Deterrence and Counterdeterrence in the Fight Against Global Terror *

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PRELIMINARY

Abstract

A key challenge in modern foreign policy stems from the difficulty governments face from organized non-state groups who might pose a threat of global terrorism. We show that factions within non-state groups, both moderate and extremist, have an incentive to strategically misrepresent their real intentions. First, extremist factions wish to appear moderate, and will attempt to exploit the politician’s uncertainty regarding the true ideological composition of the group to conduct terrorist activities unencumbered. Second, moderates will strategically seek to conform to perceptions of what constitutes a terrorist group to quell internal disagreement using the threat of intervention that would be triggered by signs of weakness and internal division inside the group. We also address the use of the use of committed strategies that are less responsive to strategic manipulation from factions within non-state groups, and show that reluctance for military intervention is a strategic advantage for politicians designing counterterrorism.

Keywords: Global Terrorism; Counterterrorism Policy; Non-state Groups

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In recent years, several conflicts such as the Arab Spring, the War on Terror, and other sectarian armed struggles have profoundly altered the political landscape of the world. In particular, the political instability caused by these events has created a window of opportunity for several emerging non-state groups who have gained control over pockets of territory in regions of the world that are de facto ungoverned, and who have acquired significant amounts of resources thus expanding their ability to achieve more ambitious political goals. The Islamic State in Northern Syria and Western Iraq, al-Shabaab in southern Somalia, and Boko Haram in northern Nigeria are just prominent examples of what appears to be a larger and persistent trend (Lia 2015).

The rapid and unprecedented proliferation of militant non-state groups, and the simultaneous recent surge in terrorist activity, has raised alarm among citizens and authorities in the West. There is a growing concern regarding the potential link between non-state groups and global terrorism which has sparked a lively debate among policymakers and policy experts with respect to the appropriate response to these new non-state groups. On the one hand, some have argued that these terror acts are the first signs of a larger terrorist campaign, implying that these new groups constitute the next generation of global terrorism. If this is the case, then countries threatened by global terrorism should swiftly intervene to eradicate these threats before they mature. On the other hand, some argue that these emerging non-state groups might just be seeking to consolidate control over some territory of interest, without aiming to mount major terror campaigns against Western countries. If this is true, then a new military intervention might fail to produce any real benefit in terms of security, and could instead backfire, paradoxically creating new and real national security threats. The radical behavior of these groups presents a challenging puzzle: why might groups interested in consolidating control of territory conduct activities that attract the attention of the international community. These contrasting viewpoints highlight both the importance, as well as the difficulty, inherent in determining the political ambitions of non-state groups.
Given the rising prominence of non-state groups in international affairs, it is important to consider the internal politics of non-state groups, and to understand how international policy, specifically counterterrorism, affects the internal politics of non-state groups. Importantly, many of these groups are not monolithic actors, but are instead comprised of distinct factions with potentially different political goals. With different factions vying for control of a non-state group, authorities in charge of counterterrorism must take into account the internal political dynamics of non-state groups in order to accurately assess whether these groups represent a direct and immediate threat to their country’s national security. For example, groups like al-Shabaab and Boko Haram have experienced internal disagreements among factions with respect to differing views regarding what the group should accomplish, and specifically, whether they should refocus their efforts toward striking Western countries.1

A politician crafting counterterrorism policy must consider many factors when deciding how to respond to non-state groups. Her difficulty in assessing a group’s political goals forces her to rely on what she can observe from the actions taken by the group’s members. If a politician readily uses military intervention against a group that has engaged in low level terrorist activities, will this act as a sufficient deterrent against larger threats? If a politician is reluctant to use military intervention, can she count on an internal division within the group to address her security concerns?

To address these questions, we develop a framework that details the strategic interaction between a politician of a target country, and a non-state group composed of distinct factions with potentially different political goals. The non-state group could represent a direct security threat to the target country if controlled by ideological extremists, but not if controlled by ideological moderates. To combat potential national security threats, the politician in

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the target country can adopt a military interventionist policy against a non-state group in an attempt to eradicate the group (or at least weaken it). An important feature of our framework is that the politician making this decision can only rely on what she observes from the actions of group members. First, the politician sees the presence (or absence) of terrorist activities used to motivate recruitment of new fighters, and second, the politician sees whether the faction initially in control of the group (who for ease of reference, we refer to as the incumbent faction) enjoys the support of other factions within the group.

We begin our analysis by considering a benchmark in which a monolithic non-state group can allocate resources between political tactics that are considered terrorism or other political tactics that are not. Since a campaign of global terror requires a large investment, and generally take a long time to mature, a group that has invested in a terrorism campaign with global reach is vulnerable to international intervention. The politician in a target country who witnesses investment into global terrorism can respond with aggressive counterterrorism, such as direct military intervention. As a result, the non-state group can be deterred from the initial investment into global terrorism. We show that military intervention that is credible, effective (likely to succeed), and costly to endure for the non-state group is an effective tool against a monolithic non-state group who might be interested in using terrorism to achieve its political ambitions. This is a familiar logic, and we refer to it as simple deterrence.

We then extend our benchmark to include the possibility that factions within the group may disagree on how the group should use its resources, but where the politician is uncertain of the exact ideological composition of the group. Our main analysis shows that the potential presence of internal division within a non-state group, and the threat of international intervention, create an environment where activities that would facilitate the implementation of a terror campaign and the ultimate aims of non-state groups are not linked in a straightforward or transparent way. This is because different factions (both moderate and extremist)
within non-state groups have an incentive to strategically misrepresent their real intentions so as to influence the counterterrorism policy of politicians in target countries. This strategic manipulation forces the politician to craft counterterrorism under the cloak of uncertainty, which adversely affects the politician’s resolve toward using aggressive counterterrorism, and this starkly contrasts to the benchmark because the lack of resolve created by uncertainty obstructs the operation of simple deterrence.

A politician’s readiness or reluctance to use military intervention critically determines how different ideological factions respond to the threat of international intervention. When the government of a potential target country faces high costs from using military force, then the politician needs to be sure the group is controlled by extremists in order to be willing to intervene. This reluctance to intervene gives moderate factions an incentive to withdraw support following low level terrorist activities so as to signal that the group is no longer controlled by extremists, thus driving a wedge between ideologically distinct factions which brings internal divisions to the surface. But as a consequence of this, cohesive groups then have an incentive to project an image of internal division so as to avoid international intervention and thereby conduct a campaign of global terror unencumbered. Under this *counterdeterrence by division*, the politician is counterdeterred because the projection of division is uninformative, and so the politician cannot distinguish real ideological disagreement from an image of disagreement.

