

A study of economic security

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Abstract

Paper focus on the relationship between economic security and economics of terrorism. The authors divide the economic costs of terrorism into short term and long term costs. The authors consider as short-term costs following examples: losses in the form of immediate shock, loss of life and property values, which are followed by negative effects on the insurance, short-term investments, stock markets, tourism and its associated employment. Simultaneously, they believe that long-term costs of terrorism lie in permanent slowdown in economic growth for both the national and international economy. The authors warn of the forced expenditure on security, supply chain security and supply system. They come to the conclusion that on the grounds of increasing risk of the terrorism, states are forced to transfer their resources from production an additional wealth to realization of security measures to protect existing resources, thus reducing the long-term productivity and output. This leads to a reduction in the national and world growth of the potential output. A deeper understanding of the relationship between economic security and economics of terrorism is crucial to find an appropriate policy response on the terrorist threats.

Introduction

We encounter with the notion of economic security and terrorism in today's world almost every day, when we are constantly informed about it through the media like internet, newspapers or television as if the terrorist attacks of radical groups and terrorist organizations were on the order of the day. Terrorism imposes costs on people, society and the direct impact on the actual economy. The economic costs of terrorism can be divided into short-term, ie such as losses in the form of immediate shock, casualties and assets, which are followed by negative effects on the falling insurance, short-term investments, stock markets, tourism and with it associated employment. Long-term costs of terrorism are manifested by permanent slowdown of economic growth (national and also international). Companies are forced to increase their expenditures on security, the security of their supply chains and they must rethink its overall supply system. The increased risk of terrorist attack compels countries to transfer its sources from the use to the production of additional wealth for security measures to protect existing resources, thus reducing the long-term productivity and output. This leads to a reduction in the national and world growth of potential output. Deeper understanding in many aspects is crucial to find an appropriate political response to the terrorist threat. The safety topic has been discussed very often, especially in recent years, It has also become the subject of scientific investigation carried out in many centers . Scientific operating results in definitions are significant and bibliography is so rich that it sometimes causes difficulties in selecting definitions. Understanding is not possible without methodological structuralism.

1. Security economics

For the needs of this essay, we believe that "**security**" is meant purely as a theoretical category used in political science, in the study of international relations, in the military sciences and in economics. Security is a "state of not endangering, calmness, certainty." Security is commonly understood as a human (social groups) higher need, as existential priority target. Security in the modern sense does not simply state, but also a process of continuous social process with variable dynamics and intensity. Security in this understanding is subjected to the laws of motion of social systems. Security: the state without a care - "SINE CURA + SECURITAS" - as a sense of calm, fearless, certainty, security, and freedom from threat. Security is to be understood in the dynamics, which is also the state and process. In the concept of security are also contained measurable (objective) elements, and elements non-measurable (subjective feeling of safety).

National security is generally defined as a **feeling of security of the state** in the international environment, the absence of its threat and protection against risks. In global context it includes security satisfying such needs as existence, survival certain of, stability, identity, protection of living standards and its quality. In the definitions of national security underscores its interaction with the threats. National security can be understood as the absence of a sense of threat and danger to the values that are essential for the nation (or the State). The term "national security" is currently expanding. Now, in addition to the military aspect are taken into account its economic aspects (agricultural) aspects of internal security, psychological aspects, environmental and others.

In recent years, the European Union has discussed **about food security**. Food security in the total issue of the existence and security of the state shows the connection between national security and the safety of economics, which is connected to the public interest, national sovereignty and state strategies. Basic groups of cross country food security are following: economical, political, military, social, cultural and existential awareness, naturally climatical, ecological and infrastructural. Each of these groups of conditionality reflect in its area factors of internal and external nature.

The fundamental problem of **national security policy** is the choice of the most effective ways and means of its ensuring alias acceptance of the most beneficial as well as real **option**. For a sovereign state, that means choosing the right formulation of the institutional organization of their own security in the international forum, which guarantees a good location in the structures of collective security, it is also crucial determinant of option policy of the state safety , either participate in alliances, or restraint against it like neutrality, non-alignment ", relative isolationism ".

