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Teaching the Economics of Terrorism and War

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Abstract
The objective in this paper is to delineate the salient ideas in the economics of terrorism and the economics of war. A review of the academic literature and popular books allows to list key ideas from diverse areas including the economics of terrorism, political economy of war, economics of war, conflict economics, and economics of arms. These ideas allow for a lesson plan around sample questions and suggested answers that are complemented with resources based on popular books, media articles, and video clips. Thus, instead of embroiling students with stylized mathematical problems or indifference curve analysis, the idea is to allow both instructors and students in economics to grapple with salient ideas in the economics of terrorism and the economics of war.

Keywords: economics of terrorism; economics of war; political economy of war; conflict economics; economics of arms

JEL Codes: A22; Y3.

There is no conflict of interest.

1. Introduction

The October 7 attack by Hamas and the subsequent response by Israel have been respectively viewed as “terrorism” and “genocide”. While both these terms are contested, the focus here is to examine how economics helps address such issues. However, economics textbooks rarely delve into topics like inequality, populism, racism, terrorism, and war, that are of interest to students who grapple with such issues and find their instructors of limited help with their stylized mathematical problems or overwhelming with their indifference curve analysis on the whiteboard. Thus, the objective in this paper is to review the key literature and recently published books to delineate the salient ideas in the economics of terrorism and the economics of war.

The paper is structured as follows. In Section 2, the key ideas in the economics of terrorism are delineated through seminal academic articles and popular books. A pluralist approach is undertaken in Section 3, where the main ideas in the political economy of war, economics of war, conflict economics, and economics of arms are presented through book reviews. The lists of salient ideas are provided in both these sections. This is followed by a lesson plan through sample questions and suggested answers along with associated resources in Section 4. Concluding remarks are provided in Section 5.

2. Economics of Terrorism

Seminal work by Iannaccone (1997, 2006), an academic paper by Intriligator (2010), and popular books including Brekke (2016) and Harari (2018) shed light on the economics of terrorism. A review of their salient ideas is as follows.

In his seminal work, Iannaccone (1997) argues that militancy is better explained by the social and political environment than religion, as militant groups arise to provide social networks and welfare programs to people who have been displaced or ill served by the state. Iannaccone (2006) continues that terrorism is effectively addressed through demand rather than supply, as firms supplying terrorism can substitute across methods and obtain new recruits. He adds that fines, imprisonment, and execution are less effective in combating terrorism than improvements in social services, political representation, religious liberty, and economic freedom. Moreover, he shows that terrorists are not poor, ignorant, mentally ill, alienated, or enraged, as they can be incompetent or unreliable and that terrorists instead are well educated and mentally stable. Finally, he argues that terrorists are motivated by honour, after-life rewards, and shared moral convictions and that they have something to die for, which contrasts with the view that they have nothing to live for.

Intriligator (2010) argues that terrorism is used by the weak in asymmetric warfare, and that it is explained not by poverty or ignorance but humiliation and retribution for past actions. He shows that 9/11 terrorists were neither poor nor uneducated but middle class or rich and educated. Like Iannaccone (2006), he argues that terrorists have something to lose and therefore can be deterred, which contrasts with the argument that they cannot be deterred, as they give up their lives. Finally, he argues that terrorists are effectively defeated by curtailing their resources and by addressing the concerns of the disaffected recruit population.

In popular works, Brekke (2016) states that the economic approach views terrorists as rational individuals that act for long-term goal benefits. He traces the origin of groups like Hamas and Hezbollah to their provision of social services, law and order, education, and poor relief, and argues that such groups arise when the state fails to provide such services. He argues that terrorism is more effectively curbed through reward than punishment, and that civil liberties, democratic participation or political engagement produce fewer grievances against the political system and therefore nips terrorism. Similarly, Harari (2018) argues that the efficient response to terrorism is not military action but cutting off the financial networks that abet terrorism. He adds that terrorism is a strategy used by weak parties that cannot inflict much damage and therefore aim to change the political situation through fear. They want to elicit a violent military response and persecution from the state that would shift public opinion and hence the balance of power.

