

The Political Economy of Transnational Terrorism

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Clearly, the events of September 11, 2001 (henceforth 9/11), heightened the public's awareness of the threat posed by modern-day terrorism. For global society, 9/11 was a defining moment for a number of reasons. First, the sheer magnitude of the attack and the resulting carnage of almost 3,000 killed were unprecedented in terms of terrorist attacks. Second, the associated financial losses and repercussions of \$80 to \$90 billion was far greater than those associated with the most catastrophic natural disaster to date (Kunreuther and Michel-Kerjan 2004). Financial consequences were particularly heavy on the airline industry, tourism, and insurance. Third, 9/11 aptly underscored the vulnerabilities of modern society to terrorist attacks that could use an everyday object to cause havoc and terror. Fourth, 9/11 created an ongoing financial commitment to homeland security that devours scarce resources. Fifth, 9/11 set the bar for future attacks as terrorists try to outdo the magnitude of past attacks to capture and maintain media attention. In their quest to eventually top 9/11, terrorists will resort to larger conventional attacks or even weapons of mass destruction, most likely chemical or radiological in nature.

Another defining moment came on March 11, 2004 (henceforth 3/11), with the attacks on the Madrid commuter trains and stations where 191 died and more than 1,200 were injured. The events of 3/11 made clear that such callous and deadly attacks could occur virtually anywhere. Nations that support a prime-target nation, such as the United States, may itself become a venue for terrorism. The Madrid attacks also showed that a well-timed terrorist incident could have significant political ramifications. In addition, 3/11 demonstrated that terrorists will respond to security upgrades

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in one country by finding less-secure venues or opportunities in other countries. Even though countries may decide their counterterrorism policies independently, the outcomes of their decisions are interdependent. As such, these independent policy decisions may result in *inefficient* outcomes (Arce M. and Sandler 2005 [this issue]; Enders and Sandler 1993; Sandler and Enders 2004).

Terrorism is the premeditated use or threat of use of violence by individuals or subnational groups to obtain a political or social objective through intimidation of a large audience beyond that of the immediate victims. In keeping with the literature, our definition excludes state terror where a government applies terrorist tactics to control its citizens. Two essential ingredients in the definition involve the motives (i.e., political or social) of the terrorists and their reliance on violence to make the public fearful. Terrorists employ various modes of attacks (e.g., assassinations, kidnappings, skyjackings, threats, and bombings) to intimidate the target audience.

Terrorism comes in two varieties: domestic and transnational terrorism. Domestic terrorism is homegrown and home directed, with consequences for just the venue country, its institutions, citizens, property, and policies. For domestic terrorism, the perpetrators, victims, and audience are all from the host country. Most terrorist incidents are domestic. Countries are anticipated to be self-reliant to address domestic terrorism because derived benefits and costs from antiterrorist actions are fully experienced at home. There are no spillovers of benefits or costs to other countries that may either cause a government to spend too much to try to transfer attacks abroad or to spend too little by relying on some other government for help. Thus, there is no need for international cooperation in the case of domestic terrorism.

Through its perpetrators, victims, or audience, transnational terrorism has implications for two or more countries. If an incident starts in one country but terminates in another (e.g., 9/11 and 3/11), then the incident is a transnational terrorist event, as is the case for the hijacking of a plane in country A that is diverted to country B. The kidnapping of foreign workers in Iraq during 2004 to pressure governments to pull their citizens from the U.S.-backed reconstruction efforts represents transnational terrorist attacks. "Spillover terrorism" is transnational when, for example, political grievances in the Middle East motivate terrorists to stage attacks in European cities (e.g., 3/11). These terrorists use these European venues to gain a wider media exposure and greater global awareness for their political agenda. Transnational terrorism poses interesting political economy issues because one country's counterterrorism and political policies may have crucial externalities (i.e., uncompensated interdependency) for the political and economic environment of another country. For example, U.S.-enhanced homeland security may transfer attacks against U.S. interests to other countries where targets are softer. Proactive antiterrorist actions in Afghanistan and elsewhere may foster recruitment by a terrorist group, which can augment risks to potential target countries (Rosendorff and Sandler 2004).

This special issue is devoted to presenting a political economy approach to the study of transnational terrorism. Given our international relations orientation, the articles here apply theoretical and empirical approaches to the study of transnational terrorism. Such analytical studies have been underrepresented in the vast terrorism literature, which has focused on comparative, descriptive, historical, and institu-

tional analyses of terrorism. Four of the articles in this issue present rational-actor representations, where diverse agents (e.g., governments, terrorists, and factions within terrorist groups) maximize some goal subject to one or more constraints. The three empirical articles employ a variety of econometric methods (e.g., time-series, cross-sectional, and discrete-choice models) to investigate some political economy issues.

