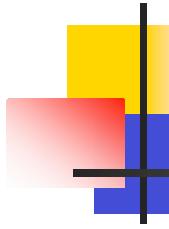


Globalization and Extremism

Ronald Wintrobe
University of Western Ontario
May 1, 2007



Based on my
Book, "Rational
Extremism"
Cambridge
University Press,
2006

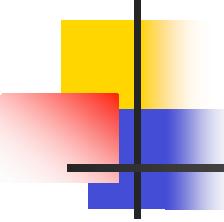


Rational Extremism

THE POLITICAL ECONOMY OF RADICALISM

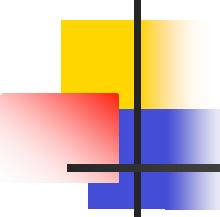
Ronald Wintrobe

CAMBRIDGE



Basic viewpoint

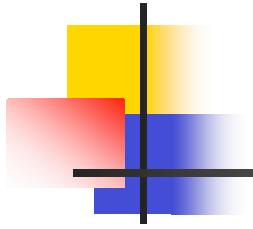
- ▀ I assume extremists are rational.
- ▀ But there is a twist: “**social cohesion**” is important to people. People are **selfish**, but they like **solidarity**
- ▀ Solidarity = social cohesion = social capital = loyalty = civil society = trust = networks = relationships = mutual aid, etc.
- ▀ Evidence 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)



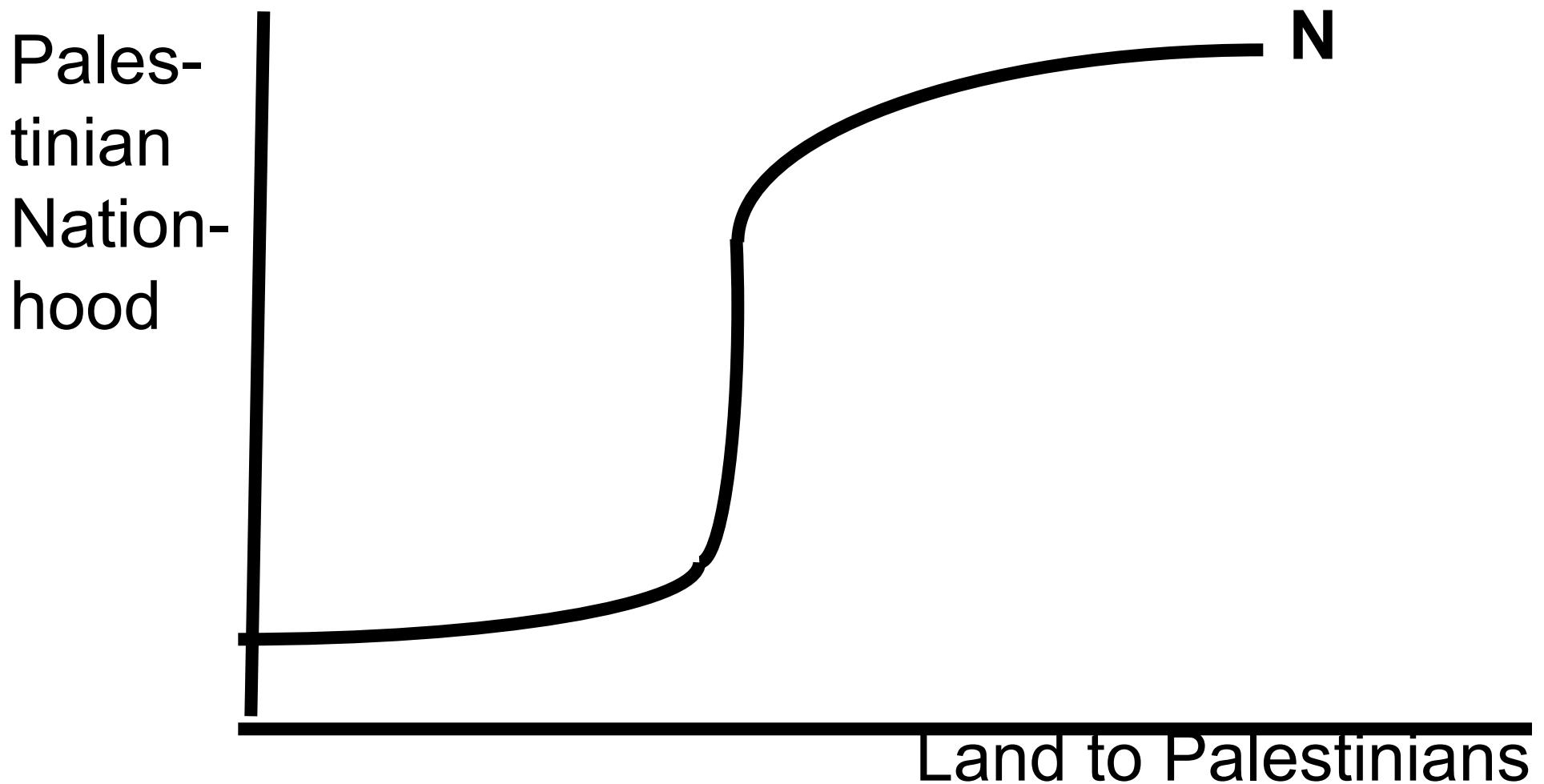
Extremism: first we have to understand it

