

THE ECONOMICS OF TERRORISM: AN ECONOMIC PERSPECTIVE TO TERRORISTS' PSYCHOLOGY

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ABSTRACT

Terrorism has endured the constraints of time and mankind, prevailing for as long as mankind has existed, although maturing into an altogether different symbolization in today's contemporary world. There has been much heated debate on how such acts of violence are labelled and defined and what fundamentally constitutes terrorism. Thus, this paper initially contemplates the different interpretations of terrorism. It then goes on to analyse the existing evidence on the causes of terrorism, while demonstrating the economic assumptions about human behaviour critical for further analysis. It then goes into an in-depth analysis of the microeconomic and macroeconomic variables that come into play while studying the interrelation between terrorism and economics. It incorporates analysis of the level of knowledge about the causal chains between macroeconomic conditions and the frequency and quality of terrorism. It also assembles the knowledge on the impact of terrorism on the economy at micro and macro levels, while apprising the variables liable for such ramifications. It touches on the subject of counter-terrorism and finally concludes by conferring projected solutions to the exhaustive issue of terrorism and what policies governments around the globe have adopted to combat terrorism and their further implications on terrorism.

INTRODUCTION

Over the course of the concluding decade, researchers and academicians conducting investigative work on the terrorism caused due to anarchism have combined to a typical meaning of terrorism with regards to the essential terrorist occasion databases. There is no general concurrence on the meaning of terrorism. Various lawful frameworks and government

organizations utilize various definitions. Besides, governments have been hesitant to detail a settled upon and lawfully restricting the definition.ⁱ Troubles emerge from the way that the term has become politically and immanently charged. En masse, terrorism can be construed as premeditated attacks and assaults inflicted upon pacifists and the non-belligerent, usually with political persecution by subnational groups or clandestine agents.ⁱⁱ Such nihilism generally involves the use of violence or the threat thereof, in the quest for political, strict, ideological or social goals. The fundamental parts of terrorism are its viciousness or violence and political motivation or agenda behind it. The latter may involve agendas such as diminished financial segregation, expanded self-governance, more prominent income equality or upgraded opportunity. Terrorism may likewise be propelled by patriot/nonconformist or issue-explicit objectives as well. By depending on frightful demonstrations of the brutality of an arbitrary nature, the voting public or the target group for the ordeal feels especially powerless.ⁱⁱⁱ The first investigation into the field of terrorism economics dates back to a study by William Landes (1978). He led examination into what went about as powerful obstacles for plane hijackings. Observing aeroplane hijacking patterns in the US somewhere in the range of 1961 and 1976, Landes found that the decrease in the number of hijackings after 1972 was related with the presentation of obligatory screening frameworks, the expanded possibility of dread and harsher criminal punishments.^{iv} Various analyses of terrorism were also made concerning negotiations between governments and terrorists and also the concerned audience for their terrorist activities. In a study conducted by Sandler (2005), he concluded that governments achieve suboptimal Nash equilibriums when selecting and focusing on defensive and proactive measures and expenditure.^v On the other hand, terrorist organisations tend to gravitate towards more optimal cooperative outcomes (Sandler, 2005). Keeping in mind the economic nature of things, all elements and agents are considered to be rational, in the sense that they aim to optimize an objective function subject to constraints. Thus such proactive measures against common terrorist threats arise since these are generally accessible and for the public in all at-risk countries (Sandler & Siqueira, 2006).^{vi}

CAUSES OF TERRORISM

Before finding out the root cause of terrorism using empirical shreds of evidence, one must conduct an economic analysis of such causes by presenting a basic theoretical groundwork for the same. This groundwork is based on a few key assumptions about its goals, both long-run as well as short-run. The fundamental diplomatic short-run goals are: picking up exposure and media consideration, destabilizing the extant sovereignty and damaging national legislative issues.^{vii} Among the long-run goals are a redistribution of influence, impact and riches. Various schools of thought exist providing sufficient support for the root causes of terrorism. The three main schools of thought emphasising the relative importance of terrorism determinants have been discussed below:

A few researchers recommend that terrorism is established in 'relative' financial hardship which shows itself for example in case of destitution, inside nation disparity and an absence of monetary chances, where brutality is produced when there is an error between what people think they merit and what they really get over the span of a monetary distributive procedure (Gurr, 1970).^{viii} In situations where relative financial hardship wins, terrorist organisations should think that it is simpler or less exorbitant to enlist disappointed devotees or to get subsidizing from supporters.