Instead, when the politician incurs relatively low costs to intervention, she will take advantage of internal divisions to eliminate a weaker group, even when she faces the same uncertainty as above. But an aggressive politician creates a second strategic effect. In particular, a politician facing a low cost of intervention provides a useful instrument for factions in divided groups who can use the threat of international intervention to consolidate support from factions who would otherwise challenge their control of the organization. As a result, surprisingly, moderate incumbent factions will strategically seek to conform to perceptions
of what constitutes “a terrorist group” in order to quell internal disagreement. That is, moderate factions conduct low scale terrorist activities as a way of deterring internal threats since extremist factions wish to avoid the military operations that would follow an internal power struggle. Other factions, being concerned about a potential military intervention, are willing to forgo their ambitions of gaining control of the group in order to project the image of a unified group that is more ready to withstand a military operation. The government is then left uncertain about whether or not the recruitment activities it observes are a prelude of a greater danger, and this uncertainty, together with the costs an interventionist policy entails, makes even an aggressive government unwilling to intervene. In this case, which we call counterdeterrence by unity, the politician is counterdeterred because all non-state groups, regardless of ideological composition, behave the same way, maintaining internal unity.

These results imply that the politician faces an uphill battle in calibrating counterterrorism and foreign policy with respect to non-state groups. Because of the strategic incentives of different factions within these groups, the politician is counterdeterred, and even exploited, by factions with unclear and potentially dangerous political ambitions. Given the strategic manipulation the politician faces, a natural question is whether the target country can benefit by committing to clear tactics that do not respond to whatever information might be inferred from the actions of groups. Specifically, we consider two committed strategies that the politician could adopt, and analyze if and when such strategies are beneficial. First, we consider the option of completely taking the use of full military intervention off the table. Second, we consider the use of drawing a “red line” by responding to any terrorist activities with full scale military intervention. We first show that a politician is better off using committed strategies whenever she faces a low cost of military intervention. More specifically, the use of a red line, and the commitment not to use military force, removes the opportunity for low scale terrorist activities to solve internal political problems within the group. Hence, the
politician, and her readiness to use force, cannot be exploited by internally divided groups for their own political purposes. This means that the politician benefits from inaction with respect to non-state groups even if this entails that she will fail to address some organizations that represent a real threat to her country’s national security.

We also show that the reluctance to intervene can be a strategic advantage in that it forces internal divisions within non-state groups to the surface, thus allowing moderates to remove extremist incumbents. However, such politicians tend to rely too heavily on the internal dynamics within non-state groups, specifically, on the potential presence of moderate factions to assume control of the group by ousting a more ideologically extreme wing. Politicians that are reluctant to use military force are more likely to benefit from the use of a red line as the cost of intervention the politician must incur becomes larger.

**Related Literature**

Our work contributes to an extensive literature on terrorism and counterterrorism.\(^2\) In particular, this article contributes to the literature on the internal political dynamics of non-state groups. Among the questions this strand of the literature has analyzed is the consequences of conflicts between leaderships and lower-level operatives (Abrahms and Potter 2015; Foster and Siegel 2014), and the trade-off between internal organizational needs and security from crackdowns (Shapiro 2013; Shapiro and Siegel 2012). Recently several scholars have underlined the importance of considering how the presence of different, and often at odds, factions within such groups can affect their tactical decisions and governments’ counterterrorism strategies (Siqueira 2005). Prominent effects are the strategic use of violence by extreme factions to undermine peace negotiations between the target country and more moderate factions (Berrebi and Klor 2006; Bueno de Mesquita 2005; Kydd and \(^2\)See Bueno De Mesquita (2008a) and Sandler (2015) for a broad overview on the political economy literature on terrorism.
Walter 2002), the strategic use of concessions by target countries to more moderate factions in order to strengthen their position within the group and learn about the different factions’ preferences (Cunningham 2011), and the strategic choice of more extremist positions from terrorist factions in control of a group to avoid splintering (Bueno de Mesquita 2008b).

Our findings also contribute to a literature on the use of provocation strategies by terrorist groups. Extant work argues that a provocation strategy is used to obtain the crucial support of some groups or parts of the terrorists’ domestic audience who are pivotal in the attainment of the organization’s goals. Terror attacks are thus used to trigger a military response that, by imposing large scale collateral damage to civilians, could convince moderates about the necessity of employing radical measures to fight the target government (Lake 2002). As a consequence, disproportionate military responses to terrorist violence could backfire: even if a military operation could prove effective at eradicating or severely weakening the terrorists, it might end up radicalizing the aggrieved population that was initially resistant to join the group’s cause (Arce and Sandler 2010; Bueno de Mesquita and Dickson 2007; de Figueiredo Jr and Weingast 2001; Dragu and Polborn 2014; Rosendorff and Sandler 2004; Carter 2015). In our framework we identify a different provocation incentive: we highlight the incentives of a leading faction within a terrorist group to engage in terrorism-related activities so to solicit the threat of international intervention and in turn put down challenges to its leadership from within the group. That is, the leadership of the group exploits the mutual interest that factions have in avoiding the destructive consequences of international intervention and obtains internal support without paying the consequences of its provocation strategy.

Finally, our framework and our results are linked to a literature that addresses the challenges target governments face when counterterrorism strategies have to be crafted under uncertainty about the nature of the enemy (Lapan and Sandler 1993; Mele 2012; Overgaard 1994). Following Arce and Sandler (2007, 2010), we consider the existence of factions that differ in the extent to which they pose a threat to the target country. A key difference
with respect to their contribution is that we consider the possibility that such factions may coexist within the very same group. This allows us to study how the presence of internal disagreement affects the strategic calculus of both moderate and extremist factions interested in maintaining control of the group. Moreover, this approach helps us shed light on the additional challenges faced by target countries who can now be tempted to rely on moderate factions to prevent potential terrorist threats to evolve into real threats.

A Benchmark Model of Terrorism Deterrence

We begin by considering the interaction between a non-state group seeking to advance its political goals, and a politician in a foreign country concerned with preventing terrorist attacks on her home soil. The non-state group can choose among different tactics in order to advance its cause. We divide these tactics in two broad categories: terrorist tactics, and non-terrorist tactics, where the latter comprises political tactics that can be violent in nature, such as guerrilla violence directed at state officials, or non-violent, such as the provision of public goods, the administration of law etc. Among terrorist tactics, we further differentiate on the basis of the geographical focus of the terrorist activities. Specifically, we distinguish between terrorist attacks conducted within the non-state group’s locality, which we call local terror tactics, and terrorist attacks with a transnational reach, we we refer to as global terror tactics.

An important distinction between global terrorism and local terrorism arises because the planning and implementation of a campaign of global terror is generally a much more complex and expensive process. Global terrorism not only requires the recruitment of numerous operatives and informants committed to risk (or even sacrifice) their lives to carry out violent acts, but it also requires the development of a network within which the group can transfer resources surreptitiously to these operatives. Indeed, the investment in developing such a
network entails significant costs, both in terms of time and resources, as evidenced by Al-Qaeda’s experience, which invested nearly a decade of efforts and an enormous amount of resources to accomplish this task (Wright 2007).