- ↙ Divide extremists into leaders and followers

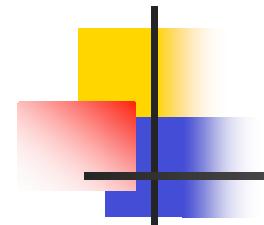
- ↙ Look at 3 cases of extremism:
Israel-Palestine, Communism,
Islamic Fundamentalism



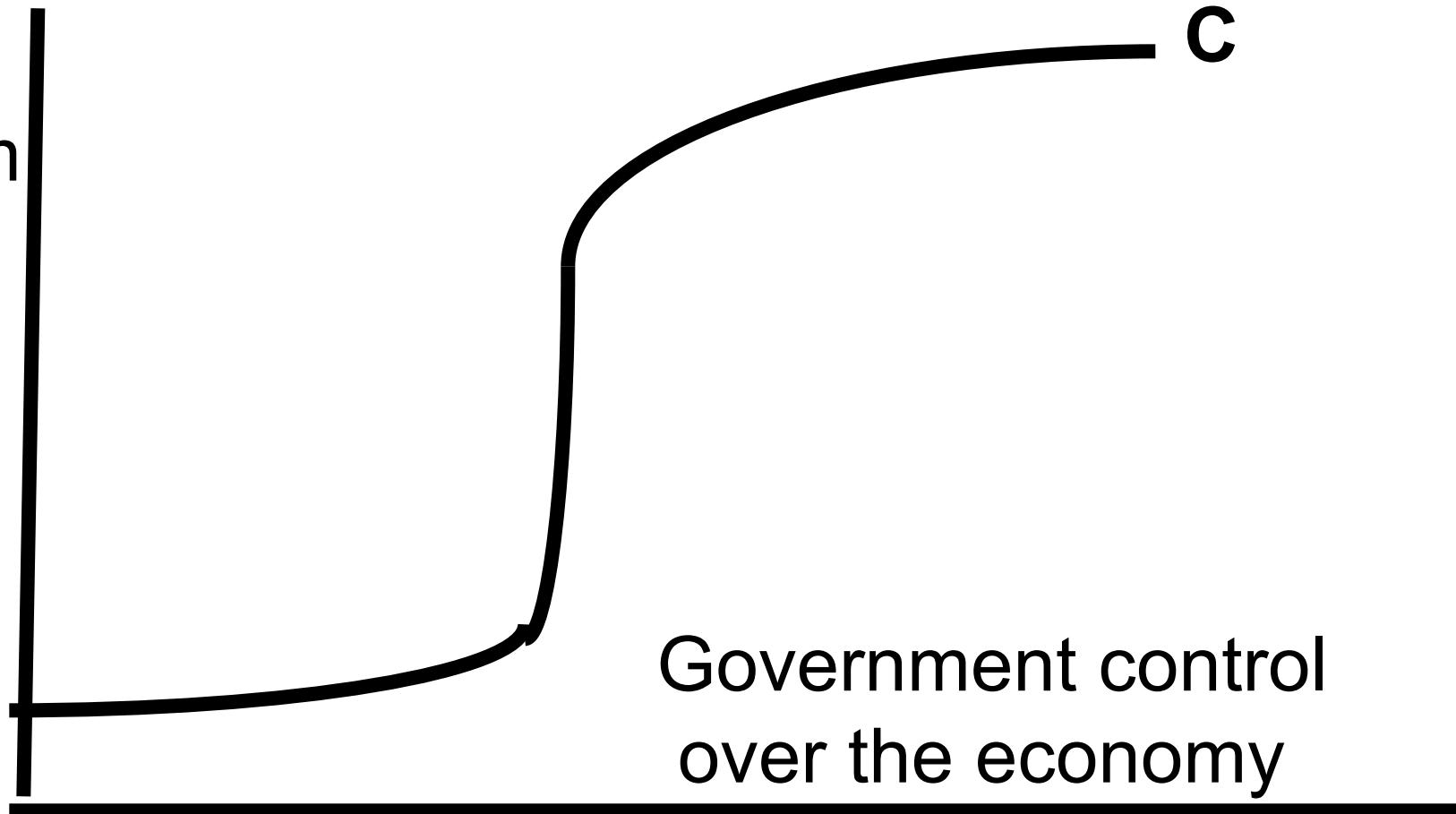
Extremist leaders frame the problem in terms of increasing returns or “indivisibility”