A political economy study of terrorism may involve a host of issues, including the practice of counterterrorism policy, the need for international cooperation, the interface of terrorism and democracy, and the collaboration between former terrorists and the government. Our main focus is on counterterrorism, as viewed from a number of different angles. This issue sheds light on the difficulties associated with international cooperation despite 9/11 and 3/11, which temporarily united the global community to develop a more integrated approach to addressing transnational terrorism. Countries still cooperate in a common effort to curb terrorist finances, but these actions have been thwarted by nations sympathetic to the terrorists' political agenda (Sandler forthcoming). In other instances, individuals have found ways to circumvent actions to curb the transfer of terrorists' funds. Nations continue to work at cross-purposes with respect to many facets of counterterrorism policy (Sandler and Enders 2004).

GAME THEORY AND THE STUDY OF TERRORISM

The four theoretical articles of this special issue rely on game theory in their investigation. Game theory is an appropriate tool for the study of terrorism for a number of reasons (Sandler and Arce M. 2003). First, game theory captures the strategic interactions among various agents as they act based on how they believe that their counterpart will act and react. Second, game theory permits opponents and allies to issue threats and promises for strategic advantage. Such actions are germane to multistage representations of interactions where the order of play is germane to the outcome. Third, game theory casts agents as rational players who are out for maximum advantage. Agents view one another as formidable opponents. Fourth, game theory can capture the uncertainty and learning that characterize many strategic interactions associated with terrorism, where at least one side may be ill-informed. For example, governments usually do not know the capabilities of the terrorists, which may change daily as they recruit members and acquire resources. Fifth, game theory permits bargaining among diverse interests. Sixth, game-theoretic interactions are essential for the determination of policy choices.

The rich set of interactions is aptly illustrated by the four articles. Arce M. and Sandler (2005) investigates interactions between targeted governments, while Heal and Kunreuther (2005 [this issue]) examine interdependent security choices made by airline firms. Siqueira (2005 [this issue]) takes up strategic decisions made by political and militant wings within a terrorist organization; Bueno de Mesquita (2005 [this issue]) investigates strategic actions made by former terrorists and the government in an information-impacted collaborator arrangement. Other strategic interactions, not analyzed here, can involve rival terrorist groups or terrorists and their constituency.

The game-theoretic articles in this issue provide for two active agents; however, in places, a third semi-passive agent is introduced. For example, terrorists' tendency to attack soft targets or weakest links exacerbates the suboptimal policy choices among targeted governments or airlines (Arce M. and Sandler 2005; Heal and Kunreuther 2005).

EMPIRICAL ANALYSES

The three empirical studies, described below, rely on data on transnational terrorist incidents drawn from International Terrorism Attributes of Terrorist Events (ITERATE), developed by Mickolus et al. (2004). ITERATE records the incident date, type of event, casualties (i.e., deaths or injuries), host country, the terrorist group, and other variables. The working definition of transnational terrorism used by ITERATE is the use, or threat of use, of anxiety-inducing violence for political purposes by any individual or group, whether acting for or in opposition to established government authority, when such action is intended to influence the attitudes and behavior of a target group wider than the immediate victims, and when, through the nationality or foreign ties of its perpetrators, through its location, through the nature of its institutions or human victims, or through the mechanics of its resolution, its ramifications transcend national boundaries (Mickolus, Sandler, and Murdock 1989).

ITERATE does not classify incidents as transnational terrorism that relate to declared wars or major military interventions by governments, or guerrilla attacks on military targets conducted as internationally recognized acts of belligerency. However, ITERATE classifies as terrorist acts guerrilla attacks against civilians or the dependents of military personnel when such attacks are intended to create an atmosphere of fear to foster political objectives. A number of judgments must be made in terms of what ITERATE includes as a terrorist event. For example, Irish Republican Army (IRA) attacks in Northern Ireland are not included as transnational terrorist acts. IRA attacks in England are, however, included. The reader is referred to Mickolus, Sandler, and Murdock (1989) for further details.