Overall, the salient ideas from the economics of terrorism found in academic papers and popular books based on the above review can be listed in point form as follows.

1. Terrorism does not arise because of religion, poverty or mental illness but rather when political grievances go unaddressed.
2. Tackling terrorism requires cutting off funds for terrorist groups.
3. The state needs to provide public services otherwise terrorist groups fill that void and attract people by offering healthcare and education.
4. Focusing on military strength is not an effective solution, as terrorists substitute towards different targets and find innovative ways to engage in terrorism.

5. The best way to tackle terrorism is not through military strength (supply side) but ensuring political grievances are heard through democratic participation (demand side).

3. Economics of War

Recently published books on the political economy of war (Giammetti and Palley, 2024) and the economics of war (Patterson and Kuthy, 2024), along with relatively older books on conflict economics (Anderton and Carter, 2019) and economics of arms (Hartley, 2017) provide good source material to delineate the salient ideas in the economics of war. A review of the salient ideas from these books is as follows.

3.1 Political Economy of War

Giammetti and Palley (2024) provide a collection of edited articles that were first published in the journal, *Review of Keynesian Economics*. They argue that mainstream economics has been silent on the political economic causes of war even though wars have an economic foundation and the economic system systemically engenders conflict.

In his article, Skidelsky (2024) counters the idea that unlike democracies, only autocracies start wars to legitimize their rule by instigating against a foreign enemy. This is because of the rise of right-wing populism and nationalism in advanced economies due to inequality and precarity.

In his article, Streeck (2024) argues that as a war drags out, its original purpose is replaced by hate and revenge, as soldiers commit war crimes. This is exacerbated by propaganda that demonizes the enemy, isolates war from its history and context, and paints conflict that could be solved by diplomacy to one that poses an existential threat. He argues that countries that refuse to negotiate a solution cannot be deemed to fight a legitimate war. Although, going to war rationalized through an existential threat provides unity in a divided society.

He views Gaza as an open-air prison subject to constant surveillance and political persecution, as Israel creates divisions in the Palestinian society by recruiting collaborators. He writes of Palestinians trying to survive in desperate circumstances and therefore views October 7 as the events of a violent prison break. Additionally, he argues that Israel attributes demonic quality to its critics by charges of anti-Semitism. Thus, he writes that Israel reduces secular resistance against the occupation to demonic slaughter of Jews and views the contextualization of October 7 with the open-air prison as anti-Semitism.

In his article, Palley (2024) argues that the military-industrial complex (MIC) is absent in economics textbooks even as it challenges the assumption of consumer sovereignty. This is because it manipulates preference for war by instigating aggressive nationalism and exaggerating foreign threats, as its profits from war. He adds that the MIC captures both government and society, supports a large military budget, and poses a threat to democracy. Specifically, he alludes to lobbying and the revolving door, as arms companies hire former military officers. He adds that the MIC supports police militarization as a business opportunity and promotes surveillance, which curbs civil liberties.

Palley argues that the defense industry is characterized as a bilateral monopoly where monopoly power arises due to increasing returns to scale and proprietary technology. Additionally, he contrasts

Keynes' view that full employment would reduce the likelihood of war with Military Keynesianism that encourages military spending to promote full employment, which increases the likelihood of war. However, he states that war negatively impacts growth, destroys human and physical capital, contributes to climate costs, leads to both post-war inflation and debt burden, and results in refugee flows and increased likelihood of terrorism.

In their article, Brancaccio, Giammetti, and Lucarelli (2024) argue that while the dominant narrative explains war through factors like ethnicity or religion, economic imbalances and centralization of capital lead towards war. This is because economic imbalances in external positions lead to acquisition of capital from debtor countries, who respond with protectionist policies, which increases the likelihood of war. The authors therefore call for capital controls and international economic policy coordination on external imbalances.