Others accentuate the job of financial change over long-run socio-economic conditions. They contend that terrorism is encouraged by the procedure of modernization which makes various kinds of strains. These variables may make complaints related to monetary, statistic or social strain (Robison et al., 2006). All in all, modernization is related to monetary, statistic and social changes. Terrorist organisations can profit by the complaints of 'modernization washouts', in this manner making enrolment, financing or different types of help more probable. Additionally, such organisations may utilize present-day methods for correspondence to disperse their suppositions all the more successfully (Ross, 1993).^{ix}

The political and institutional structure is likewise contended to be associated with terrorism. While a democratic system can offer peaceful methods for voicing dispute, it is likewise compelled in its endeavours to acknowledge 'hard' terrorism oppression since common freedoms are protected. A totalitarian system, then again, can benefit from its ability of 'hard' constraint yet may simultaneously additionally create complaints connected to political

disenfranchisement. Regardless of the accurate system type, government quality, government strategies or ideological association may likewise impact a terrorist's analytics. The opportunity costs of brutality and violence are relied upon to increment with institutional quality (Kurrild-Klitgaard et al., 2006). That is, terrorist activity should diminish with more significant levels of institutional quality.

ECONOMIC ASSUMPTIONS ABOUT HUMAN BEHAVIOUR

To fully comprehend the psychology behind terrorism, one must thoroughly consider the economic and institutional inquiries of why terrorist resort to such brutal acts of violence and barbarism to accomplish and administer social, economic, religious or political change for certain individuals.^x One must also delve into the idea of how terrorism has come out to be as an emanant order in which the willing members are deliberately deciding to propel the strategic the association to impact change critical to them. If one can discern these questions and the answers to them, they can also deliberate about what approaches could help modify the motivators or incentives those people face.

The economic perspective necessitates that we carry explicit and unbiased suppositions to all human conduct. These presumptions about both individuals and our condition are frequently avoided from approach and policy discussions, a lot to the disservice of the potential viability of those arrangements. This appears to be especially valid concerning the arrangement discussions about terrorism.

The primary anthropological truth of human instinct is that all people take part in intentional conduct comparative with the ends they eventually seek. In '*Human Action*', Ludwig Mises explains the mechanics of our basic leadership and decision-making process. The wants of human interests are multitudinous, and we have rare assets, time, and information to fulfil those wants. For individuals to take part in a deliberate decision three conditions must hold: uneasiness, vision, and cognizant and intentional conduct. For individuals to go from inaction to activity we initially should have uneasiness about our present circumstance. At that point we have a dream that causes us accept we can lighten that uneasiness, regardless of whether briefly. At long last, we find a way to acquire that vision. This system for decision is all around evident,

covering the ordinary decisions of what to have for breakfast and the apparently silly decision of joining or framing a psychological oppressor association. That the structure is genuine doesn't suggest that our conduct is fundamentally transcendent, conscientious, virtuous, or socially profitable. It causes us comprehend demonstrations of viciousness just as demonstrations of philanthropy; however it is in every case genuine.^{xi}

This is our initial phase in understanding why terrorists regularly structure such associations, why benefactors compose checks, and why volunteers would forfeit their lives for the reason. We can't deliberately clarify any terrorist conduct by marking it 'insane' with regards to the economic perspective, an insane individual is one who can't gauge expenses and advantages. The individuals from a terrorist association are clever organizers who think about the expenses and gauged the significant dangers to their association and balanced their conduct as needs be. The estimation of the Misesian way to deal with human activity is that it enables the financial expert to pose various inquiries. As opposed to all terrorists being 'insane', most terrorists are quite sagacious. This infers they face motivators and embrace esteems and importance about the conditions in which they live. Furthermore, the basic foundations of economics are based on the theory of scarcity and production. As expressed by the economist Adam Smith, one produces only for it to be consumed, thereby implying the sole reason for production. Supply in business sectors is a reaction to an apparent interest, i.e. demand for a particular commodity. In a market setting, the production occurs when producers infer and comprehend the demands of the consumers in various markets. As mentioned above, resources are relatively scarce in comparison to the demands for them. These scarce resources including our time, have multiple and contending ends. This scarcity leads to allocation of resources to their most productive uses. Terrorist organisations work inside this system both in the creation of their association and the execution of their assets or resources. terrorist groups, similar to other organisations, work in the structure of market interest of demand and supply.^{xii} They are not a revenue driven firm, however they dispense rare assets and direct them to convey brutal assaults in quest for bigger objectives. Obstructing such associations necessitate that we comprehend why terrorism is by all accounts their embraced institutional system for social change.