ITERATE derives from a chronology of terrorist events that are based on publicly available materials appearing in the world press. Key sources include the Associated Press, Reuters tickers, the *Washington Post*, *New York Times*, the *Foreign Broadcast Information Service (FBIS) Daily Reports*, and ABC, NBC, and CBS evening news. Until 1996, ITERATE heavily relied on the regional *FBIS Daily Reports*, which drew from hundreds of the world's print and electronic media sources. ITERATE also draws incidents from annual *Patterns of Global Terrorism* reports, published by the U.S. Department of State.

As an events data set, ITERATE has its strengths and weaknesses. A strength is its public availability at a modest cost. Another strength is the continuity of the coders so that the data display a consistency. A third strength is its coverage—daily data from 1968 to 2003 that are updated each year, so that data are available for all but the current year. Even when the data are converted to quarterly observations to avoid zero values, there are 140 observations, which is usually sufficient for even data-intensive time-

series methods. ITERATE codes up to 144 variables in four files: common, fate, hostage, and skyjackings. The common file contains 43 variables (e.g., location start, location end, scene of incident, number of victims, and other variables) shared by all incidents. The fate file indicates the fate of the terrorists in terms of capture, extradition, sentence, and other outcomes. The hostage file codes the various target of terrorist demands, the negotiation behavior during an incident, and the results of negotiations (e.g., ransom paid or prisoners released), while the skyjacking file lists specific characteristics of skyjackings.

Because ITERATE derives from public sources, there are many missing values for some variables. For example, the variable indicating state sponsorship is particularly incomplete. Moreover, when more than one terrorist group claimed responsibility, ITERATE coders had to study the facts and make an informed judgment as to the likely culprit. Another weakness is that public sources are better at disclosing information about the actions of the terrorists than those of the government. If the researcher is primarily interested in how different types of terrorist events track over time or by location, then ITERATE is an appropriate data set. This is how the three empirical articles in the special issue used ITERATE.

SPECIAL ISSUE ARTICLES

Three themes emerge from the seven articles in this collection. A central question in understanding the problem of terrorism is to understand the *characteristics* of terrorist activities. Enders and Sandler (2005 [this issue]), Li (2005 [this issue]), and Barros and Proença (2005 [this issue]) characterize the behavior of terrorist organizations and whether this behavior is conditioned by domestic and international variables. These articles also examine whether the behavior of terrorist organizations has changed over time and, if so, whether that change has occurred in any predictable way. The insights generated by these articles establish systematically that both domestic features of the polity and the nature of the international system's response matter for the type, variety, and location of the attack.

The second theme that emerges is the difficulty of engineering effective and coordinated *counterterrorism* strategies. The Arce M. and Sandler (2005) and Heal and Kunreuther (2005) articles stress the difficulties of successful counterterrorism strategies. Both articles emphasize the external effects of counterterrorism strategy—that defensive actions shift attacks either from one state to another or from one airline to another—and that successful strategies require coordination either at the industry or the national level.

A third theme that emerges is that it is crucial to understand the *internal dynamics* or conflicts within any terrorist organization to understand how it behaves and therefore how to manage the threat it creates. The articles by Siqueira (2005) and Bueno de Mesquita (2005) address a complicated three-player problem—the target state/government and two or more terrorist factions. In each case, these articles de-emphasize one of the players to keep the analytics tractable. Siqueira de-emphasizes the conflict between the terrorist organization and the target in favor of studying the interactions

across factions within the same umbrella organization; Bueno de Mesquita highlights instead the game between a government and terrorists with whom it is in negotiations, de-emphasizing the conflict between the terrorist leadership and its rank. These third players are not absent but are modeled more simply than fully fleshed out rational players; nevertheless, the three-sided problem indicates that some standard views of counterterrorism strategy or negotiations may in fact be counterproductive.

Arce M. and Sandler (2005) examine a targeted government's choice between defensive and proactive counterterrorism policies in today's world of transnational terrorism where governments may face a common terrorist threat. Defensive actions include hardening targets, erecting technological barriers, securing borders, and increasing surveillance. Defensive policies try to deter an attack by either making success less likely or increasing the anticipated costs to a would-be terrorist. Proactive responses are more aggressive and include destroying terrorist assets, retaliating against terrorist sponsors, infiltrating a terrorist group, or some other action to make the group less effective. Arce and Sandler employ simple game theory to explain the proclivity of many targeted governments to rely on defensive, rather than proactive, measures. Their analysis is based on the realization that defensive actions impose a public (external) cost on all at-risk nations through a transference of attack, whereby the terrorists shift a planned attack to the nation taking the least precautions. In contrast, proactive measures confer a public (external) benefit on all at-risk nations (i.e., action to destroy a common threat weakens it for all potential targets). When a targeted government has three strategic choices—defend, do nothing, or preempt—the defend strategy dominates the other two strategies under a wide range of scenarios. If a fourth strategy of doing both (i.e., defend and preempt) is allowed, defend is still the dominant strategy against a multicountry transnational terrorist threat.

