

# For Whom Terror Works

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# Does Terror Work?

- General consensus falls between “no” and “maybe sometimes.”
- Demands of terrorists are almost never met.
  - Abrahms (2006; 2008), Jones (2008), Krause (2013).
- Other explanations for why terrorism happens:
  - Seek social solidarity or personal gain (Abrahms).
  - Irrational group-thinkers (Tsintsadze-Maass & Maass).

# Does Terror Work?

- We suggest that terror works, for the sponsors of terror.
- Sponsors can leverage the threat of aiding terrorists to extract political concessions from targets.
- It is rational for sponsors to do this despite:
  - Sponsors are ideologically unaligned with terrorists.
  - Terrorism is destructive.
  - Terrorists could win (overthrow the target) w/ worse outcomes for the sponsors.
- Sponsor-Terrorist represents a principal-agent relationship w/ a very imperfect agent.

# What's Novel Here (Empirically)?

- \*I am going to emphasize modeling aspects\*
- Our mechanism works well with cases community sponsorship or weak sponsors of misaligned groups.
- Past work on insurgent/terror sponsorship emphasizes different ideas.
  - Idea 1: insurgent is allied proxy (Salehyan, 2008 & 2010).
  - Idea 2: Sponsor helps insurgent to weaken adversaries (Schultz 2010; Schram 2020; Qui 2021).
  - Idea 3: Insurgents/terrorists are potentially misbehaving agents, and sponsor can punish (Bapat 2006 & 2012).
- Our mechanism applies to six cases where all evidence suggests that VEO failed to accomplish goals.
  - Al Qaeda, the Egyptian Islamic Group (EIG), (early) Hamas, (early) Hezbollah, the Provisional Irish Republican Army (IRA), and the Liberation Tigers of Tamil Eelam (LTTE)

# What's Novel Here (Formally)?

- (A) This is a fairly different principal-agent setting.
  - Principal relies on extremist agents who conduct violence and can come to control policies.
- (B) We find that extreme agents can be useful to moderate principals.
- (C) Going further than (B): more extreme/less aligned agents can be *more* useful to the principal.
  - This is an anti-ally principle result.
  - This arises b/c principal uses agent to attack Government

# Model

- Actors: (G)overnment, (V)EO, (S)ponsor.
- 1 Period  $t = 1$  begins.
  - 2 G fixes policy  $x_t \geq 0$ .
  - 3 S observes  $x_t$  and sets costly funding  $f_t \geq 0$ .
  - 4 V observes  $x_t$  and receives the funding, and then V attacks G or not.
    - If attack, V overthrows G w/ prob  $1 - P(f_t)$  (continuous) and controls policy (sets  $x_{t,v}$  for current and future  $t$ ).
    - If V attacks and V fails, game moves to next step.
    - If V doesn't attack, game moves on.
  - 5 The game repeats at (2),  $t = t + 1$ , utilities discounted by common  $\delta \in (0, 1)$ .

# Payoffs From Peace

- Each actor has an ideal point:  $\hat{x}_G = 0$ ,  $\hat{x}_S < \frac{1}{2}$ ,  $\hat{x}_V \geq 1$ .
- Selected policy is  $x_t$ .
- **Per-period** peace payoffs
  - $U_{G,t} = -x_t$   
 $U_{S,t} = -|\hat{x}_S - x_t| - C(f_t)$ 
    - $C(\cdot)$  are funding costs,  $C(0) = 0$ ,  
 $U_{V,t} = -|\hat{x}_V - x_t|$
- **Stream** of peace payoffs
  - $U_G = \sum_{t=1}^{\infty} -\delta^{t-1} x_t$   
 $U_S = \sum_{t=1}^{\infty} -\delta^{t-1} (|\hat{x}_S - x_t| + C(f_t))$   
 $U_V = \sum_{t=1}^{\infty} -\delta^{t-1} (|\hat{x}_V - x_t|)$
- (War on next slide)

# Payoffs From Conflict

G's payoff when V fights once in period  $k > 1$  (recall  $\hat{x}_G = 0$ ):

$$U_G = \sum_{t=1}^{k-1} \left[ -\delta^{t-1} x_t \right] + \\ - \delta^{k-1} \left( P(f_k) x_k + (1 - P(f_k)) \sum_{t=k}^{\infty} \left[ \delta^{t-k} x_{t,V} \right] + c_G \right) + \\ - P(f_k) \sum_{t=k+1}^{\infty} \left[ \delta^{t-1} x_t \right]$$