MICROECONOMIC ANALYSIS: POVERTY, EDUCATION AND TERRORISM

A few investigations attempt to pick up data about the reasons for terrorism by breaking down individual conduct. Although a micro approach helps one to decipher and comprehend individual behaviour and in understanding why an individual becomes a terrorist, a speculation of related outcomes and their exchange to the macro level of analysis becomes increasingly complex. Nevertheless, such micro analysis provide useful insights by providing a framework necessary to understand the macroeconomic explanations of the same.

Over the many years, lack of proper education and poverty have been blamed as the root causes of terrorism. A similar stance was often taken by acclaimed politicians and leading international officials including George W. bush and Bill Clinton among others. When it comes to the origins of the poverty theory as a motivator or influence of terrorism, academicians have strongly opposing views towards it.^{xiii} An initial empirical study by Raper (1933) indicated a strong positive correlation between poverty and terrorism. He explored the connection between the quantity of lynching in the south of the United States and the price of cotton, which he utilized as an intermediary for economic conditions.^{xiv} He found a solid adverse relationship between the price of cotton and the quantity of lynching, and inferred that as financial conditions improve, individuals carry out less detest wrongdoings. In any case, ensuing exploration has dismissed Raper's discoveries. Green, McFalls and Smith (2001)^{xv} distributed a paper that exposed Raper's decision in regards to the connection between monetary conditions and loathe violations. By broadening Raper's informational index past 1929 and running a different relapse with controls, they found that Raper had just recognized a connection between the two factors in the timespan of his investigation, and that there was entirely significant relationship at all between the price of cotton and the quantity of lynching. In fact in a 2002 study of Al-Qaeda, a list of donors was discovered which suggested that it had an operating budget of almost \$30 million per year, thereby implying that in fact such organisations are not poor as one may assume but are rather financially stable. Bin Laden, the prime leader and planner for the group belonged to a wealthy Saudi family and even had a degree in economics and business administration. Thus education cannot be blamed as the sole cause for terrorism.

Krueger (2003)^{xvi} also distributed a fundamental paper that exposed the normal knowledge that terrorists are uneducated and poor. By taking a gander at an informational collection of Hezbollah activists who passed on in real life from 1982 to 1994 and a reasonable correlation bunch from the Lebanese populace, he found that Hezbollah aggressors were preferred instructed over their companions in the populace, and more averse to originate from poverty. In the paper, Krueger referred to Claude Berrebi's examination of Hamas, PIJ and PNA fear based oppressor assaults in Israel and the involved Palestinian domains somewhere in the range of 1987 and 2002. From his own and Berrebi's investigation, Krueger presumed that there is little motivation to the contention that a decrease in neediness or increment in instructive accomplishment would seriously lessen universal terrorism. Krueger likewise explored the hypothesis that, while terrorists might be better educated and wealthier over the populace, poor macroeconomic conditions for the nation all in all may drive wealthier residents to submit demonstrations of terrorism. In opposition to this hypothesis, he found that when one records for the way that more unfortunate nations are more averse to have essential common freedoms, there is no contrast between the quantity of terrorists springing from the least fortunate or the most extravagant states.

Berrebi (2007), as per Krueger's very own exploration in a study conducted by him, found that Palestinian terrorists and even suicide bombers were both bound to have gone to school than the normal Palestinian, and more averse to originate from a destitution stricken foundation. Truth be told, two of the suicide bombers in Berrebi's informational collection were really the children of tycoons. Berrebi (2007) distributed a paper taking a gander at the connection among training and terrorism among Palestinian suicide bombers, which utilized a refreshed informational collection that included fizzled and thwarted assaults somewhere in the range of 2000 and 2006.^{xvii} His decisions reaffirmed Krueger's discoveries: both advanced education and a better quality of living were seen as emphatically connected with cooperation in Hamas or PIJ and with turning into a suicide bombers, while being married decreased the likelihood of contribution in terrorist activities. Berrebi additionally did a lot to build up the profile of a terrorist from Israel and the involved Palestinian regions, finding that at any rate 96% of terrorists in his informational collection had at any rate a secondary school instruction, and that 93% were younger than 34.