The main exception to this tendency to eschew proactive measures is when a prime-target nation attracts the lion's share of attacks. In this scenario, the nation may privilege other at-risk nations with its action to eliminate a common terrorist threat. Ironically, if the terrorists favor one target by directing a disproportionately large number of attacks on its interests, then that government will take proactive measures, which best describes the U.S. position following 9/11. By greatly preferring one target, terrorists will induce a government to overcome its reluctance to apply proactive measures.

The article shows that a variety of game forms may apply to diverse defensive and proactive measures. The simplicity of the authors' analysis is a strength rather than a weakness because it explains to a wide audience the observed political reality that, when confronted by a common terrorist group, nations may work at cross-purposes. As a consequence, targeted countries may expend too many resources on defensive actions. The passive agent—the terrorists—engineers this predicament by seeking the softest target. Although the terrorists' payoffs are not displayed, they are very much in the picture as their actions lead governments to settle on a Nash equilibrium with socially inferior payoffs. Only counterterrorism cooperation among targeted countries will achieve better outcomes. Transnational terrorism requires a level of counterterrorism coordination that nations have resisted to date.

In the ensuing article, Heal and Kunreuther (2005) focuses on defensive counterterrorism policy regarding the airline industry, where the ability of one airline to

ensure the safety of its flights depends on its own precautions and those of other airlines. In particular, the authors investigate scenarios in which a bomb may be loaded on board directly or from a feeder flight, as in the case of Pan Am flight 103, which exploded over Lockerbie, Scotland, on December 21, 1988, killing 270 people (including 11 on the ground). Such instances involve a wide variety of public good scenarios, including weakest link, weaker link, best shot, and others depending on how each agent's efforts determine the overall safety of flights. If, for example, the overall safety is solely dependent on the least-secure airline in the case of weakest link, then the Nash equilibriums require airlines to match one another's protective measures. This follows because a greater effort than the smallest may accomplish no net gain in safety. A rich set of scenarios and equilibriums characterizes Heal and Kunreuther's fascinating analysis.

Their study is similar to that of Arce M. and Sandler (2005) in that a wide variety of game forms apply. In particular, interdependent security need not imply a prisoners' dilemma in which no one acts. An assurance game often applies, in which a coordinated response is anticipated. Another similarity of the first two articles of the special issue is their emphasis on externalities and suboptimal equilibriums, with their concomitant need for corrective policy. Heal and Kunreuther investigate how to target policy to create a cascading or tipping effect, whereby positive inducements to one airline to institute greater safety precautions motivate other airlines to take similar actions. The authors discuss arrangements—private-public partnerships, insurance schemes, and trade associations—to achieve more appropriate investment levels in safety.

Like the two previous articles, Siqueira (2005) focuses on externalities that now stem from political and militant factions within terrorist organizations pursuing their own agenda. Externalities arise because the actions of each faction generate faction-specific benefits along with organization-wide benefits (e.g., financing) and costs (e.g., reduced constituency support). Four interactive scenarios for political and militant wings are investigated that include mutually reinforcing actions and strategic complements, mutually reinforcing actions and strategic substitutes, reinforcing action by the political wing and detracting action by the militants, and reinforcing action by the militants and detracting action by the political wings. Each of these four scenarios is related by the author to real-world terrorist organizations. These scenarios lead to a variety of outcomes and policy recommendations. For strategic complements, Siqueira establishes that competition between the two factions does not necessarily result in increased dissident activity. This follows because independently acting factions tend to engage in less activity than groups whose factions coordinate efforts. Thus, Siqueira shows that some conventional wisdom may be untrue. Although factions' activities may, at times, hurt the overall movement, Siqueira demonstrates that a faction may still possess incentives to engage in those actions, provided that faction-specific gains are sufficiently strong. Factions may, therefore, work at cross-purposes—a situation that can be successfully exploited by an astute government.

