenarian terrorists.

The two authors also use the theory of public and club goods in their analysis, identifying some important trade-offs involved in counter-terrorism. As liberal democracies are assessed as the most inviting targets of terrorist attacks, they face an uncomfortable choice between defending their citizens against attack at the almost inevitable expense of civil liberties, or to uphold civil liberties at the expense of a higher risk of terrorist attack. The choice is one between two public goods. Moreover, even though counter-terrorism could be viewed as furthering the global public good, the authors show that not all strategies are equally good at delivering on this

objective.

Effective defensive measures, such as the protection of airports or seaports, may simply lead terrorists to select substitute targets. Defensive measures thus can entail negative externalities (spill-over effects) for other targets or countries, revealing the measures as producing imperfect public or club goods. In contrast, proactive measures, such as attacking terrorist bases, may be pure public goods as the eradication of a terrorist organization will benefit everybody alike, presupposing that the terrorists are unable to relocate. However, the authors also duly acknowledge that such proactive or offensive measures as the invasion of countries sheltering terrorists may indirectly create “global public bads” that will have to be weighed against the immediate benefits. An even better strategy mentioned by the authors is to make non-terrorist activities more rewarding. Unfortunately, however, “when terrorism surfaces in a country, a common governmental reaction is to limit legitimate protest, thereby inducing more terrorism” (p. 109).

There are concrete points in the work that might be criticized, e.g., the categorization of the SPLA in southern Sudan as terrorist without any corroborating evidence (p. 8). When discussing financial aspects of counter-terrorism, the authors rightly point to the hawala form of money transfer as one which may be abused by terrorism, but they fail to mention the substantial negative externalities which would almost inevitably result from attempts to sever this widely-used money transfer chain on which for instance thousands of Somali civilians and others are critically dependent. A final critique is that the authors might have avoided uncritically repeating the widespread, but not necessarily true assertion that weak and failed states are “today’s safe havens for terrorist groups” (p.201).

All-in-all, this is a very sober, informative, and valuable contribution to the rapidly growing literature on terrorism as well as to peace and security economics.

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