Despite the fact that reviews have exhibited a positive connection between salary, training and the penchant to be a terrorist, researchers are partitioned on whether this implies these elements cause somebody to take part in terrorism. This hypothesis was upheld by a recent report, wherein Berrebi found that terrorist who are more seasoned, wealthier, and better instructed are bound to create a fruitful, and deadlier, terrorist attack.^{xviii}

MACROECONOMICS ANALYSIS: FREQUENCY, QUANTITY AND QUALITY OF TERRORISM

Alongside the variety of research and literature that inspects the connection between individual poverty and the penchant to turn into a terrorist, there is likewise research committed to understand the impact of macroeconomic conditions on terrorism. A paper distributed by Bloomberg, Hess and Weerapana (2004) analysed precisely this utilizing a board informational collection of 127 nations from 1968-1991. They presumed that for democratic and high pay nations, financial withdrawals and economic fluctuations increase the likelihood of terrorism.^{xix} Nonetheless, this investigation has been scrutinized for not isolating the terrorist venue nation from the terrorist target nation in its examination. In a working paper Berrebi (2003) tended to this, noticing terrorist attacks would be bound to be brought about by the economic and financial conditions where the culprits originate from, than where the assault really happens. Considering, he found that there was no manageable connection between economic conditions in Gaza and the West Bank, and the recurrence of terrorist attacks created by terrorists from these areas.^{xx} These discoveries were upheld by Abadie (2004), who likewise neglected to locate a huge relationship among terrorism and macroeconomic factors once control factors were represented. Abadie contended that political opportunity has a far more grounded, and monotonic association with terrorism, with terrorism topping in nations that change from dictator to law based governments.^{xxi} As per these discoveries, UNC political specialist James Piazza found no noteworthy connection between destitution, lack of healthy sustenance, disparity, joblessness, swelling or financial development and terrorism, yet found that ethno-religious diversity, expanded state constraint, and an enormous number of ideological groups are great indicators of terrorist activity. He reasoned this may be an aftereffect of the social cleavage hypothesis, which contends that terrorism is a consequence of profound social divisions in the electorate as opposed to economic variables.^{xxii}

Krueger and Laitin (2008) further built up the dialogue encompassing the connection between macroeconomic factors and terrorism in a paper that expressly inspected whether economic variables could clarify either terrorists' state origins, or why a few nations are prime targets of terrorism. They found that, controlling for political system, the national economy is certainly not a decent indicator of fear terrorists' roots, however nations that are terrorism targets are those which are financially effective and economically stable.^{xxiii}

NON-LINEAR RELATIONSHIP BETWEEN MACROECONOMICS AND TERRORISM

Recent studies have provided adequate proof that a non-linear relationship too exists. In order to understand this non-linear equation, one must understand the difference between domestic and transnational terrorism. Domestic terrorism or homegrown terrorism is a type of terrorism wherein exploited people 'inside a nation are focused by a culprit with a similar citizenship' as the people in question. Transnational terrorism refers to a form of terrorism wherein the victims are of a different country or state, targeted by a perpetrator with a different country's citizenship.

A paper distributed by Enders, Hoover, and Sandler (2016) took a gander at the connection between real GDP and terrorism, and built up a terrorism Lorenz curve. They found that the pinnacle terrorism level contrasted for domestic and transnational terrorism, which they proposed was a consequence of domestic terrorism being roused by economic distress and transnational terrorism being persuaded by foreign policy tribulation.^{xxiv} Subsequently, they found that the pinnacle level of domestic terrorism relates to a lower real GDP for each capita than transnational terrorism. The terrorism Lorenz curve usually is created to depict the non-linear relationship between real GDP and terrorism. Such a curve has proved that domestic and transnational terrorist attacks are each more concentrated in middle-income countries, thereby suggesting a nonlinear income–terrorism relationship. In addition, this purpose of concentration moved to lower-income nations after the rising impact of the strict fundamentalist and patriot/rebel terrorists in the mid 1990s. As the structure of terrorist groups changed to incorporate less liberals and a lot increasingly strict fundamentalists around the mid

1990s (Hoffman 2006; Rapoport 2004), the causal connection between per capita GDP and terrorism is probably going to have changed. This pursues in light of the fact that the liberals organized a considerable lot of their assaults in rich nations during the 1970s and 1980s, while the strict fundamentalists coordinated their assaults against focuses of chances in poor nations after the mid 1990s.^{xxv} As country security improved after 9/11, these transnational terrorist assaults moved to more unfortunate nations with less fringe security, where remote interests were focused on (Enders & Sandler 2006, 2012).

