



Terrorism and Development

Terrorism is by no means a new phenomenon. In fact, it is probably as old as war itself. Being a tactical tool, referred to as 'asymmetric warfare', its main advantage is that one does not need a large and expensive force to carry out terrorist acts, nor does terrorism involve direct confrontation in which the more numerous and technologically advanced have a distinct advantage. Despite the fact that terrorism is not new in the realm of warfare, it has received widespread attention in the past decade, not the least because of the resurgence of Islamist fundamentalism. From New York to Mumbai, the world is today conscious of the threat of terrorism, perhaps more so than at any time in the past.

In the light of events such as 9/11, world leaders have called for an increase in foreign aid and developmental efforts to curtail the growth of political extremism, religious fundamentalism and terrorism. While development is surely an end in itself, the clarification of the links between poverty and terrorism by policy makers is both pertinent and much needed. Policy suggestions to weaken these identified links are also the need of the hour. This briefing paper aims to achieve this objective by reviewing the academic literature on the topic.

Box 1: Quotes from Policy Makers and Nobel Laureates

"The locus of national security threats has shifted to the developing world, where poverty, oppression, injustice and state indifference are exploited by our enemies to provide haven for criminals and the planning of criminal acts".

Andrew Tobias, Administrator of the United States Agency for International Development (USAID)

"At the bottom of terrorism is poverty. That is the main cause. Then there are other religious, national, and ideological differences".

Kim Dae Jung, Nobel Laureate

"External circumstances such as poverty and a sense of grievance and injustice can fill people with resentment and despair to the point of desperation".

Desmond Tutu, Nobel Laureate

It should be stressed that there is a raging debate amongst economists and political scientists on the causal factors fostering terrorists. Academic opinions can be divided into two camps: one holds that lack of civil liberties is to be blamed for the incidence of terrorism, the other claims that poverty is the root cause of terror. This briefing paper will not attempt to further the debate. It will consciously restrict itself to the literature addressing the connection between poverty and terror, outlining the strongest arguments and policy prescriptions that have emerged over time.

Poverty and Terrorism: Uncovering the Links

Common wisdom and academic research suggests that terrorism and poverty are closely linked. Whether it is referred to as a "precipitating¹" or "direct and internal²" factor, the general idea is that low economic growth, lack of opportunity, inequality and other ills that characterise poverty incidence fuel resentment and frustration (this is referred to in academia as "deprivation theory"). Moreover, numerous models have been developed which demonstrate that economic hardship generally results in increased terrorist activities³. The causal connection is, however, a multifaceted one. There are several channels through which poverty can directly influence the incidence of terrorist acts. Burgoon⁴ lists various possible ways in which poverty could engender terrorism:

1. Poverty creates sentiments of "relative deprivation", breeding "discontent and scapegoating" (Burgoon 2004, 7). Paxson⁵ examines the results of a survey conducted in 1968 in Northern Ireland. She finds that individuals who have favourable opinions regarding various armed factions are likely to be unemployed or less skilled. Thus, low gross domestic product (GDP) growth, rampaging inflation, poor social indicators and high levels of inequality in a given region could promote terrorism.
2. Second, it is also quite common that poorer individuals tend to be less educated. In fact, low levels of education and poverty go hand in hand. In the above mentioned survey, Paxson also found that higher education levels were associated with more moderate views amongst the

population of Ulster, Northern Ireland, during the civil conflict between Catholics and Protestants. High illiteracy and low primary and secondary enrolment rates should, therefore, be a concern for national security, as they have a radicalising effect on the population. The emergence of “totalistic” views (defined as the capacity to see oneself as totally “good” and the other as totally “evil”), another precipitating factor of terrorism⁶, could be facilitated by low levels of education.

3. Another connection lies in the fact that poorer states are generally weaker states, not least because of their smaller tax base. There are two mechanisms that make weaker states more prone to hosting terrorist groups. First, in the case of countries such as Afghanistan, it is quite apparent that because these have a lower capacity to enforce the rule of law and control their territory, they provide ideal conditions for terrorist groups⁷. As recent events disclose, a contamination of neighbouring countries, through influences from these weak states, is also possible, leading to a “regionalisation” of terrorist groups.

A second and related implication is that such states increase the incentives for terrorist groups to strike. Indeed, the lower the probability of having to face retaliation from security forces affects the cost/benefit calculation of terrorist groups, making the use of violence more attractive⁸.