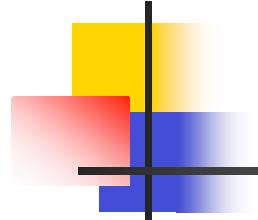
Communism



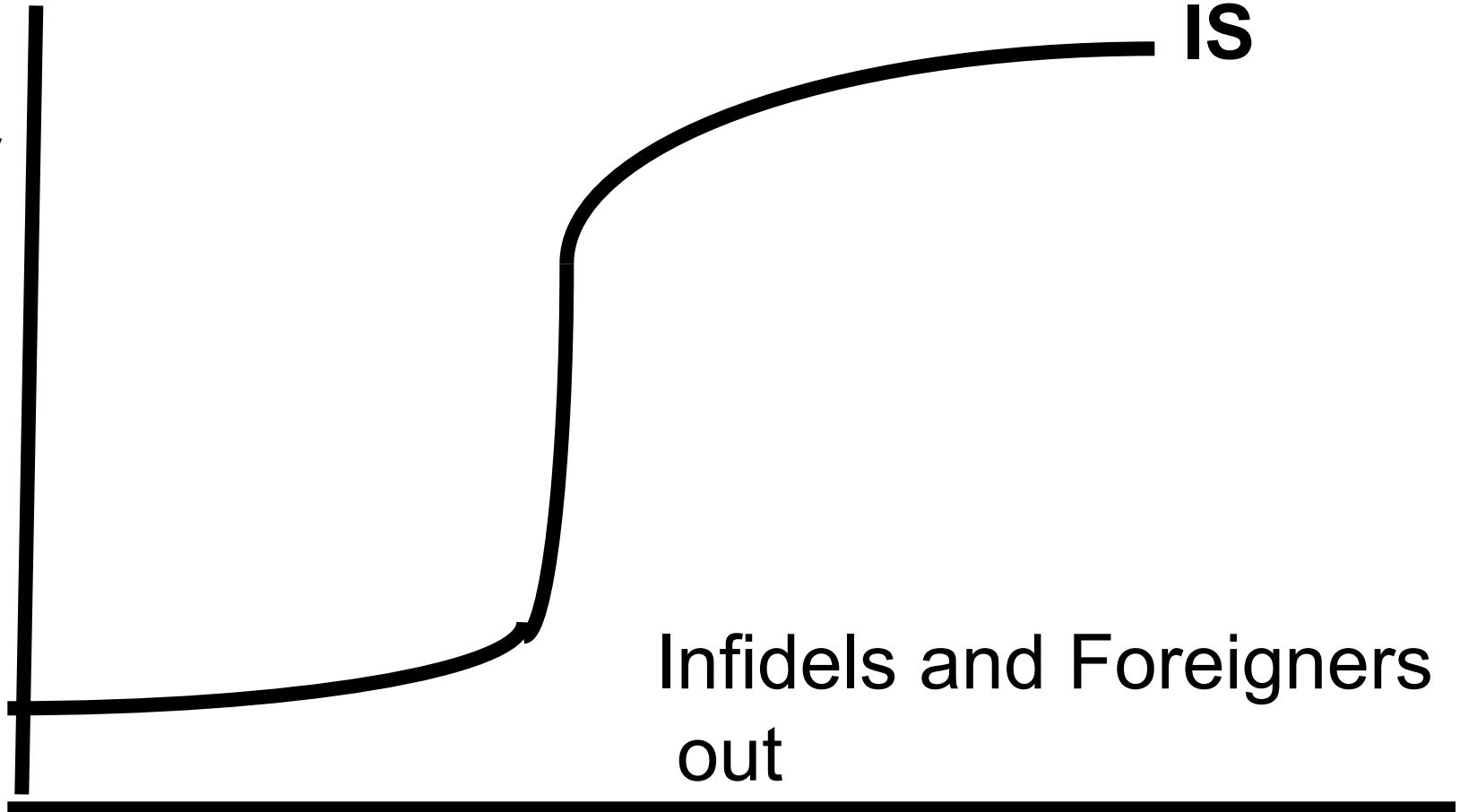
Com-
munism



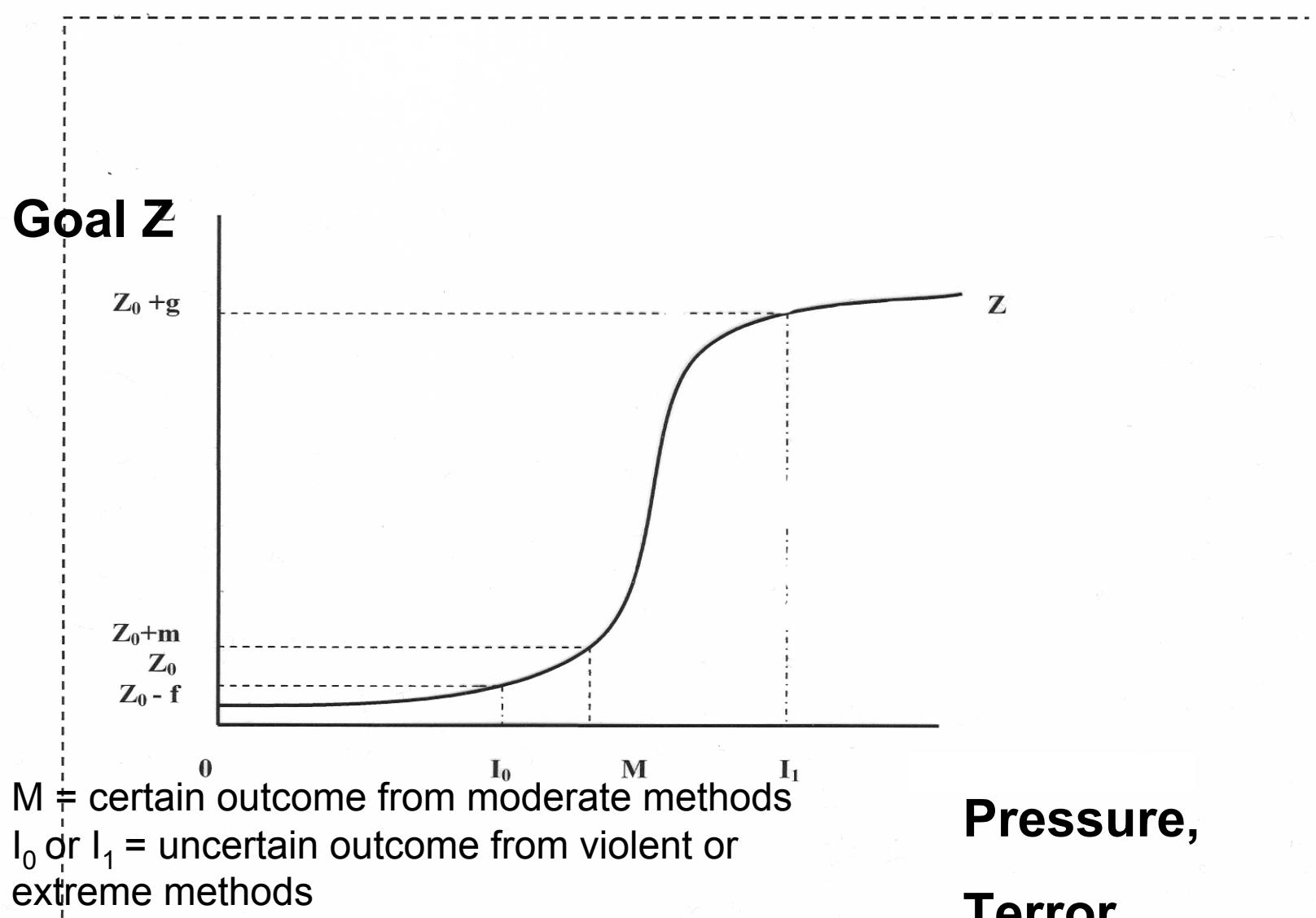
Islamic Society



