Fractionalization and Terrorism: the Organizational Perspective

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Abstract

The wave of terrorism waxing in the recent decades corresponds to widespread and decentralized violence against States, in contrast with the State violence that characterized the bulk of the 20th century. Its origin is organizational and not ideological (whether the ideology is secular or religious). The information revolution launched in the 1970s led to an atomization of the major hierarchies, public and private. This unleashed the forces of individualism, freedoms and markets. Individuals who are freer and more mobile produce greater quantities of "goods," but also such "bads" as violence. This is the dark side of individualism. States, whose control over individuals has lessened, are no longer as effective as they used to be at keeping a lid on private violence, and are increasingly finding themselves the very targets of this violence. The new conditions conducive to decentralization and downsizing of organizations, which are generating secessions and civil wars, provide individuals and small groups – which have an increased competitive advantage in violence – with additional opportunities to express themselves through destructive actions. Competitive violence develops to the detriment of monopolistic violence on the part of States.

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Introduction

Definitions of terrorism abound, since the phenomenon can take a variety of forms. In our view, however, the definition we propose here encompasses its main characteristics:

Terrorism constitutes, first and foremost, illegal violence, either from the standpoint of civil law, which in all modern nations provides for a State monopoly on violence, as observed by Max Weber, or from the standpoint of the laws of war, which govern (more or less) the use of violence between nations.

But secondly, what distinguishes terrorism from simple villainous violence is the fact that this violence primarily targets States, either by being perpetrated directly against civilian or military personnel belonging to these States, or against their property; or by striking civilian populations with a view to obtaining from the targeted States political and/or pecuniary advantages.

This last aspect blurs the border between terrorism and ordinary crimes, since certain acts of violence directed occasionally against States (those perpetrated by various Mafias, for example) can have a mainly financial objective and no political objective. The difference, in practical terms, usually has to do with the explicitly political goals associated with the acts of violence and the demands made by the terrorists to achieve political gain, as opposed to financial demands.

But there is also such a thing as State terrorism, which is to say violence directed by a State against its own citizens in order to subject them to its political will (including the violent appropriation of private resources), or against the population of another State, in the absence of any declaration of war and without any respect for the customary laws, be they civil laws or the laws of war.

1. The new wave of terrorism

Contemporary terrorism – the war waged by small groups against States – has been rapidly increasing since the end of the Cold War and the collapse of Communism.

Following the anarchist wave of the late 19th century, which was a forerunner of individualist terrorism, it was the State terrorism of Nazi Germany and the Stalinist USSR, and autocracies in general, that dominated the "first" 20th century. It was terrorism to the extent that the cash grabs, extortion and abuse perpetrated by these States against their populations (such as the various politicides and genocides) were carried out outside the "formal" legal framework, when it was officially defined. We have thus gone from the State terrorism of Hitler, Stalin, Mao and more recently of a Pol Pot or the leaders of the Sudan, to a primarily decentralized terrorism. Anti-State terrorism is the contemporary manifestation of the phenomenon.
The recent waves of terrorism reflect this transformation: essentially pro-Russian and associated with the decolonization process after 1945, it was replaced by the leftist, anarchistic wave of the 1960s, and more recently still by the current wave, frequently

Islamist-driven, and decentralized, as we will see.[1] Not to forget local and geographically based forms of terrorism (Irish, Basque or Tamil).

The new form of war is no longer waged primarily between States, but *against* them. Which comes as no surprise in an age where the role and power of nation-States are being undermined on all sides by privatization, tax cuts and reductions in military spending, administrative deconcentration and decentralization, secession and the fragmentation of hierarchies, of which civil war is simply another expression. The manifestations undergone by States fit in with a general trend toward a weakening of all hierarchies, both public and private, coinciding with the development of market transactions in the place of hierarchical organizations, be it commercial enterprises or public bureaucracies.[2]

2. The fundamental cause of the transformation of violence and terrorism is organizational.[3]

We cannot hope to reduce or potentially control terrorism without understanding its determinants. The existing explanations fall into two categories: psychological and economic.

The former cannot explain the waves of terrorism if it is true that human nature does not vary a great deal over short periods. Except perhaps if events affecting individual psychologies vary in waves, but this would lead us to an economic analytical framework. Psychological hypotheses are more apt to explain the identity of those who engage in acts of terrorism (some more actively than others) than to explain the overall variations of the activities in question, over time or according to the country.