MACROECONOMIC CONDITIONS AND THE QUALITY OF TERRORISM

Drawing from the linear and non-linear analysis of relationship between macroeconomics and terrorism, one can thus postulate the fact that there exists some correlation among the two variables. Mesquita (2005) has exhibited a model of terrorism that suggests that the motivation behind why terrorists are ordinarily preferred instructed over the all-inclusive community is that terrorist organisations screen volunteers for quality. In times of downturn and low financial chance, the stockpile of potential terrorists will increment, and terrorist groups will have a bigger pool of exceptionally qualified potential terrorists to look over. Henceforth, in these times of poor financial chance, the nature of terrorists will increment, and subsequently monetary downturn will be decidedly related with the quality/danger of terrorism as opposed to the recurrence of terrorism.^{xxvi}

This hypothesis was put under serious scrutiny in a paper distributed by Berrebi, Benmelech and Klor (2012), which took a gander at the connection between economic conditions and the nature of suicide terrorism. They found that albeit poor economic conditions don't associate with the recurrence of dread, they do connect with the nature of fear.^{xxvii} High joblessness rates permit terrorist groups to select better taught, more established and progressively experienced suicide terrorists, who are thus increasingly successful executioners, in this manner expanding the danger of terrorism. Thus, they bolster arrangements to improve economic conditions since these might diminish the lethality of terrorism. In any case, they underscore the significance of

focusing on the philosophy of nearby associations that guide is directed to, since help can be utilized to in a roundabout way increment the recurrence of terrorist assaults.

MACROECONOMIC CONSEQUENCES OF TERRORISM

There are two contending opinions on the effect of terrorism on the current economies. A few researchers have contended that terrorist attacks negligibly affect the economy since they negligibly affect physical and human capital (for example structures can be modified, setbacks are never that huge). This hypothetical standpoint is bolstered by the writing on the financial effects of catastrophic events, which has discovered that cataclysmic events in current economies don't frequently have genuine long haul economic impacts. Different researchers have contended that terrorism can have huge effect on the economy, since if a significant zone of the economy is hit, the entire economy could confront repercussions. There is an abundance of hypothetical and observational work on the impact of terrorism on macroeconomic results.^{xxviii}

Hypothetically, terrorism jeopardizes life, prompting a decrease in the estimation of things to come comparative with the present. Governments could attempt to counterbalance the effect of terrorism by spending on security, in spite of the fact that it would not be ideal for a legislature to spend to such an extent as to completely balance the effect of terrorism.^{xxix} Hence, even an advancing government couldn't absolutely invalidate the negative effects of terrorism on the economy.

Bloomberg, Hess and Orphanides (2004) have found exactly that the event of terrorism has a critical negative impact on economic development, but a littler and less steady impact than war or common clash.^{xxx} Moreover, they found that terrorism is related with a decrease in speculation spending and an expansion in government spending. They additionally noticed that despite the fact that terrorist assaults are all the more regularly found in OECD nations, the negative impact of terrorist assaults on these economies is smaller.

ECONOMIC EFFECTS OF TERRORISM

Microeconomic impacts

The effects of a terrorist attack have direct consequences on the economy of a nation, generally referred to as direct economic impacts of terrorism. In order to adequately measure such impacts, one must take into account the physical destruction and damage to infrastructure and property, human fatalities and laceration as well as actions to placate such losses. Besides, in an integrated economic framework, such terrorist attacks may also have an impact on economic entities which did not have any role in the attack or were not direct targets.

At a very basic microeconomic level, there are three main economic elements namely, households or consumers, the private sector or producers and the public sector or the government. Contingent upon their contribution in a terrorist attack, economy may experience the ill effects of (i) direct effects through misfortunes in physical and human capital, and (ii) indirect effects that rise as a result of the contortion of the economy.^{xxxii} Simultaneously, they themselves may impact the economy through their quick reactions to the fierce stun that happened. In this way, aside from the real costs, it is important to comprehend the hidden procedures and conduct which lead to such effects.

At the household or consumer level, the psychological factors have an ultimate impact on the consumers' behaviour. Such factors include inherent fear as well as changes in lifestyle and happiness levels. This implies that such non-monetary factors may eventually end up converting into compelling monetary ones at household or consumer level alongside the macroeconomic levels. As a result, labour productivity is negatively impacted and may even require medical attention.^{xxxiii}

When it comes to private sector or producers level, businesses and firms have been both direct and indirect victims of domestic as well as transnational terrorism for a long time. The real immediate misfortunes of terrorist attacks rely upon the nature of the affected company. In addition to that, the nature and degree of the attack and the impacts it may include also have an effect on the businesses.^{xxxiiii} Aside from the immediate and backhanded interruptions, the private area needs to worry about the concern of mental effects of terrorism; from one

perspective, in their capacity as businesses, on the other in their capacity as the executives leaders being affected by their own mental responses.