Security economics is defined as the study of the causes, forms and effects of the mechanisms of human insecurity, including terrorism, organized crime and related policies. It is a condition in which the economy is an object whose security is to be ensured (states, association of states, international organizations, etc.) is not threatened that significantly reduce or could affect its performance needed to ensure defense and other security capacities social peace and competitiveness of the object and its individual components, ie mainly specific commercial entities in internal and external markets. The security economics plays an important role in economics of terrorism. Creating economic growth along with security policy leads to achieving safe growth and development. Especially after the incident, which happened on 11th September 2001 in the United States. The European perspective solves questions of the research , data sources, selected examples and politic. under discussion. Creating economical growth along with security policy leads to achieving safe growth and development.

2. Economics of terrorism

It would be appropriate to show, confirm, refute that the ongoing war on terrorism burdens the whole economy or not, and to try to quantify the costs of war on terrorism so far. Terrorism is defined as an intentional use of - or threatening of use of abnormal violence or force for political purposes through intimidation or fear aimed at a wide audience, usually beyond the immediate victims. Terrorism is also a strategy or method of violent intimidation of political opponents or population by threatening of use

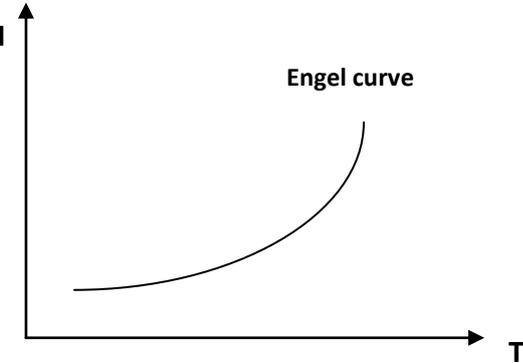
or using force. Terrorism is used to enforce certain political objectives; targets are usually military, police or other administrative buildings, roads, important economic objects and the civilian population. Terrorists use means such as kidnapping, hijacking, bombing and murdering. Economical terrorism means the usage of economical instruments and mechanisms to weaken potential enemy, such as government, social groups, or a specific country. Their usage leads secondarily to disruption economical relations, to the impoverishment of target groups and consequently to weakening or collapse of political power. This distinguishes terrorism from other forms of crime, which are different from such economically oriented (such as organized crime) and from other forms of political violence such as guerrilla tactics. Terrorism is a bilateral asymmetric nature. One part of the asymmetry is a state or group of states, the other parts are terrorist movements or groups that use attacks on civilians as a Force Multiplier in order to compensate otherwise conventional military weakness. Attacks by the perpetrators, victims, objectives or interests of two or more countries represent international terrorism.

The fight against terrorism should be divided into two main directions. One of them is an uncompromising stance on terrorism, which refuses under any circumstances _ with the terrorist groups to negotiate or bargain and leads directly to the so-called war against terrorism. The second direction of how we can look on the fight against terrorism is possibility to use diplomacy (diplomatic options). This approach is understood as the use of non-military forces and tries to respect human rights, when it is acceptable to negotiate with terrorists.

The first approach, is an uncompromising warfare against terrorism, particularly led by the United States of America, which refuse in any way to subside or negotiate with terrorists. Milder solutions to fight terrorism have selected countries like Spain, which also fights against terrorism. Using milder methods in its strategy allows them the possibility of negotiation with the terrorist organization ETA. As well as in Spain it is in the the UK, where a similar approach is applies to a terrorist organization IRA. The second approach, which use diplomatic negotiation is characteristic for a number of European countries that focus on preventive measures or to negotiate with countries that support terrorism.

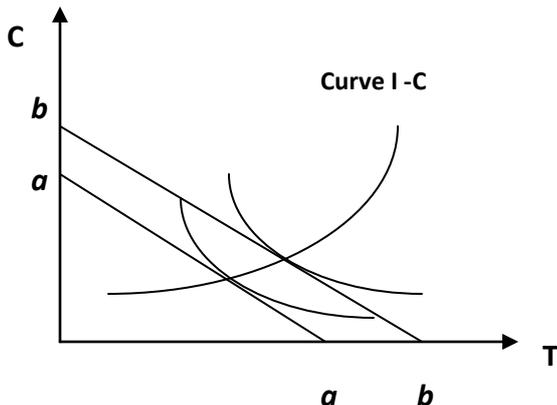
Tools of microeconomic analysis for studying behavior and decision-making of terrorists used for example C.H. Anderton and J.R. Carter in their studies, who applied models of utility maximization. B.S. Frey and S. Luechinger used the supply and demand curves. For an explanation of terrorists' resource allocation, their target selection and government countermeasures can be used the Engel curve (Figure No. 1).