As for the latter, economic analyses show that irrespective of individual motivations, all individuals react – in proportions that may differ but in fundamentally similar ways – to price, cost and income incentives that derive from their environment. A similar change in these conditions, in various places and various periods will cause fairly similar changes in the activities in question.

Since (and, for that matter, before) September 11, most of the explanations have focused on specific acts of terrorism. Observers have sought to explain each terrorist campaign in terms of supposed errors (both past and present), alleged injustices, or extreme poverty having led to desperate revolts. This psychological approach sees acts of terrorism as inspired by a desire for vengeance.

Such an hypothesis does not take into account the fact that the same motivations had already existed previously, at a time when terrorism was far less present than today. Thus, we need a more general framework to take account of the upsurge in an

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[1] As underscored by Olivier Roy, counter to the conception of a "war of civilizations" advanced by Huntington. Shughart (Public Choice, 2002) distinguishes between these three successive waves of terrorism.

[2] On the distinction between "first" and "second" 20th century and on the weakening of all hierarchies following the information revolution, see my book *Le second vingtième siècle : déclin des hiérarchies et avenir des nations*, Grasset, 2000.

[3] Garicano and Posner (2005) have proposed a recent "organizational" analysis of this field, but it only concerns the administrative organization of the Americans' response to the terrorists. We are suggesting here an organizational analysis of the terrorist phenomenon itself.

places and various periods, will cause fairly similar changes in the activities in question.

essentially non-State (i.e. decentralized) brand of violence that stems from very diverse, regionalist, secessionist, ethnic or religious justifications, or simply from the usual causes of run-of-the-mill street crime, or a mixture in varying proportions of these different objectives. It should also be pointed out that the most common explanation for the current wave attributes it to a recent rise in aggressive religious ideology. But here again, this same religion – or shall we say its most aggressive currents – existed before the recent upsurge.

Clearly, what we are seeing are small organizations that specialize in violence and are trying to impose their will, through force and blackmail, on more or less heterogeneous populations that, as such, are being shaped by centrifugal temptations and trends. The objective is to hasten the State's retreat and take control of a portion of its citizenry in order to squeeze money out of them. These groups are engaging in new forms of warfare – a hybrid of political and guerrilla[4] – against powerful States, demanding ransoms to spare the lives of civilians and soldiers alike.

What makes this offensive so formidable is that the competitive advantage enjoyed by these small organizations has increased in recent times. The trend toward less intrusive government that began in the late 1970s, a welcome development from the standpoint of individual welfare, has enabled these small organizations to prosper and to challenge governments and their armed forces, just as small businesses are becoming more competitive in relation to the mega-firms of the first 20th century.[5]

Indeed, since this wave of terrorism is being felt on a global scale, it must have common global causes. The recent development of competitive violence stems from the erosion of the monopoly of violence, a fundamental activity and the main raison d'être of States. The States' retreat has made way for the growth in competitive markets and in freedoms, but has also enabled competitive violence to develop, which is endangering recently acquired individual freedoms. The combination of civil peace (democratic or totalitarian) and external conflicts between States that characterized the Cold War has thus been supplanted by a combination of external peace and domestic insecurity.

The world's great States peaked in the mid-20th century, and have seen their power decline since the mid-1970s. The basic reason is that the large hierarchies, both in terms of businesses and States, prosper so long as they economize information, while the smaller units have to engage in exchanges on markets, which requires heavy consumption of information. It follows that the large hierarchies are more efficient when information is expensive but that the small hierarchies and the markets are more efficient when information is inexpensive.

With the information revolution of the 1960s and '70s, the cost of storing, processing and communicating information dropped. There followed a loss of comparative advantage for the large hierarchies such as conglomerates and States, be they large and/or heterogeneous, which disintegrated throughout the world when they tried to downsize or when they were replaced by smaller entities, while the markets enjoyed rapid development.

The retreat by the large hierarchies and the growth in small organizations and in markets

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[4] This is what Hammes calls modern times' "4GW" (Fourth Generation War).