# Payoffs From Conflict

S's payoff when V fights once in period  $k > 1$ :

$$U_S = \sum_{t=1}^{k-1} [-\delta^{t-1} (|\hat{x}_S - x_t| + C(f_t))] + \\ - \delta^{k-1} \left( P(f_k) |\hat{x}_S - x_k| + (1 - P(f_k)) \sum_{t=k}^{\infty} [\delta^{t-k} |x_{t,V} - \hat{x}_S|] + C(f_k) \right) + \\ - P(f_k) \sum_{t=k+1}^{\infty} \delta^{t-1} (|\hat{x}_S - x_t| + C(f_t))$$

# Payoffs From Conflict

V's payoff when V fights once in period  $k > 1$ :

$$U_V = \sum_{t=1}^{k-1} [-\delta^{t-1} |\hat{x}_V - x_t|] + \\ - \delta^{k-1} \left( P(f_k) |\hat{x}_V - x_k| + (1 - P(f_k)) \left( \sum_{t=k}^{\infty} [\delta^{t-1} |\hat{x}_V - x_{t,V}|] \right) + c_V \right) + \\ - P(f_k) \sum_{t=k+1}^{\infty} \delta^{t-1} |\hat{x}_V - x_t|$$

# Model Quirks

- V can overthrow G, but not vice-versa.
  - Technically, Sponsor could find another terror group.
  - In equilibrium V optimizes in each period—history isn't important to V.
  - We're working on relaxing this.
- S cannot directly fight G.
  - We think this captures our cases: sponsors (like civilian groups) don't have armies.
- Funding only influences V's ability to win.
  - This abstracts away from terror groups wasting some funds.

# Equilibrium Assumptions

- Subgame perfection.
- For any  $x_t \in [0, \hat{x}_S]$ , some level of funding  $\tilde{f}(x_t)$  induces V to fight.
- When  $x_t = 0$ , S must pay to induce V to fight.
  - Formally:  $\tilde{f}(0) > 0$ .
- Technical assumption for S to consider sponsoring.
  - $\delta > 1 - P(\tilde{f}(\hat{x}_S))$ .
  - Likelihood V wins upon receiving funding not too high.
- Many equilibria are possible.
  - We consider two focal equilibria.
  - (1) Stage-Game NE
  - (2) Welfare maximizing equilibrium.

# First Equilibrium: Baseline (Stage Game Nash Eqm)

- This is essentially V and G bargaining.
  - This always exists.
- In the Baseline Equilibrium...
  - G sets policy  $x_t = 0$  for all  $t$ .
    - Why? By assumption, V won't attack.
  - S never funds ( $f_t = 0$ ).
  - V attacks if  $x_t < \hat{x}_V - \frac{c_V(1-\delta)}{1-P(f_t)}$ , doesn't otherwise for all  $t$ .
- Intuition: in one-shot game...
  - S doesn't want V to win and set  $x_{t,V} = \hat{x}_V$ ; S will not fund.
  - W/out funding, G sets  $x_t = \hat{x}_G = 0$ , and V will not attack G.

## Second Eqm: Full Concession Terror Threat Eqm

- S can threaten G w/ funding V.
- Recall:  $\tilde{f}(x_t)$  is smallest funding level where V attacks.
- In the Full Concession Equilibrium...
  - On path: G sets policy  $x_t = \hat{x}_S$  for all  $t$ , S never funds, V never attacks.
  - Off-path (partial statement):
    - If G deviates  $x_t < \hat{x}_S$ , S sets  $f_t = \tilde{f}(\hat{x}_S)$ .
    - If G deviates and S sets  $f_t < \tilde{f}(\hat{x}_S)$ , G reverts to Baseline Equilibrium ( $x_t = 0$  for all future  $t$ ).
    - V attacks if  $f_t = 0$  and  $x_t < \hat{x}_V - \frac{c_V(1-\delta)}{1-P(0)}$  or  $f_t > 0$  and  $x_t \leq \hat{x}_V - \frac{c_V(1-\delta)}{1-P(f_t)}$ ; doesn't attack otherwise.
- This sometimes exists...

# Full Concessions EQM Existence Conditions

Proposition 2: Let Assumptions (1)-(3) hold. A **Full Concession Terror Threat Equilibrium** exists if and only if

$$\hat{x}_S > \hat{x}_V - \frac{c_V(1-\delta)}{1-P(0)},$$

$$\hat{x}_S \geq \frac{(1-\delta)(c_V + C(\tilde{f}(\hat{x}_S)))}{\delta} + x^V(0),$$

$$\hat{x}_S \leq \frac{\hat{x}_V \left( \frac{c_V(1-\delta)}{\hat{x}_V - \hat{x}_S} \right) + c_G(1-\delta)}{1-\delta \left( 1 - \frac{c_V(1-\delta)}{\hat{x}_V - \hat{x}_S} \right)}.$$

# What's Interesting About Full Concession Eqm?

- Why would a moderate Sponsor ever support VEO's? They can extract policy concessions through these threats.
- Can a Sponsor benefit from a more extreme VEO? Sometimes...
  - No: when VEO wins, Sponsor likes more aligned V.
  - Yes: cheaper to sponsor more extreme V. Also, G more concerned about extreme V.
  - This setting breeds non-ally-principle results.
    - All about whose (G's or S's) constraint binds and why.
    - The more extreme V is, the better (sometimes!).
- Are there ever “partial-concession terror threat equilibria?”
  - Of course! We solve for their existence in the Appendix.