Figure No. 1: Engel curve



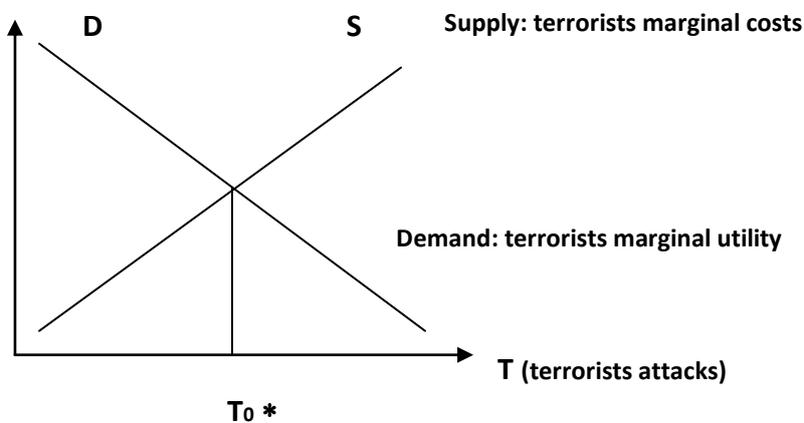
Terrorists decision making can be modeled by using two commodities, terrorism T and compound estate C, which represents spending on everything else, except for terrorist activities. To demonstrate terrorist preferences we subsequently apply indifference standard curve where on the horizontal axis is placed estate T and on the vertical axis estate C (Figure No. 2).

Figure No. 2: Curve I-C



Another possibility for linking microeconomic analysis with terrorism is the use of supply and demand curves (Figure 3). The struggle against terrorism is primarily aimed at deterrence by increasing the costs of performing any terrorist action. Supply and demand of terrorism as a function of the extent and intensity of terrorism T . The variable T is measurable, as shown by the number of indicators of terrorist attacks. You can use the total number of attacks or selected species. Another common indicator is the number of victims, particularly the number of dead

Figure No. 3: Curves S-D



The supply curve S reflects the marginal cost of participation in a terrorist attack. It is rising, because the business of terrorist attacks has increasing costs. Terrorists start with the easiest and most attainable goal. Other attacks are more and more complex. Costs for terrorists include material resources, information gathering and time for preparation of an attack. It reflects the danger of executing the attack, terrorists may be hurt or killed, can be arrested, interrogated, and possibly tortured, imprisoned or even executed. Demand curve D represents the marginal benefit for terrorists resulting from a terrorist attack taking. The curve is decreasing by the number and intensity of attacks. In this case, further attacks have smaller effect on the country or population. Although it's unlikely, there can be case where more attacks will have greater effect and terrorists will get greater marginal utility. Position and slope of the demand curve for terrorist depends on the behavior of the targeted people. The intersection of curves T and D is the equilibrium point between the scope and intensity.

Gaibullov K. and T. Sandler. has studied the influence of terrorism and its impact on economic growth from a macroeconomic point of view, Their study, which examined 18 countries of Western Europe in the years 1971 to 2004 revealed that terrorism had adversely affect on economic growth. As the main cause they mentioned decline in investment spending and growth of government spending, which have a neutral effect, N.V. Crain and W. M. Crain examined the relationship between terrorist attacks and the national economy by using regression analysis.

Evidently from the mentioned above, the terrorist attacks have a negative impact on economic growth. With economic tools we can study the behavior and decision-making of terrorists or terrorist organizations, which enables the governments to take effective counter-terrorism measures and thus eliminate their negative impact. At present, it is necessary to continue to deepen and develop the use of economic tools for examining terrorism, because terrorism, or rather terrorist activity are constantly "improving" and developing. Suitable for the investigation of terrorism appears usage and development of conflict theory and dynamic game theory.

Into costs in the fight against the terrorism must be accounted military expenses, costs of the intelligence services, undercover services, and all the components that fall within the area of safety, this includes the insurance industry, but also to the costs associated with greater security at airports. For example when the so-called undressing scanners were implemented, which cost a lot of money (about \$ 1.5 billion) and other technical gadgets. The paradox is that the commission of a terrorist attack comes at a negligible amount from the perspective of what sums are spent on the fight against terrorism. One study says that a terrorist attack perpetrated on 11th September the cost terrorist organization Al-Qaeda about five hundred thousand U.S. dollars and terrorist attacks in Madrid in March 2004 about ten thousand dollars. It is obvious that these amounts are negligible, in contrary to what funds are spent in fighting terrorism.