To reflect these features, in the first stage of the game the non-state group can decide whether to use whatever resources it has to lay the foundations for a future terror campaign (i.e. \( r \in \{0, 1\} \)). The choice of \( r = 1 \) captures the creation of infrastructures needed for attracting, training, and maintaining recruits, the material support necessary to carry out attacks, and small terror acts such as beheadings, kidnappings, and other violent deeds aimed at fueling the recruitment of individuals willing to advance the group’s cause. If the group chooses not to invest its initial resources into the development of a global terror network (i.e. \( r = 0 \)), then these resources can be invested in other political tactics. For the sake of convenience, we refer to the choice over \( r \) as the recruitment decision.

In the last stage of the game, the non-state group’s total resources are given by the initial resources (if not invested towards the realization of a global terror network) and any new resources that the group gains (through taxes, extortion, rents from natural resources, external funding, etc.). At the last stage, the group can choose between investing such resources into staging a campaign of terror and investing into other political activities. In particular, a level of investment \( z \) into non-terrorist political tactics provides benefits according to the function \( L(z) \), which is strictly increasing and strictly concave. These activities include tactics such as guerrilla violence directed at state officials, the provision of public goods, the administration of law, but importantly, does not include tactics that are considered terrorism.\(^3\)

The possibility of orchestrating a terror campaign crucially depends on the recruitment decision. If the group did not develop a global terror network (i.e. \( r = 0 \)), then it can only implement a terror campaign concentrated within its locality. In fact, it is considerably easier for a non-state group to plan and carry out attacks in their homeland than to conduct

\(^3\)There are a variety of definitions of terrorism consistent with our usage.
similar activities thousands of miles away from its operational center. A group who allocates an amount of resources equal to $y$ toward a local terror campaign produces a level of localized terrorist violence $\beta \cdot y$, where $\beta > 0$ captures the effectiveness of investment toward producing local terror. The parameter $\beta$ can also be thought of as the impact that a local terror campaign has on the achievement of the group’s goals relative to the impact of a global terror campaign.

If the group developed a global terror network (i.e. $r = 1$), then it can use that network, along with any additional resources at its disposal, to directly implement a global terror campaign against the target country. A group who allocates an amount of resources equal to $x$ toward a global terror campaign produces a level of global terrorism given by a nonnegative, strictly increasing, and strictly concave function $\Gamma(x)$.

Last, a fundamental feature of modern terrorist tactics is the radicalization of individuals, through a variety of means such as the release of videos and extensive and sophisticated use of social media, who may not be directly responding to a group’s leadership. That is, upon choosing $r = 1$, the group puts in motion forces it cannot control. Recently, authorities have been greatly concerned about smaller-scale and brutally violent attacks from radicalized individuals who are not part of a more organized network of terrorist cells and are thus not under a group’s direct control. We capture this increasingly important feature by assuming that an incumbent’s efforts at developing a global terror network creates a level of terrorist activities, $\gamma > 0$, that are not under the group’s control.

The total level of global terror, which we denote by $G(x)$, is given by the sum of the attacks generated by a campaign of global terror, and attacks generated by radicalized individuals inspired by the actions of the group but without any strong tie or association to the group itself (usually referred as lone wolves); \footnote{“Selling Terror: How Isis Details its Brutality”, Financial Times, Rhoula Kalif and Sam Jones, June 17, 2014.} That is, we have $G(x) = \gamma + \Gamma(x)$. Given an
investment decision $r$, an allocation toward global terror $x$, and an allocation toward local terror $y$, the total level of terror is given by,

$$T(x, y) = rG(x) + \beta y.$$ 

Not all non-state groups constitute a terrorist threat, either within their locality or at the global level. That is, while some non-state groups believe that their ends are best served by using terrorist tactics, other non-state groups believe that their ends are best served by other (possibly, but not necessarily, violent) political tactics. These differences in attitudes toward the effectiveness of different political tactics (i.e. terrorist vs non-terrorist tactics) can arise as a result of more basic and fundamental differences. That is, different groups might have different goals, and the attainment of each of these political goals might require different tactical approaches, with some of them requiring the use of terror tactics and some of them requiring other non-terrorist political tactics. Alternatively, different groups might have similar goals, but fundamentally disagree regarding which tactical approach represents the best one for the attainment of these political goals.\(^5\) Although it is important to consider how the actual ultimate goals of non-state groups form, the dimension on which we categorize groups in our model is the extent to which they represent a threat to the target country’s national security.

We characterize a group’s attitude toward different political tactics by $\theta$. Specifically, if a non-state group deems a campaign of terror as the most effective way to serve its ultimate goals, we call it extremist, and denote such a group by $\theta = 1$. If, instead, a non-state group believes that the best strategy to achieve its goals entails the use of tools different from terrorism we call such a group moderate and write $\theta = 0$.\(^6\) In our framework, $\theta$ allows us to

\(^5\)It is useful to stress that we are not necessarily treating terrorist campaigns or other political tactics as ends in and of themselves. On the contrary, we conceive of them as means for the attainment of some political goals that we take as given.

\(^6\)The labels extremist and moderate are used for ease of exposition to represent a fundamental difference
distinguish between groups that represent a threat to the target country’s national security, and groups that do not. On the basis of this distinction, for local politics $L$ and a level of terrorism $T$, a non-state group’s payoff function is

$$u(T, L \mid \theta) = \theta \cdot T + (1 - \theta) \cdot L.$$ 

As mentioned above, global terrorism orchestrated by the non-state group is aimed at a target country, which is governed by a politician who is tasked with preventing terrorist attacks. The occurrence of global terror attacks generates costs for the politician (and for the target country). For simplicity, if $x$ is invested into global terror acts by the non-state group, the politician receives a payoff $-G(x)$.

The politician is able to infer whether a group is developing the infrastructure necessary to carry out a terrorist campaign capable of striking the politician’s homeland either by directly observing the recruitment decision, or indirectly through the observation of lone wolf activities and attacks (when they are present), which impose costs $\gamma$. To protect her country from the menace of global terror, the politician can adopt a comprehensive interventionist policy, which when successful, completely eliminates the non-state group. The probability that military intervention eliminates the group is given by $\hat{q} \in [0, 1]$.

Military intervention entails costs for both the politician who initiates it, and the non-state group that endures it. For the politician, such costs are multiple and different in kind: first, intervention involves a sizable opportunity cost dictated by the use of a large portion of government revenues for planning and staging a military operation; and second, intervention also typically involves electoral consequences produced by the voters’ reaction to the loss of human lives during the military effort (Gartner 2008; Karol and Miguel 2007). We denote between different types of groups.

\footnote{For an explicit treatment of the interaction between politicians and the electorate under the shadow of terrorism see Bueno de Mesquita (2007); Berrebi and Klor (2006), and Di Lonardo (2015).}
by \( c > 0 \) the cost of adopting an interventionist policy for the politician. In sum, for a given \( x \) the politician’s utility is

\[-(1 - \hat{q}) \Gamma(x) - c\]

if she intervenes, and \(-G(x)\) is she does not intervene. In addition, military intervention inevitably brings about a level of destruction that, regardless of whether or not the group manages to withstand the offensive operation, imposes sizable costs on the group; we capture these costs with \( K > 0 \). The expected utility of enduring intervention for a non-state group is \( \hat{q}\theta\gamma + (1 - \hat{q})u(T, L | \theta) - K \).

