Globalization and Extremism

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Based on my Book, “Rational Extremism” Cambridge University Press, 2006
I assume extremists are rational.

But there is a twist: “social cohesion” is important to people. People are selfish, but they like solidarity.

Solidarity = social cohesion = social capital = loyalty = civil society = trust = networks = relationships = mutual aid, etc.

Evidence that the desire for solidarity is a fundamental characteristic of human beings.

Framework useful for understanding crime, nationalism, herd behaviour, etc., and provides solutions to problems (crime in New York, Microcredit in Bangladesh).
Extremism: first we have to understand it

- Divide extremists into leaders and followers

- Look at 3 cases of extremism: Israel-Palestine, Communism, Islamic Fundamentalism
Extremist leaders frame the problem in terms of increasing returns or “indivisibility”.
Communism

Government control over the economy
Leaders choose between moderate and extremist methods

\[ M = \text{certain outcome from moderate methods} \]
\[ I_0 \text{ or } I_1 = \text{uncertain outcome from violent or extreme methods} \]
More extreme views implies more violence

Resources in Terror/Moderation
Followers

- E.g., suicide martyrs.
- Why do they do it?
- Pape: occupation of the homeland (US out of Egypt and Saudi Arabia, Israel out of the West Bank, Russia out of Chechnya, etc.)
- Azzam: altruism
- But there is a free rider problem
- So why do followers participate?
Research into extremist groups and cults shows 2 things:

1. **High solidarity.** “for many, belonging to the terrorist group may be the first time they truly belonged” (Post)

2. **Extreme beliefs** held in common (eg, “foreign leaders and the UN are plotting to take over the US” (Mark Koernke, *America in Peril*)
Followers adopt extreme beliefs in exchange for solidarity. But there are “Multiplier” and “Contagion” effects.
Rational Suicide for the cause

Auto-
omy

Solidarity
Mechanisms to create solidarity

- Within the firm ("Stakeholder" systems (e.g., Germany, Italy, Japan) have more solidarity than "Shareholder" (US) systems)
- Barriers to entry and exit
- Common social programs (medicare, welfare)
- Common beliefs (solidarity arises from and breeds conformity)
- "Jihad", meaning struggle against an external enemy
Globalization and Jihad

- Globalization tears down the first four: stakeholder systems, barriers, local common social programs and common beliefs
- This leaves only *jihad* as a means to create and maintain solidarity
- → It may be no accident that the US made war at the same time as it implemented tax cuts for the rich
Fukuyama, Friedman, etc.: democracy and markets are the only way to run a country.

But imposing these destroys local customs and social cohesion.

“Structural adjustment” programs failed, and 7 of 8 cases of “state failure” in the 1990’s featured heavy IMF involvement (Easterly).

Globalization creates “Portable Islam” (Roy)

Makes terror against “The Far Enemy” more likely (Gerges)
Is there a connection between poverty and suicide terror?

- Evidence: No relation to suicide terrorism
- Why? Economics: the “cost” of suicide terror is the loss of life, which rises with income
- But the “benefit” is solidarity, which also rises sharply with income
But “Significant” terrorist incidents and global inequality are related (Burgoon)
Globalization also makes conflicts more likely.
Globalization and War

- War is ALWAYS the result of misunderstanding in economic theory.
- The misunderstanding in democracies is that dictators rule by repression alone, i.e., that they have no loyal support.
- Examples: Bay of Pigs, Milosevic, recent invasion of Iraq.
- Globalization? Previous peak was just before WW1.
Policy implications 1

- The starting point is that everyone is rational and responds to incentives.
- Carrot and stick (because the wealth effect is uncertain).

But

- The more millenarian the group, the less effective are either carrot or stick.
- For followers, the corner solution also means price policies are ineffective.
- Stick easily counterproductive because, unlike carrot, contributes to their isolation and creates solidarity vs an external enemy.
Policy implications 2

- Make the indivisible divisible
- Carrot and stick against terror (because the stick alone can cause a counterproductive wealth effect)
- Incentives can work with potential followers
- Removing solidarity from the economic system builds jihad
Policy implications 3

- Remember: the chances of dying from a terrorist attack are smaller than the chance that you will die because of an accident in your bathtub (William Niskanen, *Public Choice* 2006)

- Extremism a much broader category than terrorism. Extremists are dreamers. A society which tries to stamp out extremism is trying to stamp out its own capacity to dream.