Siqueira's (2005) investigation brings a whole new dimension to the practice of counterterrorism. For reinforcing actions among factions and strategic complements, Siqueira demonstrates that piecemeal policy may be particularly effective. If, for example, the government's actions effectively target just a single faction's activities,

the other faction will also reduce its activities even when they are not limited *per se* by government action. Piecemeal counterterrorism policy, in which only one faction's efforts are targeted, may have undesirable consequences for the alternative of strategic substitutes. Siqueira succeeds in showing that counterterrorism prescriptions may have to account for strategic interactions among factions within terrorist organizations. The requisite information about such interactions requires an understanding of the terrorist group and its constituent parts. Siqueira's analysis provides a novel insight to the practice of counterterrorism when a terrorist organization has factions whose actions may reinforce or oppose one another's goals.

Bueno de Mesquita (2005) also studies factions within a terrorist group from a counterterrorism vantage. Unlike Siqueira (2005), Bueno de Mesquita ignores the strategic interactions between rival factions and focuses, instead, on the interactions between a terrorist faction and the government. In particular, he models the collaboration between a government and former terrorists as a game of moral hazard and learning. The government relies on the former terrorists to help curb terrorism but does not know how hard they are working toward this goal. The skill of these terrorists in their counterterrorism role is unknown to the government, which uses observations on outcomes to update their priors about the terrorists' effectiveness. Through the threat of replacement and the promise of political concessions, the government tries to motivate its terrorist collaborators. In deciding concessions, the government trades off the marginal gain from motivating its collaborators with the associated marginal costs. The article does not investigate the strategic interplay between the former terrorists and their public constituency.

The main focus of this two-period analysis is to identify conditions under which the government searches for replacements as a means of motivating collaborators' effort. The threat of replacement is especially effective when potential replacements are of moderate ability. If they are inept or clearly superior to the current collaborators, then the government's threat will do little to augment efforts because the threat is either not credible or certain. Circumstances are identified in which the government chooses new collaborators. In September 2003, Israel's actions to replace Yasser Arafat with a new leadership provide political context to the author's analysis. The interplay between the British government and the Irish Republicans is another contextual example.

The following three contributions are empirical exercises. Enders and Sandler (2005) present an inductive analysis to ascertain what, if anything, is different about the pattern of transnational terrorist attacks following 9/11. From a theoretical perspective, U.S.-led counterterrorist actions directed against al Qaida are anticipated to have stressed its networks, thereby influencing operations. In particular, the ability of al Qaida and its affiliates to engage in logistically complex and resource-demanding hostage missions may have been temporarily compromised. Given the proclivity of fundamentalist terrorists to maximize body counts, these authors anticipate a substitution into more deadly, but simple, bombings. Other structural breaks to the data are expected prior to 9/11: in the mid-1970s following the Arab-Israeli conflicts and in the early 1990s after the end to the cold war.

These authors apply advanced time-series methods on a number of extracted time series (e.g., hostage-taking missions, incidents with casualties, deadly bombings, and the proportion of hostage-taking events) from ITERATE data for the 1970-2003 period. Enders and Sandler (2005) use two empirical methods to identify structural breaks. The first prejudices 9/11 as a break date, while the second (i.e., the Bai-Perron 1998) procedure allows the data to identify the structural breaks. Both procedures give consistent results with respect to 9/11: there is little change in the time series of overall incidents and most of its component series. The authors, however, find that the composition of events has altered: hostage-taking events have fallen as a proportion of all terrorist incidents, while deadly bombings have increased as a proportion of deadly terrorist incidents. This finding is consistent with the authors' priors. The Bai-Perron (1998) procedure also identifies structural breaks in the mid-1970s and the early 1990s. Understanding the pattern of terrorist attacks is important not only for forecasting purposes but also for the allocation of counterterrorism resources. The authors show that if structural breaks are incorporated in forecast models fairly quickly, then reasonable out-of-sample forecasts are possible.

The Li (2005) article investigates the relationship between democracy and transnational terrorism. Liberal democracies are thought to provide a favorable environment for terrorism by giving terrorists freedom of association and movement (Wilkinson 1986, 2001). Due process and the preservation of individual rights protect not only the ordinary citizen but also the terrorists. Such freedoms and rights may facilitate spillover terrorism as grievances from abroad give rise to terrorist events staged in democracies. Press freedoms may exacerbate this spillover because deadly terrorist attacks will likely receive widespread coverage that can make a terrorist cause known far and wide. Through this news coverage, liberal democracies may unwittingly bolster the ability of transnational terrorists to create anxiety in a targeted audience. In contrast, political participation by voters may limit terrorism by reducing the incentives of domestic groups to attack foreign targets at home. Participation allows any grievances to be settled by policy changes.