[5] Jean-Jacques Rosa, Le second vingtième siècle (Grasset, 2000), and revised American version The Second Twentieth Century: How the Information Revolution Shapes Business, States, and Nations, Hoover Press, 2006.

have been a boon to general individualism. But despite its well known advantages, this has also led to problems involving resistance to authority, rebellion and, at the extreme end, anarchistic tendencies that translate into rising crime and the development of endemic violence.[6] Individuals who can act freely can use these freedoms for productive purposes but also for purposes of violence and extortion.

Contemporary terrorism as individualism or anarchism

The economic theory of crime, based on the early studies by Gary Becker, shows that all individuals are more or less susceptible to engage in delinquent or criminal activities, part of the time or all of the time, based on the cost/benefit ratio of these activities. Terrorist action is, strictly speaking, a criminal activity that fits in with this analysis, although its justifications are of a political or ideological nature.[7] To the extent that the supervision and control exercised by hierarchical institutions over individuals have lessened, these individuals are freer to engage in delinquency and crime – especially since geographic mobility and widespread urbanization are handing them new opportunities to escape State and societal controls. At the same time, States' loss of control is aggravating the imbalance between the costs of crime and its benefits.

From the States' standpoint, the end of the Cold War duopoly and the proliferation in the number of States worldwide, particularly in the aftermath of the communist system that had been controlled by the USSR, have given way to policies of national independence and battling with the major powers (and particularly the largest of these, the United States) by smaller States. Here we find the new power relationship, one that favours the efficiency of smaller structures. There may be a confluence of individual incentives that boost the decentralized supply of terrorism and a demand for such acts financed by States that cannot really consider waging classic warfare against other far more powerful States.[8]

Thus, organizational revolution also plays a part in the "business" of violence. States that are contracting, both in terms of public (and particularly military) spending as a proportion of GDP and in terms of their land mass (through secession and fragmentation, since decentralization constitutes an intermediary form of disintegration), no longer seek new territories to control (wars of conquest and imperialism). Quite to the contrary, to the extent that their military budgets are pared back, they tend instead to disengage. Consequently, the traditional wars of conquest between adjacent States and rivals are tending to disappear. At the same time, this retreat is leaving the way clear – on the margins – for rival organizations to produce violence, be it in the form of organized crime, militant groups fighting for regional independence hoping to create their own State to get their hands on the resources of a smaller territory, or any other

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[6] As S.M. Lipset has written in a text I read only very recently: "The lack of authority, anti-elitism, and populism contribute to higher crime rates, school indiscipline, and low electoral turnouts. The emphasis on achievement, on meritocracy, is also tied to higher levels of deviant behavior and less support for the underprivileged… Concern for the legal rights of accused persons and civil liberties in general is tied to opposition to gun control and difficulty in applying crime-control measures" (American Exceptionalism: A Double-Edged Sword, New York, Norton, 1996, 290.)

[7] Thus, Enders & Sandler (The political economy of terrorism) argue that terrorists are rational.

[8] Iraq is the perfect example of a "classical" war that was easily won by a powerful State over a modest-sized State, but then gave way to civil war and terrorism that is no doubt being aided and abetted by smaller neighbouring States, with both forms of decentralized violence coming together on the ground.

group that manages to attract a political clientele among the population of the established States. That is what explains the growing success of small pressure groups and grass-roots movements in the political life of rich countries. Today, contrary to the previous period in the 20th century, smaller is more efficient when it comes to political and military action, and those with the biggest monopoly on violence – the traditional States – are having to reduce their activities and their presence.

3. Competitive advantage of small "nomadic" groups

Terrorism is a form of violence particularly well adapted to the competitive advantage of small groups. A small group that wants to seize a State's power cannot finance a regular army complete with air force, navy or large-scale ground force. It must employ guerrilla tactics and violence directed against a few buildings and a limited number of military targets, as well as targeting civilians (preferably defenceless civilians).

In their weakened condition, traditional States have proved vulnerable to guerrilla tactics in a number of decolonization wars and, more recently, in Vietnam and Afghanistan. Terrorism consists in taking another step in this direction. The diversity of small, competitive and violent groups, as well as their extra-territoriality, makes them difficult to identify and control. Accordingly, terrorism will continue to manifest itself so long as the large State hierarchies continue to disintegrate under the weight of the information revolution.