# Introduction to the Full Model

- Above is useful for seeing how threat of funding works.
  - But, there was no funding/terrorism on the path.
- Full Model: private information about Sponsor's "resolve."
  - Sponsor has private type  $\theta \in \{\underline{\theta}, \bar{\theta}\}$ , w/  $\underline{\theta} < \bar{\theta}$ .
  - Sponsor's per-period peace utility:  
$$u_{S,t} = -\theta * |\hat{x}_S - x_t| - C(f_t)$$
  - Sponsor's stream of peace payoffs:  
$$U_S = \sum_{t=1}^{\infty} -\delta^{t-1} (\theta * |\hat{x}_S - x_t| + C(f_t))$$
- PBE Screening equilibrium intuition:
  - G sets bad policy for S in  $t = 1$ .
  - High resolved S funds V in  $t = 1$ , gets  $x_t = \hat{x}_S$  thereafter.
  - Low resolved S won't fund V in  $t = 1$ , gets  $x_t = 0$  thereafter.

# The Full Model

- 1 Nature sets S's private resolve  $\theta \in \{\underline{\theta}, \bar{\theta}\}$ , w/  $\underline{\theta} < \bar{\theta}$ .
- 2 Period  $t = 1$  begins.
- 3 G fixes policy  $x_t \geq 0$ .
- 4 S observes  $x_t$  and sets costly funding  $f_t \geq 0$ .
- 5 V observes  $x_t$  and receives the funding, and then V attacks G or not.
  - If attack, V overthrows G w/ prob  $1 - P(f_t)$  (continuous) and controls policy (sets  $x_{t,V}$  for current and future  $t$ ).
  - If V attacks and V fails, game moves to next step.
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- 6 The game repeats at (3),  $t = t + 1$ , utilities discounted by common  $\delta \in (0, 1)$ .

# The Full Model: Screening Equilibrium Intuition

- G screening S's resolve produces one period of terror funding and terrorism (on the path).
- Equilibrium: G screens S.
  - G sets  $x_1 = 0$ .
  - Low resolve S doesn't fund; gets  $x_t = 0$  for all  $t \geq 2$ .
    - After  $t = 1$ , the game is the Baseline Equilibrium.
  - High resolve S does fund, V attacks; gets  $x_t = \hat{x}_S$  for all  $t \geq 2$ .
    - After  $t = 1$ , the game is the Full Concession Equilibrium.

## Case: Provisional IRA (1969-1998)

- PIRA split from the Irish Rep. Army and began attacking British Government (1969).
  - Started The Troubles.
  - PIRA Goal: reunite N. Ireland w/ Ireland.
- PIRA predominately supported by N. Irish Catholics. In polling what was essential for peace:
  - 46% viewed reunification as essential.
  - Bill of rights guaranteeing equality for all (78%) and cultural protection (67%), police reform (70%), disbanding militant organizations (67%), returning the British army to its barracks (61%), and politics w/out sectarian division (59%).
- If model is correct, (1) support is a “punishment” for London not making enough concessions, (2) support will dry up when London makes concessions to sponsors.

## Case: Provisional IRA (1969-1998)

- The Troubles ended in 1998 w/ Good Friday Agreement.
  - Bill of Rights: Guaranteed that “the power of the sovereign government with jurisdiction there shall be exercised with rigorous impartiality [...] and founded on the principles of [...] equality of [...] rights, of freedom from discrimination [...] of both communities.”
  - Also, police reform.
- However, in the Good Friday Agreement, reunification did not happen.
  - PIRA's goals were not met.
  - Sponsors got what they wanted, stopped supporting PIRA.
  - PIRA, losing support, dissolved as a militant organization.

# Wrapping Up

- Terrorism works well for those who sponsor it.
- Moderates use support to extreme terror groups as a threat to extract policy concessions.
- When moderate's goals are met, they defund the terror group (screening).
- Mechanism functions across rational actors, even when sponsors don't share policy goals of (extreme) terrorists.
  - Sometimes this works better w/ extreme agents!
- I presented evidence on PIRA, check back for evidence on Al Qaeda, the Egyptian Islamic Group (EIG), (early) Hamas, (early) Hezbollah, and the Liberation Tigers of Tamil Eelam (LTTE)

End