Macroeconomic impacts

A thorough examination distinguishing the effects on different large scale economic factors reveals insight into the repercussions of terrorism on the general condition of the economy. In this unique circumstance, the writing thus revolves around two key factors to show the immediate effects of terrorist assaults, in particular economic development and financial incorporation or trade and capital flow. The writing all in all finds that effects of terrorist assaults on development are brief. It is evaluated that 9/11 caused misfortunes in US efficiency adding up to US\$ 35 billion, 47 billion in all out yield and an ascent in unemployment by nearly 1% in the accompanying quarter (Sandler & Enders, 2005).^{xxxiv} In any case, when all is said in done these effects seem to have had generally little effect for the US economy thanks not exclusively to the latter's size and development but also because of reasonable government approaches applied.

Gaibullov and Sandler (2008) give an exact examination of the connection between terrorism and economic development for Western Europe for 1971-2004. They again find that terrorist attacks reduce economic activities. For example, for this particular case an extra transnational terrorist assault per million in-habitants converts into a decrease of financial development by about 0.4%.^{xxxv} Thus, domestic terrorism additionally has development decreasing impacts. The investigation presumes that the two sorts of terrorism influence economic development in an unexpected way: while transnational terrorism prompts a swarming out of venture, domestic terrorism will in general lead to an expansion of wasteful government spending. All things considered, the negative impacts of terrorism generally give off an impression of being of a somewhat unobtrusive and momentary nature. This is particularly valid for huge and enhanced economies that can withstand serious economic impacts through their capacity to rapidly genuine find capital and work, given the quick impacts are confined.^{xxxvi} Conversely, the macroeconomic impacts of terrorism assaults on little, less-created economies are probably

going to be more grounded, particularly when these nations face continued terrorist attacks (Enders & Sandler, 2008).

Another arrangement of macroeconomic factors getting consideration in the economics of terrorism study is worldwide exchange and speculation. Terrorism influences exchange legitimately when exchanged merchandise and framework become terrorist targets, or when an expanded degree of uncertainty slows down exchange between countries, making it all the more expensive (Mirza & Verdier, 2008).^{xxxvii} Further negative effects emerge from expanded safety efforts, for instance at outskirts posts or significant vehicle centre points. With respect to remote direct speculation, Abadie and Gardeazabal (2008) contend that terrorism prompts changes in the net foreign direct investment position of nations influenced by terrorism. In principle, terrorism builds vulnerability and diminishes anticipated returns to investment and profits, further causing global capital movements. Thus, Abadie and Gardeazabal (2008) show that expansion in terrorism are related with significant falls in the net foreign direct investment position of targeted economies.^{xxxviii}

VARIABLES OF ECONOMIC IMPACTS OF TERRORISM

By and large, we discover some evidence that terrorists have been fruitful in accomplishing one of their crucial objectives, in particular financial destabilization. accordingly the viability of terrorism in this setting may rely upon certain variables. As contended previously, while terrorists make progress toward financial destabilization they are likewise influenced by the economic conditions they face in their nation of origin or in their objective/target states. Various elements appear to decide the adequacy of terrorism in accomplishing economic destabilization. These variables can be grouped into three general classes: the nature and attributes of terrorism; how much effects are moderated; and the development of the economy.

Terrorist assaults vary in how much they hurt an economy relying upon some key measurements, including (i) the seriousness of the assault which also impacts the degree of physical harm; (ii) the recurrence of the assaults which results in the amassing of direct misfortunes as well as in changes in the conduct of specialists; (iii) the objective and its immediate pertinence to the economy, e.g., an assault on a government building, while

expensive, is probably going to upset financial action not exactly an assault on any basic framework.^{xxxix}

The idea of the assault, its seriousness and area are not by any means the only factors that decide the genuine effect. The financial effect of terrorism are incompletely dictated by the structure of the monetary framework itself. The instance of 9/11 is illustrative for the strength of a developed, expanded economy to an enormous scale stun. Regardless of whether the al-Qaeda's assault caused huge scale decimation and interruption of even topographically remote financial action, the economic impact on the US and the worldwide economy stayed transient.^{xl} This represents the significance of the size and decent variety of an economy which decide its capacity to ingest such shocks.

Beyond such variables, Tavares (2004) brings up that the prevalence of democratic freedoms and rights may act balancing out, regardless of whether it impacts the demonstrations of terrorism, it surely helps in diminishing economic expenses.^{xli} At the end of the day, his examination proves that democratic governments are better ready to withstand a serious terrorism frequency. However, while the maturity of an economy is imperative to withstand a terrorist attack, it's anything but an adequate condition.