In this new form of warfare, which is supplanting the global duopoly of the Cold War, the position of the United States, although that country is far more powerful than any other State, has taken a hit. Far from being the superpower capable of imposing its hegemony on the entire world – as it is viewed in French diplomatic circles – the United States has to rely on the help of its allies to wage war, even when squaring off against modest-sized adversaries like Iraq. But at the same time, the aspirations of many Europeans for world governance and international law administered by the UN are unrealistic.

Indeed, international law itself is being eroded, precisely because of the fragmentation of the "population of States" with the proliferation in the number of States in the world, and because of the weakening of each State's power. In the absence of a superpower as powerful as the Cold War-era United States, the world order is crumbling and giving way to a degree of anarchy: there can be no true consistent international law, UN or no UN. The decentralized challenge of more independent nations and terrorists has replaced the monopolistic challenge posed by the Soviets. And it will not be disappearing any time soon.

4. The observations that confirm this interpretation

The available statistics on conflicts and violence in the world are not necessarily precise nor completely reliable, and are affected by the lumping together of individual (and often heterogeneous) acts within the same category, rendering them less significant. Nevertheless, they begin to shed some light on the situation and confirm the changes profiled earlier.

Observations include:

a) The drop in the number of conflicts between States (Figure 1 below) since the 1970s;

b) The increase in the civil war index during the same period (Figure 2);

c) The correlative decline in genocide and politicide since 1970-80 (Figure 3); and

d) The rising number of serious terrorist acts and deaths caused by terrorism since the 1980s (Figures 4 and 5).

5. Conclusion

The decline in inter-State violence and the rise in terrorism might lend the appearance of relative progress, given the differences in magnitude of the destruction that can result from each.

This hypothesis seems to be confirmed by the reduction by most States in military and defence spending (including domestic defence) in the broad sense. The intensity of the threat, as assessed by the political leaders themselves, seems to have diminished.

But we must not underestimate terrorism's social costs. First of all, it is likely to become widespread in societies characterized by freedom and mobility, and we cannot just wish it away – quite the contrary. Second, to get a proper fix on the costs, one must take account not only of the loss in human life and the destruction it causes, but also the "invisible" costs it generates. The best example is that of airport security checks. The time lost by passengers traveling on business, for example, has a high value (theory of human capital in production). This increase in the cost of traveling, caused by the threat of terrorism in our skies, curtails these passengers' productive activities. What ensues is a significant reduction in all economic production and thus in the standard of living.[9][8]

What, then, might be the characteristics of an optimal response?

First and foremost is the need to better identify terrorists. This is where ideological or religious considerations can come into play. Indeed, if we are somewhat skeptical as to the ultimate role these ideologies play in determining the upsurge in terrorism, it is clear nonetheless that terrorists need support networks, and they need to be able to rely on an entourage spread out as widely as possible. A common ideology or religion obviously nourishes a certain amount of trust capital among the followers. The population that adheres to this ideology or religion thus offers fertile ground for terrorist acts, contrary to a population that is agnostic or indifferent to ideologies. *These ideologies do not constitute the cause of terrorism, but rather a breeding ground on which it can develop more easily*.

Religiosity is part and parcel of individual terrorist activities because terrorism demands a high level of "trust" between a small number of individuals. In addition, the intertemporal characteristics of the benefits promised by religions (eternal salvation,

[9] The mechanism can be compared to that of an exogenous increase in the price of raw materials or in the average wage, but without the positive effect that these increases have on consumption. The loss of time due to anti-terrorism procedures also includes a significant social loss.

paradise), as well as the special status they can give terrorists and their families, help offset the potential insufficiency of immediate economic benefits.

However, we are fooling ourselves if we view *jihad* and Islamism as primary and centralized explanations for today's wave of terrorism, as indicated by Olivier Roy. Islam is indeed a decentralized and conflicted religion, at war with itself (Sunnites versus Shiites, for example). Islam's visibility in the current wave of terrorism stems instead from the fact that, on the one hand, the concerned populations are very large, and so from a statistical standpoint fanatics inclined to support terrorists are very likely to represent in absolute terms a large number of people in these populations,[10] and on the other hand, the countries where these religions are widespread are going through phases in which their economic and political structures are being redefined, thereby strengthening internal conflicts, civil wars and wars of secession.