To rule out cases where the costs of mounting a military intervention are so prohibitive for the politician that she would never use it, even if she were certain to be facing an extremist non-state group, we assume that if the politician knows with certainty that a non-state group is extremist, then she strictly prefers to use force in an attempt to eliminate the known threat. Formally, this implies that \( c < \hat{q}\Gamma(x^*) \), where \( x^* \) denotes the optimal allocation toward global terror by an extremist group (see Lemma 1 for a discussion, and Lemma A.1 for a full characterization).

To summarize, the timing of the game is as follows:

1. Nature determines the group’s type, \( \theta \in \{0, 1\} \), and endows the group with a unit resource;
2. The group decides whether to invest resources into recruitment activities, \( r \in \{0, 1\} \);
3. The investment decision and lone wolf activities are observed (or not) by the politician;
4. The politician decides whether or not to intervene;
5. If the group survives, it is again endowed with a resource, and it chooses how to allocate its available resources.
Simple Deterrence

The choice of how a non-state group will choose to allocate the resources it controls at the last stage of the game will depend on the tactics that are available to the group at that stage and on the ultimate goals of the group.

Lemma 1 In the final stage of the game,

(i) a moderate invests all resources into non-terrorist political tactics;

(ii) an extremist, following no recruitment (i.e. \( r = 0 \)), invests all resources into local terror;

(iii) an extremist, following recruitment (i.e. \( r = 1 \)), invests resources both in a campaign of global and local terror.

Unless the group has previously invested in activities aimed at fueling recruitment of new operatives, staging a terror campaign with global reach is not possible. This is particularly relevant for an extremist group, which considers a terror campaign as an effective tactic for the achievement of its goals. Without an investment in recruitment activities, an extremist will allocate all of the group’s resources into a campaign of local terrorism, while following recruitment, an extremist will choose an allocation to local and global terrorist activities that is based on how instrumental global terror attacks are in the attainment of their goals.\(^8\)

On the contrary, a moderate non-state group, who does not see terrorist tactics as a viable and effective means to achieve its goals, allocates all of the group’s resources into non-terrorist political tactics, regardless of whether or not resources were initially invested into the development of a network that could have supported a global terror campaign.\(^9\)

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\(^8\)See the Appendix for a formal presentation of this decision.

\(^9\)Note that sequential rationality requires that we consider a moderate’s sequential best-response to a choice she would not have undertaken. This fact will, however, be more important in the next section where a moderate in charge of a group may find herself in such a situation.
Lemma 1 clearly identifies the condition under which non-state groups represent a direct threat to the target country’s national security. Can the politician in the target country prevent extremist groups from engaging in recruitment activities, thus preventing the threat of global terrorism from materializing in the first place? If so, under which conditions? That is, when can a credible threat of international intervention deter campaigns of global terror? We explore these issues in the following result.

**Proposition 1** There is a unique Perfect Bayesian equilibrium where a moderate group does not recruit, the politician intervenes after observing recruitment, and there exists a $K^\dagger(\hat{q})$ such that an extremist recruits if and only if $K \leq K^\dagger(\hat{q})$.

Even if the politician does not know the ultimate goals of the non-state group she is facing, a moderate group has no incentive to engage in costly recruitment activities. Therefore, recruitment is an unequivocal signal of extremism, and the politician should intervene militarily against the non-state group. This, in turn, poses a dilemma for extremist groups: is it worthwhile to invest into the development of a global terror network when such an investment automatically triggers a military intervention? If the intervention does not impose too large of a cost, extremist groups will have an incentive to recruit and, in case they manage to survive a military intervention, to stage a global terror campaign. If instead the destructive impact of a military intervention is high, investing resources into laying the foundations for a terror campaign is simply not worthwhile, given that, since any benefits achieved by a successful global terror campaign (assuming the groups survives intervention) are outweighed by the costs imposed by the intervention.

Proposition 1 outlines the logic behind what we call *simple deterrence*, which is familiar from international relations (Schelling 1966; Powell 1985; Huth 1999). When the consequences of recruitment are severe enough, the (credible) threat of military intervention deters the group from investing resources in recruitment activities.
Politics Within Non-State Groups

Thus far we have focused on ideological differences across groups and we have ignored the possibility that such ideological disagreement might be present also *within* a non-state group. While some non-state groups are characterized by a high degree of ideological cohesion, meaning that their members share the same vision with respect to what the group should attain (e.g., al-Qaeda before the start of the Iraq war), there is evidence that many other non-state groups face internal struggles that are often motivated by disagreements regarding the use of the group’s resources (e.g., most recently al-Shabaab and Boko Haram). The presence of internal disagreement is both a prevalent and consequential feature of non-state groups, especially for the design of an effective foreign policy by potential target countries. In particular, can target countries exploit internal disagreements within non-state groups that plan to endanger global security? What are the perils associated with such a strategy? Can a more aggressive approach aimed at deterring recruitment and radicalization be effective? To address these questions, our benchmark model, and the intuition it engenders, does not account for a political dimension within non-state groups.

There are a variety of internal political dimensions within non-state groups. Factions might disagree about what political goals the group should strive to attain, or they might share the same political goals but disagree about which tactics they deem more appropriate for the attainment of their shared goals. Our interest is not in the kind of disagreement, but instead, the strategic implications that arise as a consequence of the potential for disagreement. To reflect this in our framework, we do not assume any specific kind of disagreement, but focus on a more fundamental difference: whether or not each faction represents an immediate and direct threat to a foreign country’s national security.

To capture potential internal ideological disagreements, we extend our model of deterrence to consider a group that is comprised of two distinct, and possibly rival, factions. One
faction, the *incumbent* initially controls the group, while the other faction, which we call the *elite*, can challenge the incumbent’s leadership. This means that to retain control of the group the incumbent relies on the support of the elite, and moreover, if the elite faction withdraws support from the incumbent, then the elite assumes control of the group. This assumption is useful in two different ways. First, it keeps the analysis simple without affecting our results in a substantively meaningful way. Second, and more importantly, it implies that there are no frictions that prevent the elite from assuming control of the group other than those introduced by the strategic interaction between the group and the target country.\footnote{One can think that after losing control, the incumbent faction can splinter, thus becoming a distinct group. This interpretation is consistent with our framework as long as the splintered faction is sufficiently weakened so as to prevent if from immediately implementing a global terror campaign on its own.}