4. Fourth, studies point to an interesting correlation between “religious intensity” and economic downturns. Chen⁹ finds that religious intensity amongst farmers in Indonesia dramatically increased with price shocks during the East Asian financial crisis. It is widely known that religious institutions can provide social safety nets and while one should be careful in drawing an implicit link between religious fervour and terrorist activity, it is important to bear in mind that many terrorist organisations combine an array of social services with a militant and hardcore military wing (Southern Lebanon’s Hezbollah is a typical example). Thus, poverty might foster support for militant groups engaged in terrorist activity, because such groups usually provide social safety nets, amongst other things.

Examples that illustrate the inner workings of the relationship between terrorism and poverty described above abound in history books. Mitra (2008) cites the cases of the north-eastern Indian states of Mizoram, Tripura and Assam, along with Latin American countries plagued by terrorist groups and attacks. The former lag behind the rest of India in terms of growth and social indicators, while the Latin American countries exhibit mindboggling levels of inequality.

The Policy Implications

Given the connections between poverty and terrorism, several studies have been undertaken to suggest mechanisms and ways for weakening the several links between the two. These works have powerful implications for those designing counter terrorist policies.

Burgoon (2004) undertakes a statistical analysis of the relationship between welfare provisions offered by the state (healthcare, social security, educational opportunities, etc.) and the incidence of terrorism in a country. The logic is that many of the social policies offered by welfare states might weaken the aforementioned links between poverty, on the one hand, and political extremism and terrorism, on the other (links 1, 2 and 4).

Burgoon’s results are unequivocal:

“(…) countries with more generous welfare provisions can be expected, on balance, to suffer less transnational and total terrorism on their soil and to have fewer of their citizens perpetrate terrorism” (Burgoon 2004, 34).

This conclusion is significant, given that pundits had previously argued that generous social welfare policies might make the terrorist’s job easier (See Box 2). Burgoon’s work dismisses this simplistic logic and underlines the fact that *“the development and maintenance of social safety nets should be a part of national strategies to fight terrorism on one’s own soil and elsewhere”* (Burgoon 2004, 35).

Box 2: Religious Extremists and Fiscal Conservatives

From Chen’s (2003) remarkable study on religious extremism and the Asian financial crisis we have:

“My results also suggest one explanation for why fiscal and social conservatives come hand in hand. Some fundamentalists argue supporting or depending on the welfare state (e.g., unemployment insurance) is the same as worshipping the government as if it were God. See Jost, et.al (2003) for documentation of correlates of political conservatism. My model provides a simple solution: the religious right may be against welfare because it would compete away its constituents. I have shown that availability of alternative forms of consumption smoothing reduces the effect of economic distress on religious intensity and there is some suggestive evidence that religious intensity is lower in places where there is greater public funding, particularly funding that provides social insurance”.

Several advocates of fiscal orthodoxy have voiced concerns that terrorists might be helped by the generosity of welfare provisions which could provide them with more spare time for preparing attacks. They also argue that such provisions might act as a disincentive to work and become an integrated and productive member of society.

Given the findings of Chen and Burgoon’s study, however, caution is warranted: trying to make the terrorist’s life harder by cutting welfare provisions could increase the popularity of extremist groups amongst disfavoured local populations. The end result would be a strengthening, not weakening, of terrorist groups.

A second compelling study from the University of Pennsylvania's Quan Li and Drew Schaub contradicts the widespread view that globalisation potentially increases terrorism, by making financing (through an often opaque international banking system and illegal activities such as drug trade), smuggling (of weapons and operatives) and communication easier. Through yet another statistical study, they find that foreign direct investment (FDI), foreign trade and general economic openness reduce terrorist activity "to the extent that economic globalisation promotes development, globalisation can have an indirect negative effect on transnational terrorism" (Li and Schaub 2004, 254). (See Box 3)

One can then logically expect economic openness to weaken all the links between poverty and development outlined previously. *This explains the call to promote economic openness not only as a way of promoting growth but also to indirectly mitigate the economic "precipitating factor" that potentially contributes to the onset of terrorism.*

Lack of education and ignorance opens the door to radicalisation and totalistic views that terrorist groups use in order to paint a black and white picture of the world (Link 2). In the light of this observation, note that some of the religious schools – *Madrassas* – of Pakistan have often been denounced as places where radicalisation and indoctrination of poor and uneducated children are rampant. Qadir (2001) observes that students of these radical *Madrassas* attend them because their parents could not properly care for them anymore. These parents chose to place their children in religious institutions where they would be housed, fed and cared for (an observation that reinforces

Box 3: The Case of Saudi Arabia

Consider these figures concerning Saudi Arabia, whose citizens have played a key role during the 9/11 attacks.