The relative retreat on the part of imperialist States' occupation forces (with the crumbling of all the world's empires at the end of the 20th century) allowed internal and centrifugal conflicts to worsen. Specialists in violence prospered in these disintegrating environments.

In addition, there is the "outside sponsorship" by States returning to nationalist policies but lacking the means to engage in classical warfare. They operate a system of terrorism-by-proxy. These proxies are "private entrepreneurs in violence" who tend to become permanent professionals acting beyond any ideological convictions and making their services available to various bidders.

It follows that anti-terrorism actions must take into account the religious and regional characteristics on a priority basis. And that is also why we can conclude, as did Shughart, that redefining the borders of States affected by civil wars in order to form smaller and more homogenous nations – nation building, in other words – can help reduce terrorism by reducing the internal conflicts that represent training grounds for terrorists.

As far as the rest goes, an ordinary analysis of crime still has its uses: intensity of intelligence and repression, severity of punishment, effective enforcement. All of the variables typically examined in economic analyses of crime apply to terrorism as well.

It appears, however, that a low standard of living does not come into play in the case of terrorism, unlike what transpires in the case of ordinary crime (Alan B. Krueger and J. Maleckova, NBER, 2003), no doubt because the political motivations replace to some extent the monetary motivations.

And finally, there is the matter of organizing the response and the means of response. Clearly, information plays a central and even crucial role, especially since terrorist actions are by their very nature decentralized. What we need, therefore, is intelligence gathering that is as decentralized as possible, but at the same time intelligence that can

[10] Which is all the more important given the fact that these highly religious populations are found throughout the world. Obviously, there is less fear in the West of a North Korean brand of terrorism than of Islamic terrorism, simply by virtue of the population numbers involved and the difference in their dispersion. Clearly, the fact that Islam is "globalized" (Olivier Roy) and that these uprooted populations are large and left to fend for themselves lends them considerable weight in the global terrorism phenomenon.

be cross-checked and compared. Consequently, the intelligence failure diagnosed by Garicano and Posner (Journal of Economic Perspectives, Fall 2005) overlooks the problem: their analysis fixates on a detail, namely improved centralization of intelligence

gathering by the United States.[11] But the example of the FBI, which became increasingly centralized at the federal level between the two wars, at a time when centralization was all the rage, is not applicable in today's world, where centralization is not possible and decentralization is winning out. Neither can we count on the terrorists to spontaneously organize themselves into an "international mafia" that would centralize terrorist activities and thus make them more vulnerable.

In a world where information abounds, a centralized decision will generally be inferior in quality to a series of decentralized decisions. So in an age of terrorism, i.e. decentralization, a centralized campaign against terrorism will be at a disadvantage compared with terrorism, which is by definition decentralized. Complete centralization of the fight against terrorism will itself be too ineffective and expensive. In its efforts to save information, it will "filter" it too much. It is better, then, to have several decentralized organs competing with one another. That way, similar budgetary means will deliver better results.

Furthermore, in a constantly changing environment, a multi-headed and decentralized organization adapts more quickly than a single hierarchy and is more capable of innovation. However, if terrorist organizations are small in dimension, communications tools make them international in scope. The response, then, is to foster and intensify all exchanges among national antiterrorist organizations, according to their respective reliability. There is a need to empirically seek out cooperation and intelligence "swaps" between national agencies, a frequent practice on the part of intelligence services of friendly countries. Something approximating an intelligence market needs to be developed. But this process would of course have to be accompanied by a shift in spending, from military budgets – which today are very small – to intelligence budgets.

[11] The authors are examining how the organization of US intelligence gathering is helping or hindering the fight against terrorism. They are focusing on how the various agencies and administrations are "filtering" bottom-up information while committing type-one or type-two errors, the hierarchy being conducive to type-one errors, i.e. not taking into account an announced risk when it is real, whereas a decentralized approach is conducive to a type-two error, i.e. crying wolf when there is no real danger. Lastly, they propose separating two current functions of the FBI: domestic intelligence and the pursuit of criminals. Their thinking is that specialization will lead to greater effectiveness, hence the desire to create a new agency charged exclusively with the first mandate.