We denote the incumbent faction’s preference type by $\theta_I \in \{0, 1\}$, and the preference type of the elite faction by $\theta_E \in \{0, 1\}$. The preference composition of the group is captured by the pair $(\theta_I, \theta_E)$. When both the incumbent and the elite are extremist, i.e. $\theta_I = \theta_E = 1$, we say the group is ideologically *cohesive*, and with a slight abuse of notation, we denote this by $\theta = C$. When $\theta_I$ and $\theta_E$ are different, we say the group is ideologically *divided*. We categorize different divided groups with respect to the preference type of the incumbent faction that is initially in control. An ideologically divided group led by an extremist incumbent, i.e. $\theta_I = 1$ and $\theta_E = 0$, is denoted by $\theta = D_X$. In contrast, an ideologically divided group led by a moderate incumbent, i.e. $\theta_I = 0$ and $\theta_E = 1$, is denoted by $\theta = D_M$. At the beginning of the game, Nature determines the ideological composition of a non-state group. Let $\mu_C$ be the probability that the non-state group is ideologically cohesive, $\mu_X$ be the probability that the group is ideologically divided with an extremist incumbent, and $\mu_M$ be the probability that the non-state group is ideologically divided with a moderate incumbent, with $\mu_C + \mu_X + \mu_M = 1$. Within the group, the preference types of factions are common knowledge.

Following the initial recruitment decision by the incumbent, the elite must decide whether
to give support to the incumbent (i.e. $s = 1$), or instead, to withdraw support (i.e. $s = 0$) and thereby gain control of the non-state group. Importantly, the elite faction unilaterally determines who ultimately controls the group and its resources.

Notice that in our model, control of the group is instrumental toward the achievement of some political aims (that we have taken as given), which implies an important distinction between cohesive and divided groups. For a cohesive group, there is no conflict over how to use the group’s resources, and this implies that factions are indifferent over who nominally controls them. In contrast, for divided groups, the only way a faction can achieve its political goals is to maintain, or obtain, control of the group’s resources. This means that for factions within divided groups attaining control of the group’s resources is extremely valuable. Formally, a faction’s payoff depends only on the ultimate allocation between global terror, local terror, and local politics, and not on the identity of the faction that makes the allocation decision. Moreover, an internal struggle over control of the group destroys some fraction, $\delta \in (0, 1)$, of the group’s initial resources.\(^{11}\)

The effectiveness of military intervention at eradicating the threat posed by the group depends on the internal unity of the group itself. If the elite faction does not support the incumbent, then international intervention eliminates the non-state group with probability $q$. Instead, if the elite faction supports the incumbent, then international intervention successfully eliminates the non-state group with probability $\phi \cdot q$, where $\phi \in [0, 1]$ reflects the extent to which internal unity increases the group’s military capacity, and as a consequence, its chances of surviving a foreign military intervention.\(^{12}\) We are interested in capturing a scenario where a divided group represents a significantly easier target than a united group, so as to induce the politician to monitor the internal politics of the group in order to bet-

\(^{11}\)Note that this is only relevant when the incumbent does not expend the initial stock developing a global terror network in the first stage.

\(^{12}\)If a united non-state group is the same strength as the monolithic non-state group from the benchmark, then $\hat{q} = \phi q$. 
ter evaluate the likelihood of success of a military intervention. Formally, this means that

$$\phi < \frac{\mu_C}{(\mu_C + \mu_X)^2}.$$

Our substantive focus is on an environment where the politician faces a challenge when deciding what foreign policy to adopt. As such, we want to rule out cases where the costs of using military force are so low that a military intervention always constitutes the best course of action for the politician, regardless of the accuracy of her information regarding the ultimate goals of non-state groups and whether or not the national security of her country is actually at stake. Therefore we assume that whatever information the politician has available at the start of the game is insufficient to make intervention the ideal foreign policy against united non-state groups.\(^{13}\) Formally, this implies that 

$$c \geq (\mu_C + \mu_X \phi_{q \Gamma(x^*)}).$$

Finally, we assume that international intervention is sufficiently costly that it motivates factions in the following two ways. First, in the absence of potential ideological disagreement, the threat of international intervention is sufficient to deter global terrorism. From Proposition 1 this implies that \(K \geq K^\dagger\). In addition, we also assume that international intervention is sufficiently effective that individual factions would prefer to avoid it. Formally, this corresponds to assuming that \(\gamma + (1-q)\Gamma(x^*) < K\). Together, these imply that

$$K \geq \max\{K^\dagger, (1-q)\Gamma(x^*), (1-q)L(1)\} \equiv K.$$

We restrict attention to the case where a moderate incumbent of a divided group requires a strictly positive incentive to recruit for global terror, meaning that she does not recruit when indifferent. We do this because if the moderate incumbent of a divided group is not supported, then she is technically indifferent between recruiting and not. This indifference expands the set of equilibria but does not affect the equilibria we focus on. Moreover,\(^{13}\)In Appendix B.1 we analyze the case where \(c\) can be small, and show that when \(c\) is small there is no pure-strategy equilibrium. We also show that there is a mixed-strategy Perfect Bayesian equilibrium in which the behavior is qualitatively similar to that already examined.
such additional equilibria are substantively implausible and so we restrict attention to those in which the moderate incumbent recruits only when she expects to strictly benefit from recruitment.\textsuperscript{14}

To summarize, the timing of the game is as follows:

1. Nature determines the preference composition of the group, \( \theta \in \{C, D_X, D_M\} \), and endows the group with a unit resource;

2. The incumbent faction decides whether to invest resources into recruitment activities, \( r \in \{0, 1\} \);

3. The investment decision and lone wolf activities are observed (or not) by the politician;

4. The elite faction observes the decision of the incumbent and decides whether to support the incumbent faction, \( s \in \{0, 1\} \);

5. The politician observes the elite’s support decision (as well as the recruitment decision) and decides whether to intervene;

6. If the group eludes intervention, it is again endowed with a unit resource, and its leader chooses how to allocate the group’s available resources.

In the analysis we solve for the pure-strategy Perfect Bayesian Equilibria of the game, which we refer to as equilibria. An equilibrium is composed of (1) a recruitment strategy for the incumbent faction given the preference composition of the group; (2) a support strategy for the elite faction given the preference composition of the group and the recruitment decision of the incumbent; (3) an intervention strategy for the politician given the actions taken by each faction and a system of beliefs regarding the preference composition of the group; (4) an allocation decision for the faction in control of the group at the end of the game.

\textsuperscript{14}Formally, if a moderate incumbent experiences some minor disutility from global terror, this restriction would not be necessary, but would involve several tedious calculations.
Before presenting the main analysis, we first identify the substantive forces that are critical in our model.

**Fact 1** If the incumbent faction chooses not to recruit, then she is supported by the elite faction (and thus retains control of the group) if and only if the group is cohesive. If the incumbent chooses to recruit and the group is divided, then the elite supports the incumbent if and only if support deters international intervention.