	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP/Capita (constant 2000 US \$)	9438	9708	9402	9191	8969	9043	9055	9093	8897
Exports/GDP	39	39	35	34	38	40	39	30	35
Imports/GDP	37	36	34	26	28	27	26	27	23

(From WDI online: www.worldbank.org)

These numbers reveal two things that point in the directions of Li and Schaub's analysis. First, GDP per capita declined sharply in the decade preceding the 9/11 attacks. Secondly, if we use Exports/GDP and Imports/GDP as proxies for openness, we also realise that, while the Exports/GDP ratio stagnated during this period, the imports /GDP ratio decreased. Thus, the Saudi economy was marked by both an augmentation of poverty and a tendency to close itself off from the world economy in the pre-9/11 decade.

Burgoon's previous conclusion that better welfare means less religious radicalism).

He suggests *that NGOs and developmental agencies should actively engage the promotion of moderate Madrassas, led by responsible and moderate religious scholars, combining religious studies with modern educational curriculums* (Qadir 2001, 340). This would be effective because retaining the religious element would not give credit to the radical Islamist discourse of a "war of civilisations" and would fit with the local cultural practices while raising the general level of education of disadvantaged population.

Poverty is far from being the only cause of terrorism. It would be naive to think that terrorism can be reduced to a single motivating factor (Mitra 2008). This complex phenomenon is perhaps better grasped through a holistic, multi-causal framework than through econometric studies searching for the single root cause of terror, as many different variables (regime type, ethnic polarisation, etc.) have some degree of statistical relevance for the incidence of terrorist groups and activities (Lai 2003).

Box 3: Terrorists with MBAs

Many of the terrorists carrying out suicide missions and spectacular attacks are not uneducated themselves (in fact, many of them are relatively middle class and rather well educated). This has led many scholars to the conclusion that ignorance and poor education are not causes of terrorism. This is, however, a misled and dangerous jump to conclusions. Because terrorist organisations actively "screen" their applicants, to select only the most educated and versatile, this does not rule out the promotion of education as a way of countering totalistic and radical discourses. The screening process is understandable, as better educated and middle class individuals are more likely to succeed in implementing complicated attacks, especially when it involves infiltrating a foreign country. Thus, while higher ranking cadres and "elite" terrorists may be well educated, this is not inconsistent with the fact that a lesser educated population is more likely to support and agree with radical discourse and that low ranking "foot soldiers" in Pakistan's Swat valley, or in Columbia's jungles, have never been schooled.

Conclusion

As the above discussion makes it clear, it is undeniable that economic hardship is a significant factor in explaining the formation of terrorist groups and their deadly activities. Striving to improve the economic situation of countries plagued by terrorism must be a priority of any viable long run counter-terrorist policy. This paper has suggested three ways derived from the academic literature of blocking the roads used by terrorists in capitalising on people's misery - better welfare provisions, increased economic openness and the promotion of moderate religious educational institutions.

Endnotes

- 1 Mitra, Siddhartha. (2005), "Three Essays on the Economics and Finance of Terrorism", Gokhale Institute of Politics and Economics Working Paper #10 and (2008) "Poverty and Terrorism", *The Economics of Peace and Security Journal* 3(2): 57-61
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- 3 Bloomberg, Brock S. and Gregory D Hess. (2005), "The Lexus and the Olive Branch: Globalization, Democratization and Terrorism", World Bank Workshop on Security and Development; Mitra, Siddhartha. (2005) "Three Essays on the Economics and Finance of Terrorism", Gokhale Institute of Politics and Economics Working Paper #10
- 4 Burgoon, Brian (2004), "On Welfare and Terror Social Welfare Policies and Political-economic Roots of Terrorism", ASSR Working Paper (September)
- 5 Paxson, Christina. (2002), "Comment on Alan Krueger and Jitka Maleckova, "Education, Poverty, and Terrorism: Is There a Causal Connection?"" Mimeo, Princeton University (May)
- 6 Mitra, Siddhartha. (2008) "Poverty and Terrorism", *The Economics of Peace and Security Journal* 3(2): 57-61
- 7 Li, Quan and Drew Schaub (2004), "Economic Globalization and Transnational Terrorist Incidents: A Pooled Time Series Cross Sectional Analysis", *Journal of Conflict Resolution* 48, No.2 (April): 230-258
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- 9 Chen, Daniel (2003), "Economic Distress and Religious Intensity: Evidence From Islamic Resurgence During the Indonesian Financial Crisis", PRPES working paper #39

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