In his article, Galbraith (2024) argues that sanctions were a gift to Russia because Russian oligarchs supported integration with the West and orienting them towards Russia would have required tariffs and limits on foreign ownership, which would have undermined the regime. He explains that sanctions acted as capital controls to incentivize wealthy Russians to invest at home. Moreover, reduced exports decreased the price in internal markets and higher energy prices compensated for lower quantity. Finally, he argues that seizures of yachts and real estate do not put a dent on the Russian MIC, and the Russian education system can easily replace emigration of skilled personnel.

3.2 Economics of War

In their book, Patterson and Kuthy (2024) argue that that resource extraction requires the services of an army, as a minority can fight for control if it is disenfranchised from the resource rents that are channelled to a dominant in-group. They argue that oil wealth can support autocracies, as in the case of UAE, Oman, Qatar, Kuwait, and Bahrain, that buy the acquiescence of their people through well compensated public sector employment. Such countries do not face a push for political participation, as the patronage system forestalls political opposition and accountability for political decisions. The authors state that oil money has propped up the Russian and Iranian regimes and allowed Saudi Arabia to fund the dissemination of extremist ideology and support the Taliban.

They argue that despite the view of war as a form of stimulus, it destroys physical and human capital, the use of specific capital is contingent on the war, and there is post-war economic downturn even in countries that win the war. Additionally, financing the war by printing money, higher taxes, and government borrowing are problematic as they respectively yield inflationary pressures, decreased demand, and debt crisis. There are additional problems of capital flight and currency depreciation. On the other hand, there are innovations instigated by war and post-war reconstruction drives demand. The authors also state that civil war is more likely with high unemployment and inequitable economic growth.

The authors argue that the idea that private military contractors reduce costs and increase quality is erroneous. This is because they do not operate in a competitive market, as there is often a single provider for specialized military equipment. Moreover, military contracts are not offered competitively, as they are provided on a cost-plus basis where all costs are shifted to the government. The authors state that the MIC undermines democracy by lobbying for favourable regulation and through the revolving door, as former government officials are enticed through high compensation. They state that defense stocks in well-established firms like Lockheed Martin, Boeing, Raytheon, and Northrop Grumman provide a great investment opportunity during war, as they profit from war. However, private military contractors are more likely to commit human rights violations because they can reconstitute with a different name, as in the case of Blackwater that re-emerged as Xe after being involved in a massacre in Iraq.

The authors argue that natural resources instigate civil wars, as resource rich regions seek independence from central government control. This is because of inequitable wealth sharing and environmental degradation that arises from the extraction of natural resources. Moreover, they state that violence or terrorism can result if the local population feels marginalized, victimized, and exploited. They add that the diaspora funds rebels through foreign remittances. Thus, they argue that the government should consider local stakeholders in decisions on resource extraction, especially with populations divided along ethnic and religious lines. The authors illustrate that resources like water have been a source of conflict, as in the case of Israeli settlements that block water access and agriculture in the West Bank. They state that wars impede supply chains due to sanctions or re-routing of resources and therefore cause inflationary pressures. Additionally, wars contribute to ecological damage and carbon emissions.

3.3 Conflict Economics – A Pluralist Approach

Anderton and Carter (2019) define conflict economics as the application of economic principles to issues like war, terrorism, and genocide. They argue that economics textbooks take security and preferences as given, which ignores that preferences can change quickly with conflict. According to them, conflict is explained through both rational reasons (cost/benefit analysis) and nonrational sources (psychological and social factors). In terms of economic reasons for conflict, they highlight high unemployment and natural resources. However, they also identify identity and ideology as sources of violent conflict. Thus, their pluralist analysis goes beyond neoclassical economics and draws from political science, psychology, sociology, history, and political economy.