Fact 1 ties internal conflict over control of the group to both the disagreement between factions regarding the ultimate allocation of the group’s resources, and the threat of international intervention. If the incumbent faction chooses not to engage in activities aimed at the recruitment of operatives and the development of a global terror network, then the politician has no motivation to intervene since the group does not pose a threat to her country’s national security. An elite faction, in the absence of the threat of international intervention, only considers how it expects the incumbent to allocate the group’s resources. In a divided group, the incumbent will not allocate the group’s resources in a way that satisfies the elite faction, who then strictly prefers to withdraw its support from the incumbent faction even if this internal conflict destroys some of the resources the group commands. In contrast, if the group is cohesive, an elite faction prefers to avoid the loss of resources that a power struggle would entail.

Although one might expect an elite faction in a divided group to have no incentive to support the incumbent faction, Fact 1 highlights how the threat of international intervention can lead competing factions to put aside their differences in order to face a more pressing concern together. That is, international intervention, being something all factions want to avoid, can create unity between factions with otherwise conflicting interests.

In sum, our model of inter-group politics is one where ideological division, in the absence of other considerations, is sufficient to bring about an internal conflict that changes the political composition of the group. As a consequence, our model identifies the impact of
international intervention on the emergence (or lack thereof) of conflicts within divided non-state groups.

The crucial task facing politicians in charge of counterterrorism policy is to judge which groups pose a threat to her country’s national security so as to assess when military action is an appropriate tool to prevent future terrorism efforts. With the potential for ideological disagreement, however, the informational environment in which the politician makes her decisions is not as straightforward as in the benchmark model. It is precisely the dependence of the politician’s decision on the choices of factions within the group that induces factions to adjust their actions. In particular, factions within the group can strategically manipulate the politician’s assessment of the threat coming from the group by choosing actions appropriately, thus preventing the politician from having an accurate picture of the threats she faces. The nature — and severity — of the inference problem for the politician is highlighted by the following result.

**Fact 2** There does not exist a separating equilibrium, i.e. an equilibrium where the politician can distinguish the preference composition of the non-state group.

The preference composition of the non-state group can be revealed by the choices of factions only when different types of groups behave differently. If there were a fully separating equilibrium, the politician could perfectly tailor her foreign policy and would intervene against extremists who have the ability to stage a campaign of global terror. However, this is precisely what extremist factions want to avoid. In other words, Fact 2 establishes that there are no equilibria in which the politician can learn perfectly the ideological composition of the non-state group, thus implying that the politician must always craft foreign policy in the presence of uncertainty.

Fact 2 starkly contrasts with Proposition 1 in that the introduction of the potential for internal conflict dramatically alters the strategic environment. Substantively, Fact 2 implies that potential political problems within non-state groups obstructs the usefulness
of simple deterrence in counterterrorism. Simple deterrence relies on using the threat of international intervention to make investing into the capacity to project global terror (such as radicalization efforts) too costly to undertake. Uncertainty affects the willingness of politicians to use international intervention, and thus, the potential for ideological divisions within non-state groups adversely affects the credibility of threats to intervene.

Counterdeterrence

Our framework highlights two distinct layers of the strategic problem relevant in modern foreign policy, namely the internal politics of non-state groups and the ability of intervention to deter terrorist threats. As is apparent from the previous section, these two layers interact in a strategically complex way. The conflict (or lack thereof) among factions in non-state groups affects both the likelihood of success of military intervention and the politician’s assessment of its necessity.

Simple deterrence relies on the politician using recruitment as a clear signal that a non-state group poses a threat to her national security. Since the politician can act with full certainty that international intervention is the best course of action, her resolve to use such policy instruments deters groups from developing a capability to project global terror. An implication of Fact 2 is that when there is a potential for internal disagreement within non-state groups, the politician can never intervene with the confidence she enjoyed in the benchmark model. As a result, the politician is less resolved to use international intervention, and her attempts to deter recruitment activities can be countered by uncertainty between her and the non-state group. In these cases, we say that the politician is counterdeterred, and observe that counterdeterrence constitutes a specific failure of simple deterrence.

In the presence of uncertainty over the ideological composition of a non-state group that has recruited, the politician lacks the resolve to commit to the use of international
intervention. Since intervention is something all types of factions want to avoid, it provides a common ground on which factions in divided groups can agree. As a consequence, elite factions take actions that dissuade the politician from intervening. These actions act to preserve the uncertainty that is critical to counterdeterring the politician’s intervention. This creates an incentive for incumbents to recruit, which are different depending on the ideological composition of the group.

In this section we identify two different ways that a politician’s attempt to deal with foreign threats can be exploited. First, a politician’s uncertainty regarding the ideological composition of a non-state group allows cohesive groups to avoid intervention and implement their terrorist schemes. By projecting an image of internal division, cohesive groups can avoid military intervention because the politician relies on internal conflicts within the group to eliminate threats; we call this phenomenon counterdeterrence by division.

Second, a politician’s aggressive foreign policy approach can help incumbents in ideologically divided groups to maintain control of the group. By engaging in recruiting activities and thus triggering the threat of a military intervention, incumbent factions can motivate support from elite factions because only unified groups can deter international intervention. We call this phenomenon counterdeterrence by unity.

**Counterdeterrence by Division**

In recent times, especially after the prolonged international operations in Afghanistan and Iraq, many democratic governments have shown more prudence in dealing with new emerging terrorist threats around the world, favoring foreign policies characterized by indirect involvement. The most prevalent manifestation of such foreign policies aim to empower moderate factions who can help in the fight against transnational terrorism. This raises an important policy question: to what extent can moderate factions within non-state groups be relied on to remove threats from extremists? In our model this is captured by a divided group with an
extremist incumbent. Under what conditions can the politician rely on the moderate elite to remove the extremist incumbent, and how can the politician be sure that the elite is in fact moderate?

Proposition 2 There exists a unique semi-separating equilibrium where only extremist incumbents recruit and only extremist elites support following no recruitment if and only if $c \geq \hat{c} \equiv \frac{\mu_C}{\mu_C + \mu_X} q \Gamma(x^*)$.

By investing resources into building a terror network, the extremist incumbent reveals to the politician its interest in starting a global terror campaign if it were to maintain control of the group. This motivates the politician to opt for military intervention whenever the incumbent maintains its leadership status. Facing the concrete threat of a military intervention, a moderate elite in a divided group wants to signal to the politician that it does not aim to carry out global terror attacks, and thus has an incentive to withdraw its support from the extremist incumbent thereby taking control of the group. In this way, the moderate elite faction indirectly helps the politician by eliminating the extremist elements within the group. This is precisely the logic that underlies the desire to empower moderates.

However, this dynamic, which prima facie seems beneficial for the politician, creates a perverse incentive within cohesive groups. A cohesive group is now aware that by projecting an image of internal division it can avoid a dangerous military intervention and still initiate a campaign of global terrorist attacks that advances its political goals. Upon observing recruitment and internal division, the politician does not know whether the faction ultimately in control of the group (i.e. the elite) is truly moderate. Given that the politician is already reluctant to use military intervention ($c \geq \hat{c}$), the uncertainty driven by internal division deters her from using force. Non-support is thus optimal for both the moderate elite and the extremist elite because it allows each to avoid intervention and to implement its preferred allocation in the last stage.
A politician who is reluctant to use military intervention thus causes internal ideological disagreements to come to the surface, thus leading to a power struggle within divided non-state groups. But at the same time, her reluctance opens up the opportunity for cohesive, and ideologically extremist, groups to mimic divided groups by appearing ideologically divided, thus avoiding international intervention and implementing a campaign of global terror unchallenged.