ECONOMICS OF COUNTER-TERRORISM

Economics of terrorism is considered so as to relieve or reduce the dangers of terrorism. In that capacity, the absolute most appropriate writing for public policy applications originates from a study encompassing the economic matters of counter-terrorism. Enders and Sandler (1992) have assessed the viability of strategies intended to impede terrorism in a research paper by them.^{xlii} They found that the establishment of metal detectors in airports diminished the quantity of plane high jackings, yet expanded the number of different kinds of assaults, i.e. kidnapping, assassinations, etc. Likewise, the reinforcement of US embassies in 1976 diminished the number of embassy assaults, yet again expanded the number of deaths by kidnapping, rape, assassination, etc. From this they inferred that counter-terrorism

arrangements didn't prompt any long haul decrease in the risk of terrorism against the United States.

Battling terrorism requires resources as well as assets, so naturally it imposes a direct monetary expense. At the point when terrorism is seen as a danger, organizations, people, and governments start spending more on security. There will likewise be additional costs for protection, since terrorism has parallels to the kind of protection dangers related with cataclysmic events or huge climate related occurrences. These expenses diminish the assets accessible for different purposes, and move assets toward giving security and protection administrations. The individuals who supply the administrations sought after experience an upswing in their organizations, however this is to the detriment of different exercises that are probably going to be progressively beneficial. To the degree that these additional security-related expenses lessen or even wipe out the danger of terrorism episodes, they can, best case scenario re-establish a business as usual risk, however they don't give the sort of financial incitement that is total after some time. There are additionally costs coming about because of against terrorist exercises that are more diligently to measure. More tightly security at air terminals and seaports expands the expenses of movement for the two voyagers and business explorers and the expenses related with delivery of products, particularly when time is considered in as an expense.^{xliii} Without a doubt, firms that use just-in-time inventory systems and rely on cross-border shipments feel these additional expenses during times of extreme terrorist cautions. Transport expenses can be a noteworthy exchange obstruction, and if more tightly security raises the expenses of delivery, it can prove disastrous. Tighter migration confinements speak to another cost, making it harder for skilled workers to move across borders.

However the most prominent counter-terrorism measures are those taken by the government itself. One important variable to consider is whether there is a fitting harmony between public and private sector security actions and measures. Security is often considered to be a typical public good usually provided by the government But people and private associations can buy their very own security, particularly if they find public sector measures as being lacking and they can bear the cost of the consumptions. A model is the development of gated networks, the work of private security services, the acquisition of alert frameworks and observation gear, and

the enlisting of bodyguards in networks that have been liable to rising crime or terrorism.^{xliv} It is indistinct, be that as it may, whether such measures actually reduce the frequency of violence or just simply shift it to the individuals who come up short on the assets to buy improvised security measures. Government expenditure is usually driven by demands, especially in case of financial deficits.

CONCLUSION

Thus this paper essentially hypothesises that terrorism has multiple root causes and hence invariably has multiple effects as well. Although such considerations come into play at both ends, it has been hard for researchers and analysts to arrive at an accord on what job financial and economic matters play in causing terrorism, and how economic considerations may be valuable in getting terrorism and in contriving systems and explicit arrangements to counter terrorism. This paper also linked economics and terrorism by way of poverty, inequality and lack of opportunities and how these factors come into play while shaping a terrorist. Thus one might conclude that alleviation of such factors may help reduce terrorism by eliminating the creation of terrorists in the society. Therefore, reducing or even eliminating the threat of crime and terrorism is beneficial not only to the government but to the society as well. There are some economic underlying foundations that cause terrorism, however these have more to do with the motivating forces and limitations that people and associations face than with a particular arrangement of effectively quantifiable variables that drive individuals towards being involved in such heinous activities. This proposes that policy reactions to terrorism should be multi-faceted and adaptable. Security approaches should be more financially savvy, so as to both accomplish results and to restrain the negative economic outcomes of giving extreme assets to security purposes. Likewise, aid policies need to focus on attainable goals, both to acquire positive outcomes and to give an increasingly delegate and idealistic point of view toward what's to come. Approaches should be focused at filling in the voids left by weak states and moving motivation structures inside social orders from the use of violence. However, such approaches can never be finished, similarly as strategies to battle crime can never diminish crime to zero. There are such a large number of potential criminals to anticipate that approach should manage them all, and motivation based strategies can never compel everybody to

dismiss the ideological or mental inclinations that lead them to fall back on brutality and violence.