The authors allude to countries with weak political systems and colonial legacies as the source of refugees, internally displaced people, and terrorist groups. They highlight the “conflict and poverty trap” as one where economic underdevelopment and political weakness instigate violent conflict, which then exacerbates economic underdevelopment and political weakness in a vicious cycle. Additionally, they argue that diversion of resources to military crowds out capital accumulation and inhibits growth, but crowds in production as workers in the military sector spend in the civilian sector, and spurs growth spinoffs through technological advances. The overall impact of military spending on growth therefore is based on these three effects.

The authors argue that the rational choice model can be applied to study the choices of both terrorist groups and governments, where the principle of substitution allows them to attack civilians when political or rebel targets are difficult to attack. Referencing behavioural economics, they argue that due to loss aversion, a leader that faces losing power from ending the conflict and faces post-war accountability, exaggerates loss and pursues violence. Alluding to a bargaining model of war, they state that a leader initiates a war to divert from domestic problems. Alluding to conformation bias, they argue that it leads to polarizing attitudes against people of a different race or religion. Additionally, they highlight “psychic numbing” where the more the people killed in a genocide, the less others care at the margin. This helps explain apathy and the lack of action by governments against genocide.

Alluding to the economics of identity, the authors state that individual preferences change with the social context and that they derive utility from being part of a group. They add that malevolent preferences arise based on in-group solidarity and identity enmity towards an out-group. Moreover, propaganda through the dark web influences people, who end up rationalizing their egoistic and abominable behaviour. Referencing network economics, the authors state that a contagion can spread through propaganda and fake news, and when a critical mass of people ends up imbibing hateful ideology, a tipping point is reached that shifts society from one state of being to another.

On interstate conflicts, they state that the likelihood of conflict increases with power shifts or when national leaders cast territorial disputes as identity issues. On ethnic conflicts, they state that the likelihood of conflict is greater when the ethnic group is concentrated in a region, the territory is part of their group identity, and they have lived for a long time in the area they call their homeland. On internal opposition, they state that a group based on political, ethnic, or religious attributes may want to secede and engages in guerrilla warfare when it is outnumbered. They argue that rebel groups may be motivated by grievances based on past or present mistreatment and they can recruit easily with slim economic opportunities. However, the government can counter rebel groups by improving employment opportunities and by addressing grievances through democratic participation.

The authors define terrorism as the use of violence and fear to achieve a political or social objective. Apart from military strikes, they state that policies that increase the opportunity costs of terrorism include democratic participation. They emphasize economic distress, political repression, and religious differences as determinants of terrorism and highlight the use of social media in recruiting individuals, financing, and spreading propaganda. The authors define genocide as acts committed or conditions generated with intent to destroy in whole or in part a racial or religious group. The problem with the definition lies in the difficulty in proving intent. They critique the “Mad Nazi Thesis” that monsters cause evil, by stating that bad acts are perpetrated because of obedience to authority and conformity to erroneous social norms. Moreover, peer effects and kinship ties explain how individuals become genocide supporters. Additionally, the likelihood of mass atrocity rises due to “us versus them” classification based on race, religion, or nationality and when the ruling elite promotes an exclusionary ideology.

The authors mention structural violence as the suppression of political, social, or economic rights that can engender violence. They argue for reducing malevolent preferences fostered by historical harms through trust building activities like cultural exchange. On post-war reconstruction, they state that war-torn people are malnourished, have pressing consumption needs, and therefore cannot free resources for investment, which leads to a stagnation trap. On third party intervention for peace, they write that the situation can be worsened if the intervention favours one side. Finally, on peace settlements, they mention that all stakeholders should have authentic representation and small steps towards negotiation are more successful than all or nothing approaches.

3.4 Economics of Arms

Hartley (2017) states that according to critics, arms manufacturers are inefficient monopolies that earn monopoly profits at the expense of taxpayers, promote wars, support oppressive regimes, and lobby for arms sales. Additionally, critics demand that private military companies should be regulated, as they prolong conflict for profits and result in human rights abuses. However, he counters that corruption is not specific to arms companies and if they are accused of starting wars, then Big Pharma could be accused of starting epidemics. Additionally, arms manufacturing is subject to rising costs due to the higher development costs of next generation weapons in the context of the arms race. Hartley also notes that arms sales allow to dissuade the buying nation from unacceptable behaviour.