This result has implications regarding recent debates about whether or not empowering seemingly moderate factions can help in the fight against transnational terrorism. In our model elite factions are already empowered, in the sense that they can dispose of the incumbent faction if they intend to do so. However, we show that such policies have limited effectiveness because of the strategic incentives they create. Proposition 2 suggests that while relying on moderate factions can help target countries to prevent terrorist attacks without risking being trapped in a military intervention, it opens up the possibility for extremist factions to mimic moderates and plan their violent deeds undisturbed. It is important to observe that the politician in our model is not “fooled” by the strategic tactics of a cohesive terrorist group to appear divided. Rather, factions within a cohesive terrorist group can exploit the uncertain environment to dissuade reluctant politicians. That is, even if politicians are perfectly aware of the risks posed by a counterterrorism strategy centered around the support to seemingly moderate factions, their reluctance to resort to military involvement leads them to accept such risks, which entails that the politician must leave some terrorism threats unchallenged.

**Counterdeterrence by Unity**

We next consider how a more aggressive foreign policy approach might alter the scenario analyzed above. Specifically, we consider the case when the politician cannot be dissuaded by the appearance of division within the group. When this is the case, a cohesive group cannot
deter intervention by projecting an image of ideological disagreement because politicians will engage in a military operation even if they are still uncertain about the elite’s ultimate goals. Once intervention cannot be deterred by projecting an image of internal division, a cohesive group is better off maintaining internal unity, because unity reduces the effectiveness of international intervention, increasing the probability of the group’s survival. However, unity will not be a distinctive feature of ideologically cohesive groups.

**Proposition 3** For every $c$, there exists a pooling equilibrium in which an incumbent recruits and the elite supports any incumbent that recruits. Moreover, this is the unique equilibrium whenever $c < \hat{c}$.

It is precisely the threat of international intervention that suppresses the ideological conflict that would otherwise lead to a power struggle within the group. This suggests that aggressive foreign policy is not just a reaction to a hostile international environment, but also shapes the politics of its actors as well. As mentioned before, the elite in a divided group is willing to give its support only if there is something else aligning its interest with the incumbent (Fact 1). The threat of international intervention provides this common ground since both factions want to avoid its destructive potential, and the costs it imposes. Thus, an elite faction is de facto forced to put aside its desire to shape the group’s political agenda whenever its support is crucial in dissuading the politician from choosing military intervention.

The ability to generate internal support by provoking the target country via activities aimed at stimulating recruitment of new operatives creates a window of opportunity that incumbents can exploit to retain control of a divided group. This window of opportunity is particularly attractive since incumbents in divided groups would otherwise lose control of the group’s resources because of their inability to secure the elite faction’s support. As a consequence, this logic leads a moderate elite to support incumbents who are committed to a campaign of global terror. More surprisingly, this same logic leads a moderate incumbent to invest resources in the development of a global terror network, despite her clear preference
against such activities. Recruitment triggers the threat of international intervention, and this in turn creates a common interest between ideologically different factions. Exploiting the politician’s desire to stop a global terror campaign, the moderate incumbent, by recruiting, can create a scenario in which the extremist elite is pivotal in deterring international intervention.

Proposition 3 implies that when a politician is more willing to use force to eliminate threats, she becomes a useful tool for incumbents who face challenges to their control of the group. In particular, moderate elites are brought to provide support to incumbents committed to stage attacks against the target country, and moderate incumbents are able to generate support by engaging in activities that are associated, from the politician’s point of view, with larger and more dangerous terrorist schemes.

In short, an aggressive foreign policy approach, captured by a lower $c$, can be self-defeating in that it motivates factions without ambitions of launching global terror attacks either to support the leadership of more extremist factions or to engage in recruiting efforts themselves. This aspect is particularly relevant from a policy standpoint. It is crucial for policy-makers to take into account the possibility that some groups who do not plan on orchestrating transnational terrorist attacks have a strategic incentive to engage in activities typically associated with terrorist behavior so as to conform to the perception of what constitutes a terrorist group. The danger posed by the strategic reaction of divided groups misleads the politician about which groups constitute real “terrorist threats”. A military operation driven by the false assessment of these strategically engineered threats would generate very large material costs (human lives and economic resources) and produce little benefit in terms of security. On the contrary, there is a possibility that the destruction brought about by military intervention could actually radicalize the communities paying the consequences of the use of force, thus making the target country less safe. At the same time, Proposition 3 shows how policy-makers, after observing terrorist activities (including lone wolf attacks and other
efforts aimed at fueling recruitment), should be aware of the opposite peril: underestimating
the chances that these actions result from a truly extremist group preparing to step up its
destructive activities against the target country.

Given that these failures — either to recognize actual serious threats or to understand
when the appearance of threats has been strategically engineered as a means of solving other
political problems — are a direct consequence of the potential for disagreement between a
group’s factions regarding the ultimate use of the group’s resources.

The Strategic Value of Foreign Policy Resolve

A politician carefully adapting foreign policy to her understanding of the political dynamics
within non-state groups exposes herself to the possibility that these factions might choose
their actions so as to manipulate the politician’s perception of the group’s goals. As suggested
by our model, members of non-state groups do this for two reasons. First, they wish to avoid
international intervention, and thus hope to manipulate the politician’s belief that the group
poses a threat. Second, and more subtly, members of non-state groups use the threat of
international intervention as an instrument to solve their own internal political problems.

Many believe that some actions, that are either intrinsically violent or ominous signs of
worse things to come, should warrant an immediate and firm response, not excluding the
use of military force. On the one hand, the use of these committed strategies can have a
deterrent effect. On the other hand, using — and abiding by — an approach that commits to
a foreign policy stance ex ante might lead the target country to become entangled in useless
and potentially counterproductive conflicts. Our model suggests that committed strategies,
in addition, allow the politician to avoid being used or manipulated by factions within a
non-state group who can use the threat of intervention to quell internal disagreement

The natural question is whether or not politicians in target countries can do better by
simply ignoring, at least partially, the actions taken by factions within non-state groups. Politicians, scholars, and journalists have recently debated the value of drawing “red lines” in dealing with extremist groups targeting Western governments. In this section, we use our model to determine when the politician can improve her welfare by committing to a particular foreign policy thereby ignoring the information conveyed by the internal political dynamic of a non-state group.