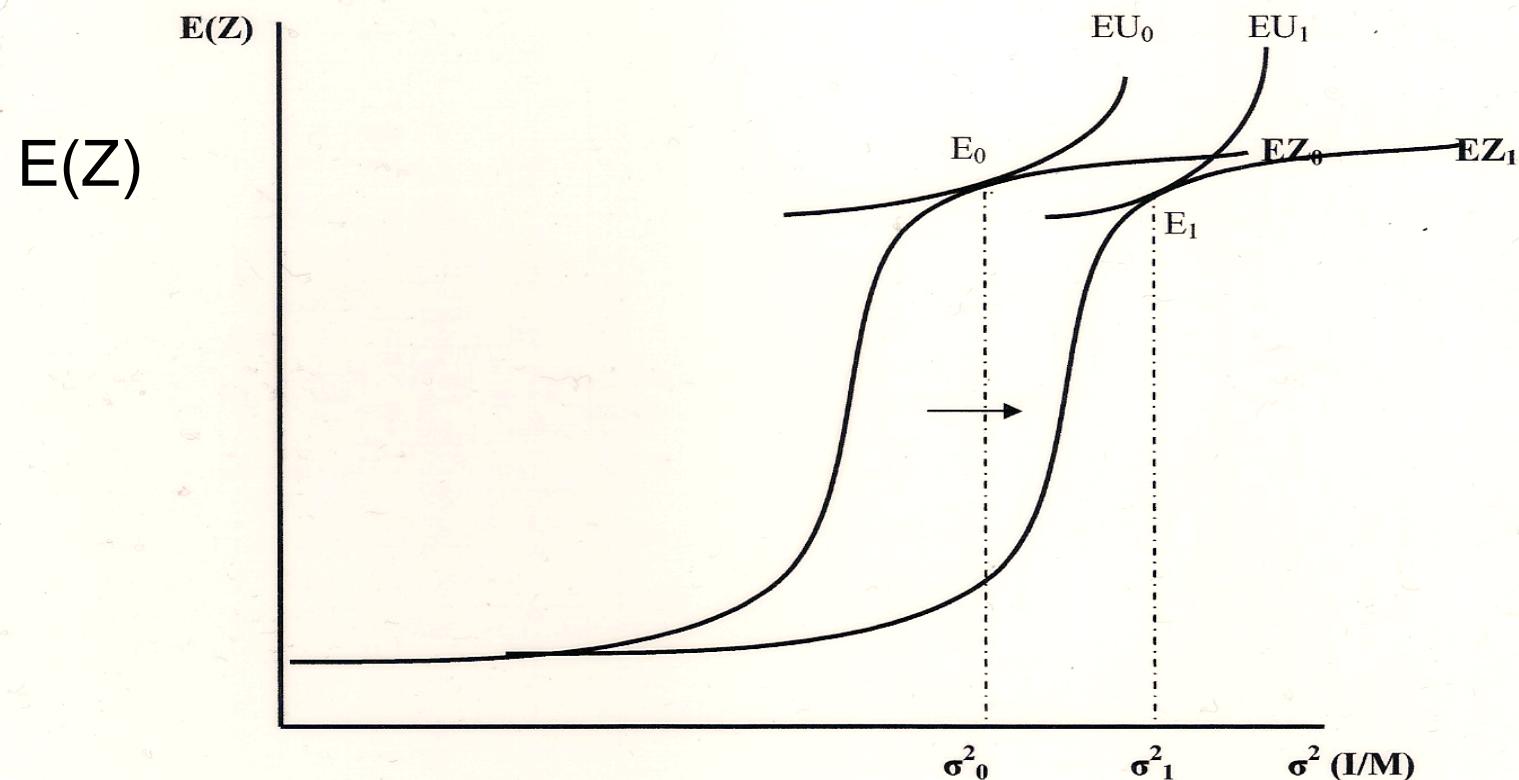
Islamic
Society



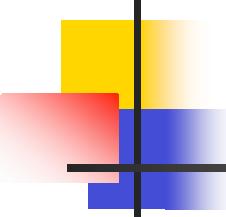
Leaders choose between moderate and extremist methods



More extreme views implies more violence

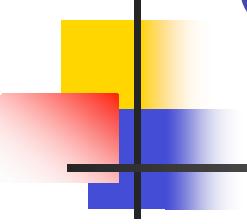


Resources in Terror/Moderation



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?