He states that there are market failures on both the demand and supply side of the arms market. On the demand side, the government is the monopsony buyer. On the supply side, a few large companies dominate arms manufacturing that compete not on price but technological progress and political lobbying. Moreover, they have market barriers to entry due to specialized equipment and high costs of scientists and engineers. Such private companies are unwilling to bear all the risks of long periods of R&D, which is where the soft budget constraint of the government is relevant. However, receiving guaranteed arms contracts leads to moral hazard, as firms believe they are too important to fail. Finally, Hartley notes that the objective of budget maximization allows the defense department to exaggerate threats and underestimate costs of war, as in the case of the weapons of mass destruction with the Iraq War.

Overall, the salient ideas on the economics of war based on the book reviews can be listed in point form as follows.

1. Democracies can start wars due to the rise of right-wing populism and nationalism.
2. Propaganda demonizes the enemy, isolates war from history and context, and paints conflict that could be solved by diplomacy as an existential threat.
3. Countries that refuse to negotiate a solution do not fight a legitimate war.
4. War rationalized through an existential threat provides unity in a fractured society.
5. MIC challenges consumer sovereignty, as it shapes preference for war by instigating aggressive nationalism and exaggerating foreign threats.
6. MIC profits from war, supports a large military budget, and captures government through lobbying and the revolving door.
7. MIC poses a threat to democracy, as it supports police militarization and promotes surveillance, which curbs civil liberties.
8. The defense industry is a bilateral monopoly where monopoly power arises due to increasing returns to scale and proprietary technology.
9. Military Keynesianism encourages military spending to promote full employment, which increases the likelihood of war.
10. War contributes to post-war inflation and debt burden, refugee flows, and increased likelihood of terrorism.
11. Financing the war by printing money, higher taxes, and government borrowing respectively yield inflationary pressures, decreased demand, and debt crisis.
12. Unlike Keynesian stimulus, war destroys physical and human capital, and causes capital flight and currency depreciation, and leads to post-war economic downturn.
13. Military contracts are provided on a cost-plus basis where all costs are shifted to the government.
14. Defense stocks are great investment opportunities during war, as Lockheed Martin, Boeing, Raytheon, and Northrop Grumman profit from war.
15. Resource rich regions seek independence from central government control because of inequitable wealth sharing and environmental degradation.
16. Terrorism can result if the local population feels marginalized, victimized, and exploited.

17. Government should involve local stakeholders in decisions on resource extraction, especially when populations are divided along ethnic and religious lines.
18. Wars contribute to ecological damage and carbon emissions.
19. Sources of violent conflict include economic reasons (high unemployment and natural resources), identity, and ideology.
20. The impact of military spending on growth is based on the crowding out effect (diversion of resources to military crowds out capital accumulation), crowding in effect (workers in the military sector boost production by spending in the civilian sector), and growth spinoffs (technological advances in the military sector).
21. A leader, who wants to divert from domestic problems and who faces losing power and post-war accountability, pursues violence.
22. Psychic numbing where the more the people killed in a genocide, the less others care helps explain apathy and the lack of action against genocide.
23. Malevolent preferences are based on in-group solidarity and identity enmity towards an out-group.
24. Propaganda influences people, who rationalize their egoistic and abominable behaviour.
25. When a critical mass of people imbibes hateful ideology through propaganda and fake news, a tipping point is reached that shifts society from one state to another.
26. Likelihood of conflict increases when national leaders cast territorial disputes as identity issues.
27. Likelihood of conflict is greater when the ethnic or religious group is concentrated in a region, and the territory is part of their group identity.
28. Rebel groups that want to secede due to grievances engage in guerrilla warfare when they are outnumbered.
29. The government can counter rebel groups by improving employment opportunities and by addressing grievances through democratic participation.
30. Democratic participation increases the opportunity cost of terrorism.
31. The determinants of terrorism include economic distress, political repression, and religious differences.
32. Social media is used in recruiting individuals, financing, and spreading propaganda.
33. Genocide and its rationalization are explained by obedience to authority, conformity to erroneous social norms, peer effects, and kinship ties.
34. Likelihood of mass atrocity rises when the ruling elite promotes an exclusionary ideology.
35. Third party intervention for peace is counterproductive when it favours one side.
36. Small steps towards negotiation are more successful than all or nothing approaches.
37. There are market failures on both the demand and supply side of the arms market, as it is based on bilateral monopoly.
38. Arms industry has barriers to entry due to specialized equipment and high costs of scientists and engineers.