Costs related to the fight against terrorism and the pursuit of dispersion of terrorist organizations, help to increase overall security. It has on the economy also positive and negative effect.

In the fight against terrorism is used a number of needed means. This production has a positive effect on the economy, as it contributes to GDP growth, stimulates exports and increases employment. Another positive influence can be defined as the creation of rational expectations of security, it has a positive impact on the business environment.

As a negative economic impact is considered how much does the fight against terrorism cost. At this point, the question is whether it is really necessary to spend significant financial resources on fight against terrorism and whether the financial costs contribute to higher safety.

Preparation and execution of terrorist attack cost, compared with how much is spent, to prevent the attack, is almost negligible amount. Perhaps the most significant terrorist attack is considered the one from the 11th September 2001 in the U.S.. According to estimates, the commission and the organization of this attack cost terrorist about five hundred thousand U.S. dollars. It is because of the fact that in the case of reducing the cost of fighting terrorism these saved financial resources could be used for other things. We are thinking in particular of income tax cuts for citizens. This gap in the state budget could be covered by expenses spared to fight terrorism. Furthermore, the cost savings could be used to increase pensions need for the construction and development of new technologies, eg in healthcare and other areas. However, from the rational expectation point of view I are basically any costs to the fight against terrorism justified because they are helping to create a new international economic order. The fight against terrorism is an important precondition for development of international economic relations.

Concerns about terrorism and the threats associated with it are in today's world almost the order of the day. Terrorist organizations find better and better ways to commit a terrorist attack with maximal damage and spreading fear. Therefore, it is necessary to find states that will keep on fighting against terrorism, which will try to dismantle terrorist organizations and will take the utmost to prevent terrorist attack before it occurs.

3. Jus ad bellum vs. jus in bello

In any armed conflict, including the fight against terrorism, it is important to distinguish between the legal decision to use force and legal manner in which this power is used. Expressed in strictly legal terms, the laws related to the right to determine the use of force (jus ad bellum) and the practical laws controlling the use of force in war or the the law applicable in war (jus in bello) are mutually separated.

Right jus in bello refers to the management of international conflict, regardless of whether the warring parties are or are not authorized to use force. Although between the jus ad bellum and jus in bello are only few interfaces, in practice, there are several common points, by which these two rights interact. Respect for the law of jus in bello is liable to contribute to the justification of the conflict in three ways:

- In all military operations, whether they are led or not against terrorists, the knowledge that the state or a coalition respects basic international standards, can contribute to receiving support from the population of state coalition. It can get support or at least silent agreement of other countries and prevent disputes between Member States Coalition.
- If the coalition should interfere in any substantial way jus in bello, such as committing atrocities it would retrospectively fostered to the opponent justification of his decision to jus ad bellum.
- Particularly in the counterterrorism campaign is the basis for management of military operations, notion that there is a moral difference between the actions of terrorists and those that are lead by their opponents. Keeping jus in bello may be part of the moral difference.

Conclusion

It is clear that there is no simple solution for such a complicated problem such as international terrorism. Despite all the efforts of western democracies, we will probably never be able to eradicate it completely. But there is a chance to dampen it to the minimum by consistent common policy. What will its future development be like and where will it go next?

Within the European Union today functions counterterrorism forum TREVI and the Police Working Group against terrorism. In recent years, several conferences took place on tackling fight against terrorism, where the participating countries committed themselves to abide by certain rules:

- not to submit any terrorist threat or blackmail,
- not to conclude any agreements with terrorists,
- treat terrorists as criminals and not as a politician or a political prisoner
- develop uncompromising diplomatic, political and economic pressure on countries that support terrorism,
- support the development of international economical cooperation, to prevent terrorist attacks.

International terrorism is since 11 September 2001 by right regarded as one of the greatest threats to global security and stability. The Czech Republic attaches the fight against global terrorist threat and active involvement in this field internationally utmost importance. In the policy statement in 2010 the government of the Czech Republic ranked the participation in the fight against international terrorism amongst priorities during the upcoming term.

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