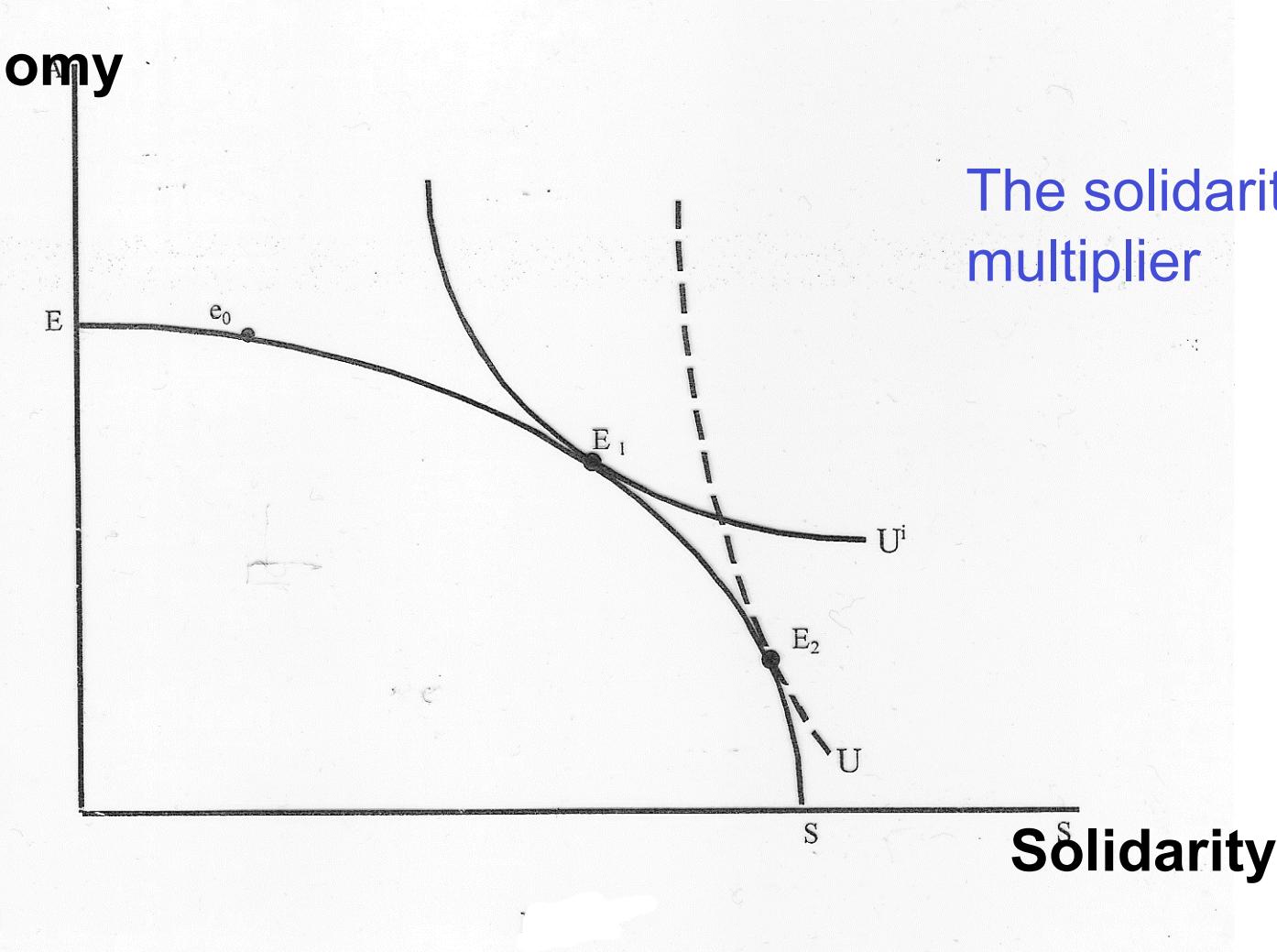
Character of extremist groups

- ▼ 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

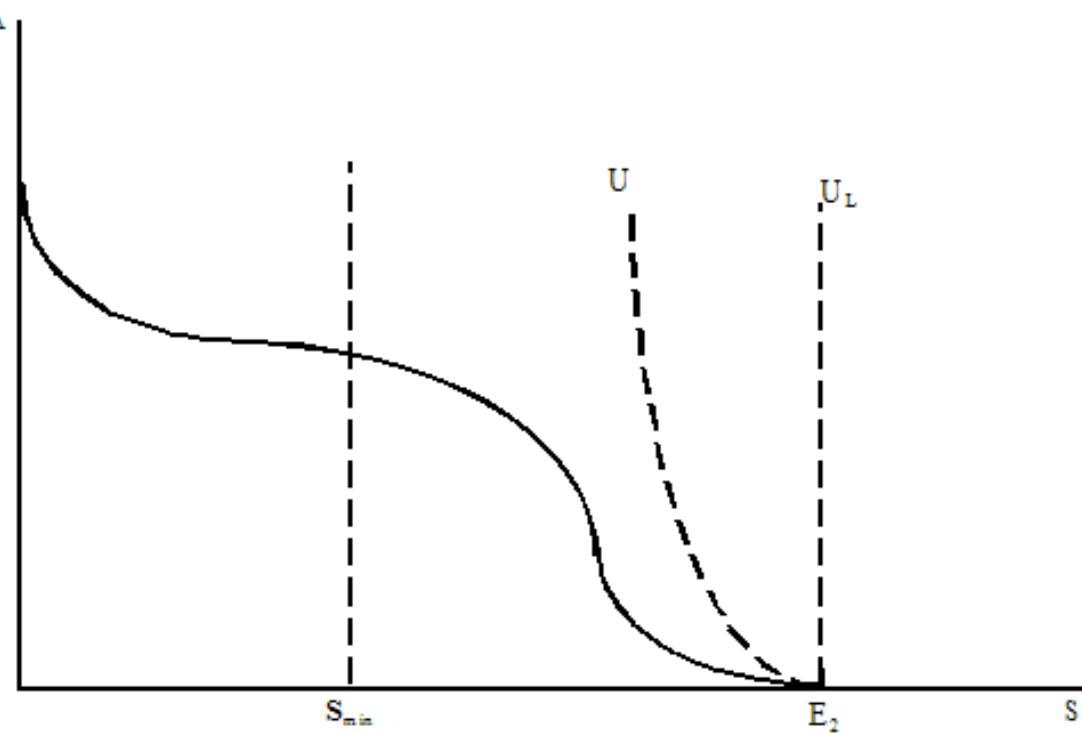
Autonomy

The solidarity multiplier

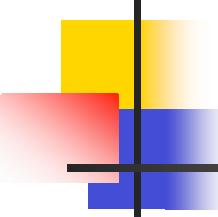


Rational Suicide for the cause

Auto-
nomy

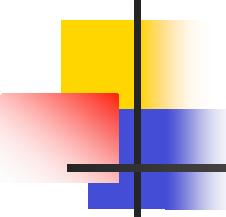


Solidarity



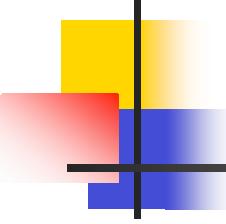
Mechanisms to create solidarity

- ▼ Within the firm (“Stakeholder” systems (eg 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



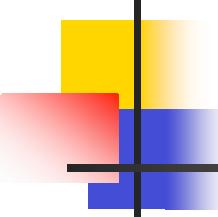
Globalization and Jihad

- ↙ 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



Globalization and jihad 2

- ▼ 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?