39. The objective of budget maximization allows the defense department to exaggerate threats and underestimate costs of war (weapons of mass destruction with the Iraq War).
40. Private military contractors are likely to commit human rights abuses.

4. Lesson Plan

The review of the salient ideas in the economics of terrorism and the economics of war provides a list of 45 key ideas in the previous two sections. Based on their circumstances whether they are teaching introductory or elective courses, instructors can draw wholly or partially from this list. To motivate a lesson plan, some of the ideas covered so far can be captured through sample questions and suggested answers along with associated resources based on popular readings and video clips as follows.

1. What are the determinants of terrorism?

The determinants of terrorism include economic distress, political repression, and religious differences. Terrorism arises when political grievances go unaddressed, when the local population feels marginalized, victimized, and exploited. Conflict arises when the ethnic or religious group faces inequitable wealth sharing and engage in guerrilla warfare when they are outnumbered. Such is the case of Kashmir and Gaza.

Resources: To provide the context for grievances that result in terrorism, instructors can draw from popular books. For introductory students, instructors can allude to the pages in these books, assign the brief chapter 10 from Harari (2018) on terrorism, or two brief chapters by Mishra (2011; 2017) on Kashmir. For intermediate or elective classes, instructors can assign the book by Essa (2023), which provides a detailed connection between Israel and India on the policies they inflict respectively in Gaza and Kashmir.

For introductory students, instructors can draw from Harari (2024), which notes that surveillance technologies are used with draconian laws and military presence in the Occupied Palestinian Territories, Xinjiang, and Kashmir (p. 241). Similarly, Finkel (2024) argues that post 2003, American interference in the Middle East contributed to the rise of ISIS and the civil war in Syria (p. 358). Mishra (2011) argues that Kashmir has been under a colonial-style occupation where 700,000 Indian soldiers perpetrate execution, rape, torture, and shoot little children in the head. Additionally, Mishra (2017) mentions Indian security forces used pellet cartridges that led to mass blindings including children in Kashmir.

2. How can terrorism be effectively countered?

Tackling terrorism requires cutting off funds for terrorist groups; the state needs to provide public services, improve employment opportunities, and ensure political grievances are heard through democratic participation. However, a leader, who wants to divert from domestic problems and who faces losing power and post-war accountability, exacerbates violence.

Resources: Instructors can complement the list of ideas reviewed above that pertain to combating terrorism with the brief chapter from Harari (2018) as an assigned reading. Specifically, Harari (2018) highlights that terrorism is used by weak parties that cannot inflict much damage but stoke fear, and that the efficient response to terrorism is not military action but rather cutting off the financial networks that abet terrorism.

3. Is the arms industry competitive?

The arms industry is a bilateral monopoly with a monopsony buyer and sellers with monopoly power. Market power arises due to increasing returns to scale, proprietary technology, and barriers to entry due to specialized equipment and high costs of personnel. There is inefficiency, as military contracts are provided on a cost-plus basis where all costs are shifted to the government. Additionally, the MIC shapes preference for war and instigates aggressive nationalism. It exaggerates threats, and underestimates costs of war (weapons of mass destruction with the Iraq War). It profits from war, supports a large military budget, and captures government through lobbying and the revolving door. Finally, private military contractors have been complicit in human rights abuses.