Eventually the question that arises is what would essentially reduce the demand of terrorism? One cannot simply focus on the supply of terrorism and try to find solutions to reduce supply. Apart from the orthodox reply of ensuring more freedom to each individual, maintaining better international relations with each state, diminishing discrimination against minorities, etc. various other approaches should (and have been) adopted to combat terrorism. For example, US intervention in Iran and Iraq has further fuelled the motives of conformist terrorist groups such as the Taliban or Al-Qaeda. Their argument is that by infiltrating into their country, Americans are going to pollute their religion and culture, thus establishing a reign of colonialism. Thus in the fervour of protecting their god and civilisation, they often rely on committing ‘*Jihad*’, which is essentially a spiritual struggle in the name of Allah against the enemies of Islam.^{xlv} Such interventions in the affairs of a state by another state must be considerably reduced if one wants to see peace in the world again. International institutions devoted to ensuring international peace and security such as the UNSC have also been formed. Their main agenda is to maintain world peace and its members constitute of various nations around the globe. Governments all over the world have also developed policies and departments dedicated to the protection of its citizens from such harm. Almost every country has an intelligence agency devoted to constantly executing counter-terrorism activities. Such agencies are also tasked with collecting intelligence from border areas and diminishing the threat of terror in the state. Furthermore governments have also implemented policies in order to reduce such eminent threats. For example, the US government has implemented The Patriot Act as part of the War on Terrorism, which includes provisions for the Department of Homeland Security and the Transportation Security Agency (TSA). The official title of the USA PATRIOT Act is ‘Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.’ Essentially, this act aims to prevent, detect and reduce international money laundering and financing of terrorism; to deter and punish terrorist acts in the united states and around the globe; to make airports safer, to reduce hijackings, to make ports secure and safe, to vet those who would enter the country, and to try and ‘fix’ the regions of the world ripe for terrorists. This act came as a response to the 9/11 attacks, in order to strengthen national security.^{xlvi} With the introduction of such an act,

the aims and objectives were achieved although only in the short run. This was because the act primarily focuses on reducing the 'supply' of terrorism rather than diminishing or eliminating the 'demand' of terrorism. Hence, theoretically the patriot act was a success in the sense that the airports and seaports were much safer and transportation was monitored as well. However in the long run, it might not prove to yield the same results. Rather than obstructing terrorists from committing such heinous crimes, such acts are simply making them more smarter, since they will find another way to thrive and survive rather than go away. Thus in order to reduce the demand of terrorism, one must carefully think and analyse the basic foundations that make up a terrorist organisation. This includes the donors, organisers, supporters, or anyone who thinks terrorism would help achieve their goals and ambitions.^{xlvii}

In order to fully combat terrorism, one must then fully comprehend and get into the psychology of a terrorist and their respective organisations. One must carefully analyse why such organisations emerged in the first place and what do they eventually seek to achieve. Moreover, the question that must be asked is how to get the members of such an organisation and their respective donors, organisers, supporters, etc. to disassociate themselves from such organisations. As discussed above, the ordinary assumption is that many terrorists have joined such organisations due to poverty and to simply survive and support their family. Others are not well informed or uneducated, and thus by means of living tend to associate themselves with such groups. However, this is only applicable to a few number of cases and hence this assumption is ruled out. Therefore, majority of the members are involved not because of lack of education or greed of money and incentives, but because of some other primal objective they seek to achieve. This implies that their own cost benefit framework must be altered, from their perspectives. Understanding the supply curve is definitely a must but not at all sufficient, since supply is but a response to demand. Thus, attempting to find out what inspires people to take part in such exorbitant choices warrants cautious economic contemplations.

Although the cost of terrorism is extremely high, terrorists and terrorist groups will find one way or another to respond to such high costs and continue adding to the supply of terrorism by finding other methods to create it. To substantially eradicate this issue, one must think about the incentives terrorists face. Economic freedom, freedom of association and religion, cultural pluralism, and global commerce are the solutions. Not all policies can lead up to this, but

nonetheless these are fully realisable and attainable variables. Terrorism flourishes where freedom is of the essence and they become inadequate when such resources are snatched from them. Economic freedom thus increases the cost of terrorism while at the same time eradicating other methods to meet the supply.

Thus as mentioned above, US intervention in the middle-east must be reduced. Not only would this help in creating better international relations, it would also give the terrorists one less reason to cause terrorism. Furthermore, countries should engage in global commerce which would foster and develop relationships and encourages cooperation among nations. The western world must stop trying to create and develop democracies in the middle-east. As Amartya Sen has notably said in his essay '*Democracy as Public Reason*' that democracy is an idea of the contemporary western world. Trying to implement it in the middle-east would only be viewed as invasive and as trying to pollute their culture and identity.^{xlviii} No policy, act or government can fully eradicate terrorism. But one can and must try to considerably reduce the threat of terrorism and its impacts on the global world.

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