Each year, the U.S. State Department publishes *Country Reports on Terrorism*, which highlights current strategies, outcomes and casualties from U.S. counter-terrorism efforts. The 2008 report highlights the growing trend in terrorist attacks abroad, including the September attack against the U.S. Embassy in Yemen that killed 18 people. The continued incidence of terrorism prompts us to consider its root causes. It is popular to single out poverty or lack of education as major factors. Recent economic literature, however, points more toward civil liberties, political rights and the rule of law as far greater factors.

**Measuring Terrorism: What Counts and How Much?**

Measuring the incidence and type of terrorism is controversial. First, it is important to distinguish between domestic and transnational terrorism. The latter is generally considered any event that involves citizens or territories of more than one country, while the former is a local act carried out by citizens of the target country. (The attack in New York City on 9/11 is a prominent example of transnational terrorism, where foreign citizens carried out the attack. The bombing by Timothy McVeigh in Oklahoma City in April 1995 is an example of domestic terrorism.) It is also important to consider whether the number of incidents or the magnitude of events is more important. This is brought out very clearly in the accompanying graphs reproduced from the work of economists Graham Bird, S. Brock Blomberg and Gregory Hess. While Figure 1 shows a drop-off in the number of terrorist incidents, Figure 2 shows a rise in the number of deaths per incident over time. This demonstrates that terrorists are using more lethal methods and weapons.

**Poverty and Terrorism**

A study by economists Alan Krueger and Jitka Maleckova considers the influence of poverty and education on terrorism. Surprisingly, they find no evidence that reducing poverty or improving education would "meaningfully reduce international terrorism." The authors reached their conclusion based on evidence from three sources: Hezbollah militant activities in the Gaza/West Bank region from 1998 to 2000, individual profiles from members of Israeli Jewish extremists in the late 1970s and from a cross-country analysis using data from the U.S. State Department. Interestingly, the authors found that within the context of the West Bank/Palestinian conflict, individuals who engaged in terrorism were better educated and economically more affluent than the average citizen. This apparently paradoxical result may be better understood when one realizes that individuals' incomes may correlate with their abilities. To succeed in terrorist attacks in a heavily guarded environment (like Israel), one needs a relatively high degree of skill and ability. Therefore, it is natural for leaders of the terrorist groups to choose more-able volunteers so that a planned attack is more likely to be successful.

Another study, by Krueger and economist David Laitin, analyzes the characteristics of nations from which terrorism originates and of target nations. They considered incidents of terrorism where the target and source nations of terrorism were distinct. They found that source nations of terrorism were more likely to suffer from a lack of civil liberties and that economic conditions (as captured by GDP per capita) in these nations had no statistically significant relationship with terrorism. On the other hand, they find that nations with high GDP per capita were more likely to be targets of terrorism. A 2006 paper by Harvard economist Alberto Abadie also found that the risk of terrorism was not significantly higher for poorer nations once one accounted for other country-specific characteristics such as the level of political freedom.

The study by Bird and his co-authors comes to a different conclusion. They found that net exporters of terrorism were poorer nations, while terrorist targets (effectively, the importers of terrorism) were rich. Based on this observation, they suggest that economic factors, among others, do have a role in explaining both the origin and the location of terrorist acts.

**The Role of Political and Civil Rights**

The aforementioned study by Abadie focuses on the role that political freedom plays in spurring terrorism. By studying different nations, he finds that the incidence of terrorism is highest in nations with intermediate levels of political freedom. Highly democratic and also highly autocratic regimes both tend to experience less terrorism.

A recent working paper by St. Louis Federal Reserve economist Subhayu Bandypadhyay and co-author Javed Younas explores the link between terrorism and political and civil rights in developing nations, using a sample of 125 countries. Disaggregating the data between domestic and transnational terrorism, they found that it was only domestic terrorism that was
related to the level of political and civil rights. Among the lines of Abadie, they found that a transition from autocracy to democracy might be associated with an initial increase in terrorism. These studies suggest that nations may need to be patient on the path to democracy. Giving more political rights to citizens may not immediately reduce terrorism in that country. An interesting example was the 2003 terrorist attacks against Saudi civilians by an Al Qaida affiliate, which occurred against the backdrop of political reform, including the announcement of municipal council elections in October 2003.8

Counterterrorism Policy: A Comprehensive Approach

Because of the highly emotional and traumatizing impact of terrorism, it is important to take a measured and thoughtful look at counterterrorism policy. While still in its early stages, research suggests that economic status or lack of education may not be the most important factors spurring terrorism. The evidence suggests a closer relationship with the lack of political or civil liberties in origin nations, perhaps because frustrations with existing regimes make people more readily rely on violence. These findings suggest a multipronged approach to counterterrorism policy; military power as well as economic assistance may help the source nations of terrorism to achieve effective reform. All the studies suggest that, in the long run, political reforms that confer rule of law, civil liberties and political rights to developing nations will be the best way to reduce incidents of global terror. 11

Subhaya Bandyopadhyay is an economist at the Federal Reserve Bank of St. Louis. Craig P. Aubuchon is a research associate at the Bank. Javed Younas is assistant professor of economics at the American University of Sharjah, United Arab Emirates. For more on Bandyopadhyay’s work, see http://research.stlouisfed.org/econ/bandyopadhyay.

ENDNOTES

1 For example, Chapter 5.7 of the 2008 Country Reports on Terrorism states the implicit assumption that poverty can lead to terrorism: “High unemployment and underemployment, often a result of slow economic growth, are among the most critical issues in predominantly Muslim countries.”
2 See Bird et al.
3 See Krueger and Maleckova (2003).
4 See Krueger and Laitin (2007).
5 Admittedly, many nations are both sources and targets of terrorism; the focus of this study, however, was on transnational incidents where the sources and targets differed.
6 See Abadie.
7 A common measure of political and civil rights comes from Freedom House, a nonprofit, non-partisan organization. Freedom House defines civil liberties as the protection of fundamental individual rights against coercion and interference by the state; political rights include the right to participate in the political process and having freedom of speech. On a scale of 1 to 7, Freedom House measures a country’s level of political and civil rights separately, with 1 being free and 7 being not free, for a combined score of 14. For example, in 2005 the United States scored a 1 in both political and civil liberties; Sudan scored a 7 on both accounts. Examples of countries in-between include Argentina (2 and 2), Thailand (3 and 3), and Afghanistan (5 and 5).
8 Chapter 5 of the RAND-MIPT publication, “More Freedom, Less Terror? Liberalization and Political Violence in the Arab World” presents a detailed look at the political climate and terrorist activity in Saudi Arabia from 1990 to the present.

REFERENCES

Kaye, Dalia Dassa; Wehrey, Frederic; Grant, Andra K; and Stahl, Dale. More Freedom, Less Terror? Liberalization and Political Violence in the Arab World. RAND Corp.: Santa Monica, Cal. 2008. See www.rand.org/pubs/monographs/MG772/.