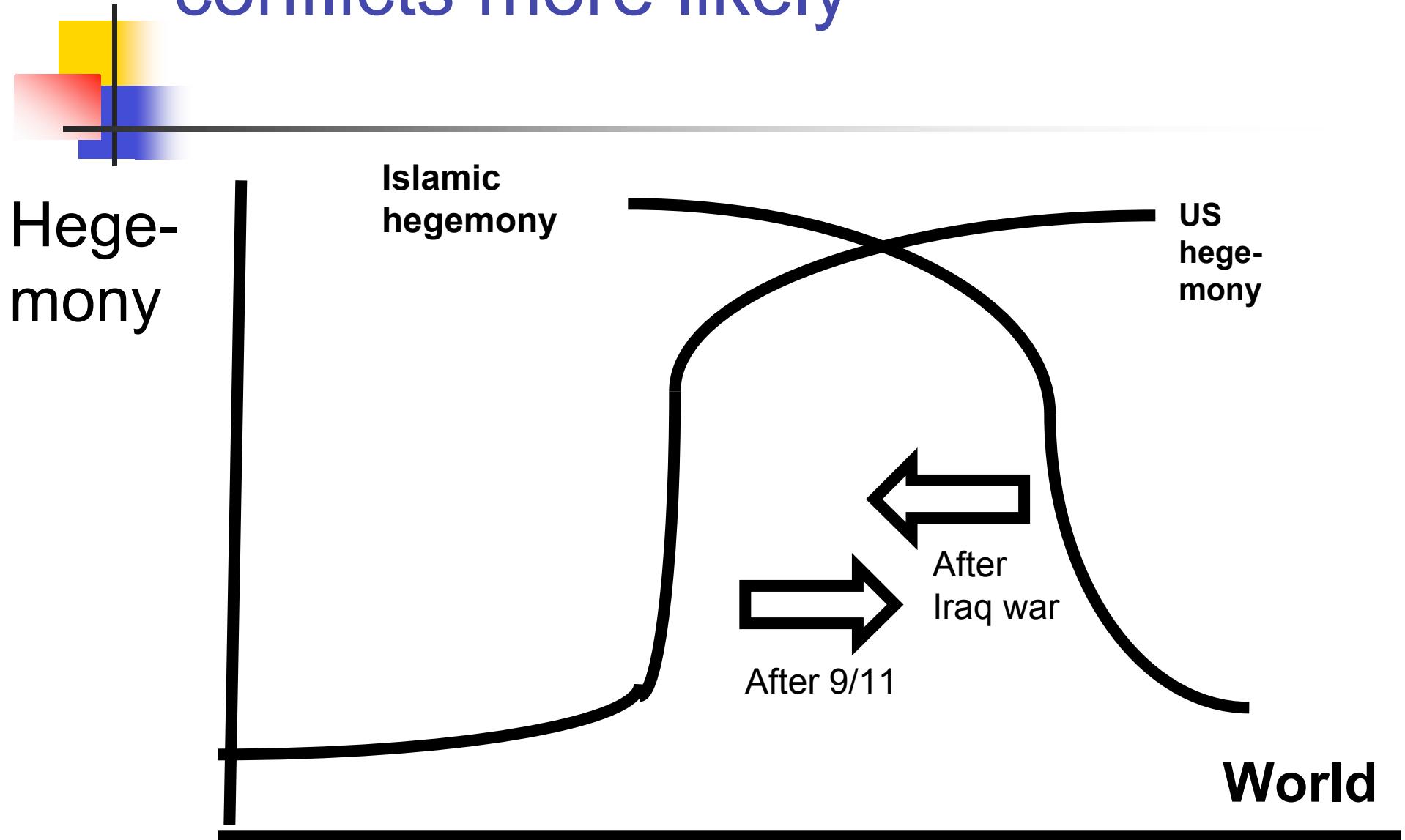
- ↙ Evidence: No relation to suicide terrorism
- ↙ Why? Economics: the “cost” of suicide terror is the loss of life, which rises with income
- ↙ But the “benefit” is solidarity, which also rises sharply with income

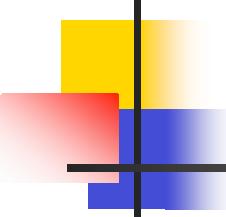
But “Significant” terrorist incidents and global inequality are related (Burgoon)

Figure 1: Transnational Terrorist Incidents and Cross-national Inequality, 1968–2003



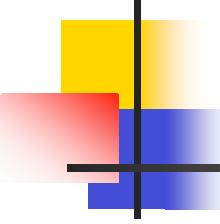
Globalization also makes conflicts more likely





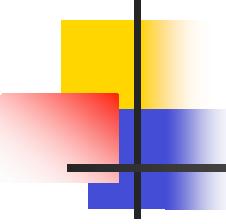
Globalization and War

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



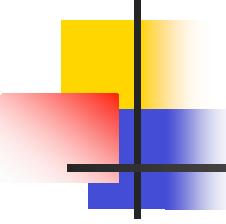
Policy implications 1

- ↙ **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.*