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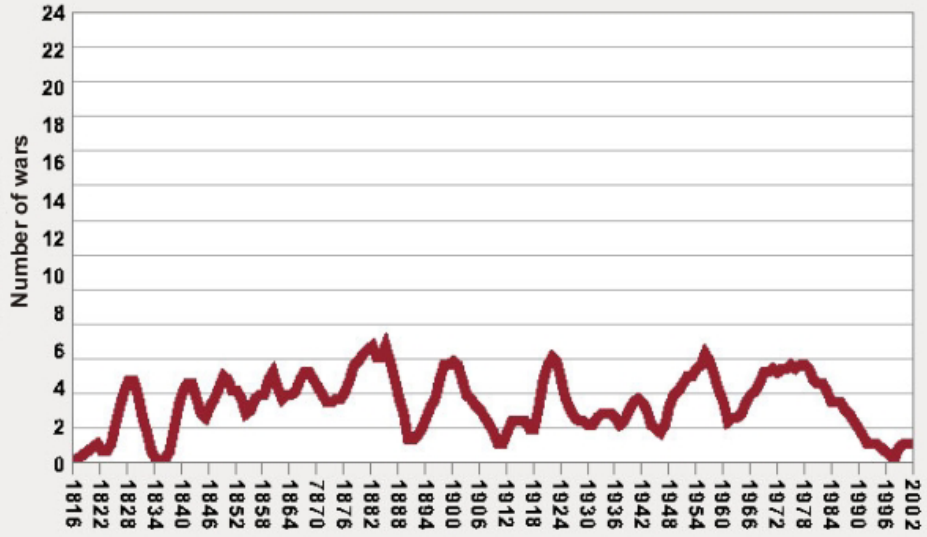
Annexes

From the *Human Security Report 2005*

Figure 1 – International wars, 1816-2002



From the *Human Security Report 2005*

Figure 2 – Civil wars, 1816-2002

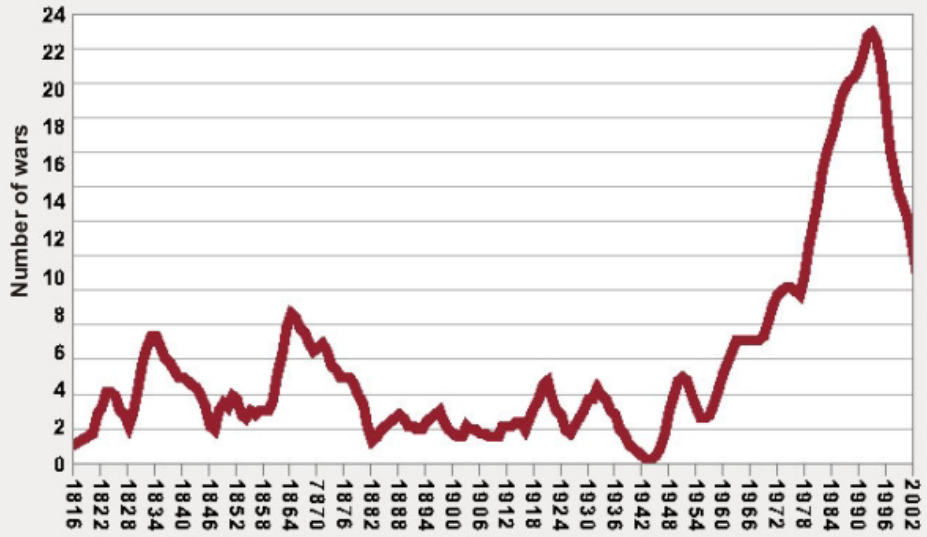
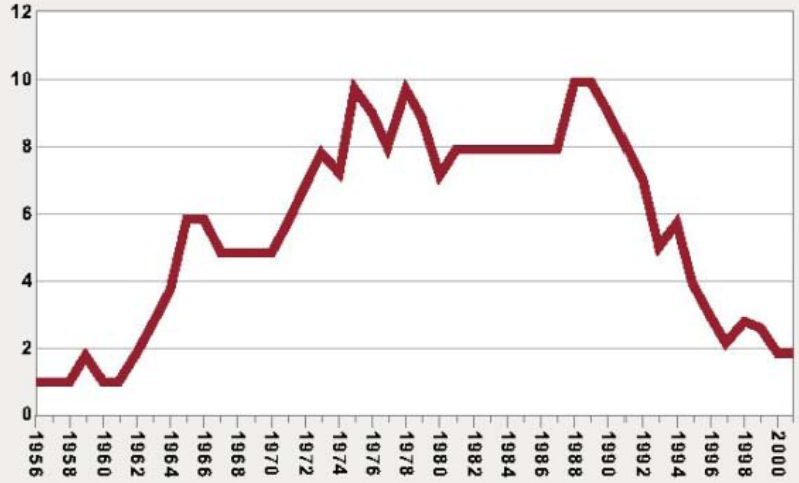