Li (2005) provides a more careful econometric analysis of the influence of democracy on transnational terrorism than the current literature (see, e.g., Eubank and Weinberg 1994, 2001; Weinberg and Eubank 1998). In so doing, he separates press freedoms from other essential characteristics of democracies (e.g., political constraints on the executive and political participation among potential voters). Li controls for a host of factors: reporting bias, economic development, income inequality, and regime durability. For 1975-1997, Li presents a pooled cross-sectional analysis for more than 1,100 countries based on ITERATE data. In the course of his study, he tests a number of hypotheses, including (1) whether greater democratic participation limits transnational terrorism in venue countries and (2) whether institutionalized constraints on the government promote greater transnational terrorism. Li also tests whether democratic systems that are more inclusive of alternative viewpoints (i.e., proportional representation) have less transnational terrorism than less inclusive systems, such as majoritarian rule. Among other results, Li finds that press freedoms and political constraints are positively associated with greater transnational terrorism. Proportional

representation experiences significantly less transnational terrorism than other democratic alternatives. Regime durability reduces transnational terrorism at home.

Since the Soviet invasion of Afghanistan in December 1979 and the takeover of the U.S. embassy in Tehran in November 1979, there has been a rise in Islamic fundamentalist terrorism (Hoffman 1998; Enders and Sandler 2000). Such terrorist attacks are anticipated to have more indiscriminate killings and U.S. targets. The Barros and Proença (2005) article investigates the characteristics that distinguish Islamic from other terrorist attacks. Using ITERATE data from October 1979 to December 2002, the authors create a dependent variable indicating whether the terrorist incident is by a radical Islamic group. The authors then apply a mixed logit model to ascertain what significant variables are associated with Islamic terrorist incidents. Independent variables include the type of attack, its location, the number of casualties, and the nature of the victim.

The authors establish that assassinations, rather than armed attacks, arson, and explosive bombings, are more apt to be associated with Islamic attack. France, Italy, and Switzerland attracted more Islamic attacks than other locations. The authors show that heterogeneity characterizes the casualty variable, so that the number of casualties may vary greatly for Islamic terrorist attacks. For effective counterterrorism policy, authorities need to know the distinguishing features of radical Islamic attacks. The location and preferred targets of such incidents must be ascertained if resources for defensive and proactive measures are to be allocated effectively. Since 9/11, U.S. efforts to secure America from terrorist attacks may mean that America is safer but that Americans are more vulnerable abroad. The Barros and Proença (2005) study sheds some light on this concern.

CONCLUDING REMARKS

The articles of this special issue are intended to be a springboard for future theoretical and empirical work on transnational terrorism. A clear direction for future research is to extend the game-theoretic analyses to include three active players (e.g., two targeted governments and the terrorist network). Other agents, such as the terrorists' constituency, can be brought into the analysis as a player. The theoretical articles clearly demonstrate that the practice of effective counterterrorism needs to be evaluated in a game-theoretic framework, where even allied agents may operate at cross-purposes (e.g., governments may rely too much on defensive policies). This framework also shows that governments can exploit interactions among factions within terrorist groups to advantage when applying counterterrorism measures. The empirical studies indicate that the pattern and characteristics of terrorist attacks can be used for forecasting and counterterrorism purposes. Much more can be done in understanding a host of empirical issues, including the relationship between democracy and terrorism.

A number of outstanding questions are raised by the articles in this study. The work in this volume takes the point of view that the terrorists employ violence to pursue their political aims. But why and when might groups decide to use terrorism as opposed to other forms of political action? And within the sphere of violent organization, why is

terrorism applied as opposed to other forms of armed conflict? Similarly, the terrorist organization crucially relies on the support of the public that it claims to represent. This two-level, simultaneous interaction (between the terrorist and target, as well as the terrorist and public) needs closer examination.

The articles for this special issue grew out of the “The Political Economy of Transnational Terrorism” conference, which was hosted and funded by the Center for International Studies at the University of Southern California on April 16-17, 2004. All articles were subjected to a rigorous review process. For each article, comments were provided by conference participants, two or more anonymous referees, and the two editors. Bruce Russett also assigned an overall anonymous reviewer to comment on each article. No article was ensured a place in the special issue; in fact, a number of papers were rejected. In many ways, each article received far more comment and scrutiny than would be the case in the normal review process; that is, some articles received comments from as many as five or six readers in addition to conference discussant and participants.

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