Resources: Instructors can highlight pages from popular books by Harari (2018) and Finkel (2024) to showcase false flag operations and profit mongering by private military contractors respectively. Specifically, Harari (2018) notes that ruling oligarchs manufacture crises to prolong their rule by displacing attention towards external threats, as in the case of the Japanese army that staged a false flag operation to justify its invasion of China (pp.11, 240). Finkel (2024) notes that post war construction in Iraq and Afghanistan allowed US companies to rake in huge profits (p. 359).

4. What is the impact of war on the economy?

Financing wars by printing money and government borrowing yield inflationary pressures and debt crisis. War destroys physical and human capital and causes capital flight. However, defense stocks in arms companies like Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman provide great investment opportunities during war. The impact of military spending on growth is based on the crowding out effect (diversion of resources to military crowds out capital accumulation), crowding in effect (workers in the military sector boost production by spending in the civilian sector), and growth spinoffs (technological advances in the military sector).

Resources: Instructors can show the first 1:32 minutes of a 22:35 minute video by YouTube educator Dhruv Rathee, which has received over 9.6 million views. The video shows that after the Israeli aggression on Gaza, US defence stocks surged about 30 billion, and companies like Raytheon and General Dynamics framed the Gaza war as a win for investors. The video also delves into the Wagner group in Russia, human rights abuses in Iraq due to the Blackwater company, and the use of private contractors to cut costs.

The Dark Truth about Weapons Industry

Source: https://www.youtube.com/watch?v=_J5UOvt1aLM
Dhruv Rathee, November 28, 2023.

5. Why do people support mass atrocities?

Genocide is supported by obedience to authority, conformity to erroneous social norms, peer effects, and when the ruling elite promotes an exclusionary ideology and instigates identity issues. Psychic numbing explains apathy and the lack of action against genocide. Hateful ideology is promoted through propaganda and fake news, and malevolent preferences are formed based on in-group solidarity and enmity towards an out-group. People end up rationalizing their egoistic and abominable behaviour.

Resources: Instructors can show a segment of a video clip from the 2:43 – 2:53 mark to start the discussion on how middle-class, educated individuals with privilege like the Indian former diplomat Deepak Vohra can justify the murder of children on corporate media.

Justification of Children's Death

How India has been covering Israel's war on Gaza | The Listening Post

Source: https://www.youtube.com/watch?v=hBnrpEMwA2o
Al Jazeera, November 12, 2023.

Additionally, instructors can draw from Pankaj Mishra's articles to explore how hateful ideology instigates people living in democracies to rationalize mass atrocity and genocide. Mishra (2004) shows that anti-Muslim sentiments are common amongst middle-class upper-caste Hindus in both India and the diaspora abroad. Mishra (2020) argues that middle-class Indian nationalists connect their identity to the rise of India as a superpower and scapegoat Muslims to address their frustrations on India's stalled emergence. He explains that such fanaticism is fuelled by the ruling elite and states that critics who raise concerns on human rights abuses against Muslims are dismissed as undermining India's international image.

Concluding Remarks

The objective in this paper was to delineate the salient ideas in the economics of terrorism and the economics of war. The motivation comes from the recognition that economics students do not learn to grapple with pressing issues of populism, racism, genocide, terrorism, and war as part of their economics education. However, through a review of the literature and of both academic and popular books, 45 key ideas were listed on the topics of terrorism and war. The ideas highlighted in this list allow for a lesson plan around 5 sample questions and suggested answers that were complemented with resources based on chapters and excerpts from popular books, media articles, and video clips. Instructors can draw from this paper wholly or partially for their introductory or elective classes in economics based on their specific circumstances to teach the economics of terrorism and the economics of war.

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