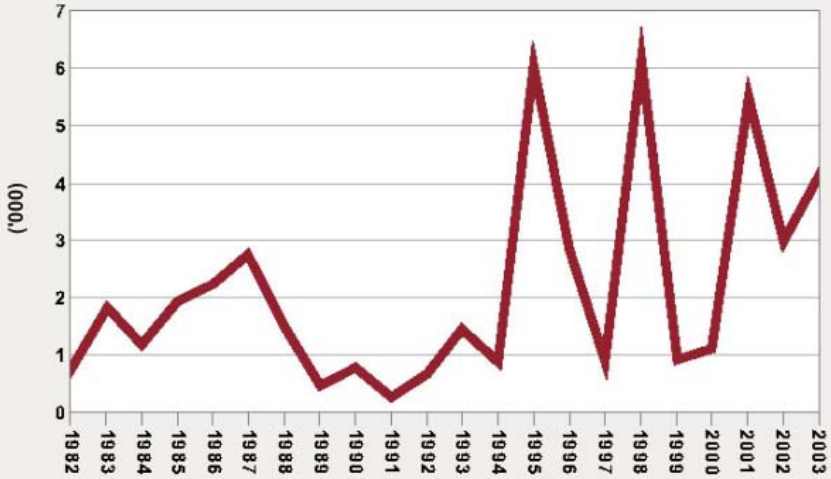
Figure 3 – The rise and fall of genocide and politicide, 1956-2001



Source : *Barbara Harff, 2003* (from www.humansecurityreport.info)

This graph shows a dramatic rise in genocides and politicides through the 1960s and 1970s, and an equally dramatic decline through the 1990s.

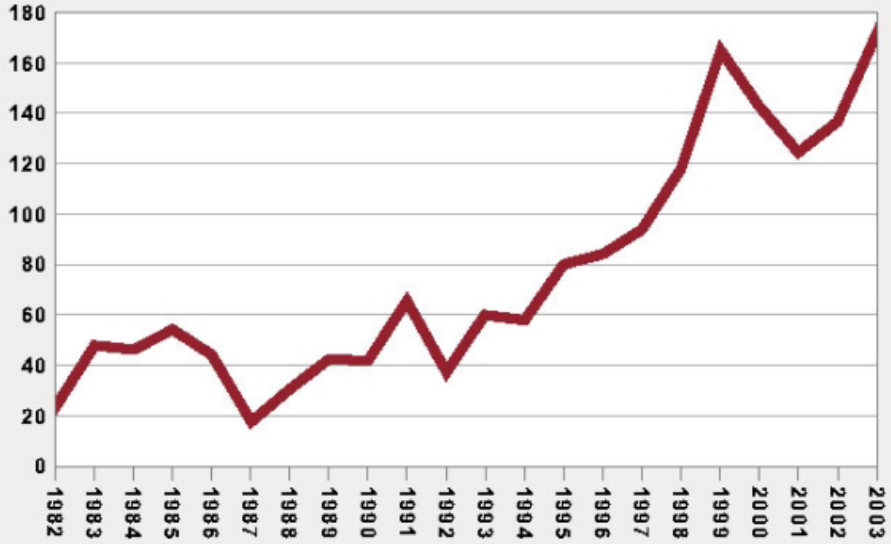
Figure 4 – Casualties from international terrorism, 1982-2003



Source : *Human Security Centre, 2004*

Annual casualties (including deaths) from international terrorist attacks have increased dramatically since the 1980s.

Figure 5 – Bad news: Significant international terrorist attacks, 1982-2003



Source : *Alan B. Krueger, 2004* (from www.humansecurityreport.info)

When only 'significant' terrorist attacks are counted, the State Department figures look very different. These attacks have increased more than eightfold over the last two decades.

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