To address the value of committed counterterrorism strategies we focus on two different foreign policies a politician might commit to ex ante. (1) A non-interventionist policy where the politician commits to never using military intervention as a counterterrorism tactic. (2) An aggressive policy in which observing recruiting activities and lone wolf attacks automatically triggers the politician’s use of military intervention. It is important to observe that both of these counterterrorism policies require the politician to ignore the information that is available from the political dynamics within non-state groups. In particular, the politician must ignore the distribution from which the preference composition of non-state groups is determined, \( \mu \), and she must also ignore any strategic connection between the preference type of a faction and the actions they choose.

We compare the politician’s welfare when she adopts committed strategies as opposed to when she uses the informational content of the actions taken by the group’s factions. Recall that there are qualitatively distinct ways in which the interaction between the politician and the non-state group can unfold whenever the politician uses her knowledge of the internal political dynamic within the group. First, when the cost of intervention is low enough, formally meaning that \( c < \hat{c} \), any incumbent regardless of preference type recruits, and any elite faction, regardless of preference type, supports the incumbent faction. In this case, the politician is deterred from intervening (counterdeterrence by unity). In contrast, when the cost of intervention is high (i.e. \( c \geq \hat{c} \)), there are two possible equilibria: the former, and one in which only an extremist incumbent faction recruits, and no incumbent faction is ever
Proposition 4 1. If \( c \geq \hat{c} \), then the politician does not benefit from commitment to non-intervention. The politician is better off by committing to intervention following recruitment only if \( c \geq \frac{\mu C}{\mu X} G(x^*) \).

2. If \( c < \hat{c} \), then the politician is better off committing to no intervention or to intervention following recruitment.

Proposition 4 explicitly details the conditions determining when it is useful for a politician to have a rigid and committed foreign policy stance, and importantly, when such red lines fail to benefit the politician. When the cost of intervention is higher, the comparison crucially depends on how military intervention alters the decisions of factions within non-state groups. The value of committing to intervene upon observing recruitment depends on whether international intervention can deter an extremist that controls a cohesive group from recruiting. In particular, if drawing a line in the sand does not dissuade an extremist faction from crossing it, the politician is better off not having committed to such stances in the first place. This is because the politician is forced, after observing recruitment, to actually incur the rather high costs of intervention. In contrast, when the threat of international intervention deters recruitment by cohesive groups, then the benefit of commitment strategies depend on the cost of international intervention faced by the politician. By Fact A.3, lone wolves imply that only an extremist leader in a cohesive group and a moderate leader in a divided group can be dissuaded from recruiting. Since an extremist leader in a divided group will recruit, the politician who commits to intervene following recruitment will have to incur the cost of military intervention. If the cost faced by the politician is high enough, then she is better off

\[^{15}\text{See the Appendix for a proof.}\]
tailoring her policy to incorporate the internal politics of the non-state group. Finally, when a politician is reluctant to intervene, she cannot do better by completely taking military action off the table.

More surprisingly, when the cost of intervention, \( c \), is relatively low, then committing not to intervene under any circumstance is welfare enhancing in terms of reducing the expected level of global terrorism. When intervention is off the table, incumbents in divided groups cannot use the induced threat of international intervention to generate support within the group. In particular, the threat of international intervention, by a politician who readily uses it, enables both extremist and moderate incumbents to maintain control of the group as well as motivating moderate incumbents to invest in recruiting efforts. As seen in Proposition A.5, committing not to intervene allows the internal disagreement within groups to surface, and in turn, undermines the ability of extremist factions to effectively stage a global terror campaign. Importantly, this is true even when it is unknown whether the group is divided. In short, when the politician, by drawing a clear line in the sand or committing not use intervention at all, proves to be a beneficial policy stance. Importantly, this welfare improvement is independent of whether such policies act as a successful deterrent against non-state groups. That is, while the politician would benefit from a commitment to intervention if this threat could discourage recruitment, she remains better off by committing to a military action after observing recruitment even when the threat has to be carried out.

In sum, a politician who is reluctant to intervene, for economic or political reasons, is hard to manipulate. She can learn from, and exploit, the internal politics of non-state groups and better tailor foreign policy to the environment she faces. In contrast, a politician who too readily intervenes provides a window of opportunity that divided groups will exploit. The results of this section show that this readiness undermines the objectives of the politician. Finally, our results also suggest that in a tense international environment both moderate and extremist non-state groups have an incentive to recruit, but for entirely different rea-
sons. Extremists recruit with the hopes of carrying out acts of global terror, while moderates recruit so as to solve internal political problems.

**Discussion**

We present a theory that details the interaction between a non-state group who may present a threat of global terror to the international community, and a politician who must decide on a counterterrorism policy. The group may feature some internal discord among the different factions that comprise it, and uncertainty of the composition of the group critically affects the ability of the politician to prevent terrorism threats to her country. The politician can use the choices of different factions within the group to infer the level of discord within the group as well as the ultimate aims of each faction. By more accurately judging a group’s aims, the politician is better able to assess the global threat of terrorism.

Because of the need to rely on a groups’ actions, lower scale terror acts, such as lone wolves, have been argued by scholars and pundits to be unequivocal signs of a larger terror campaign waiting to happen. Additionally, citizens in such target countries, fearing attacks on their homeland and horrified by the brutality that often characterizes these acts, have put increasing pressure on governments to tackle these threats before they either grow in strength or they manage to strike. Our model suggests that inferences based on such low-scale terrorist activities is not a reliable way to judge whether a particular non-state group might represent a true threat to target countries’ national security. Moreover, our model suggests that the target countries’ need to prevent terrorist attacks influences the incentives of different factions composing non-state groups in ways that be counterproductive.

Our model and its results are useful for understanding the interaction of political dynamics within a country targeted by global terrorism and the internal politics of non-state groups. In particular, our results shed light on the relationship between the partisanship of
the executive in the target country and the internal politics of a non-state group.

We argue that the partisanship of politicians reflect differences in terms of their willingness to initiate military intervention against groups perceived to be threats to national security. Specifically, left-wing politicians tend to be less inclined to resort to military actions than right-wing politicians, for both ideological and instrumental reasons. This difference is a result of a variety of factors which include a primitive preference to avoid military action, or an electoral consequence resulting from the responses of base voters. In addition, right-wing politicians typically receive more electoral support from military lobbies, and their political base is less concerned with the wielding of military power across the globe.

In our model, a politician’s willingness to intervene is captured by the cost that she incurs when she initiates military intervention, which is related to the partisanship of the politician. More specifically, a right-wing politician is more likely to have a cost of intervention, $c$, that is below the critical cutoff $\hat{c}$, whereas a left-wing politician’s cost of military action is more likely to exceed the cutoff $\hat{c}$. Importantly, terrorist groups and other non-state groups know the partisanship of the executive in the target country and, as suggested by our model, can use this to their advantage. Specifically, right-wing politicians, because of their readiness to use military intervention, make themselves useful tools for incumbent factions in divided groups needing to quell internal political problems, whereas left-wing politicians, because of their reluctance at using military intervention, cannot be exploited so easily by incumbents of non-state groups.

Our results suggest that right-wing politicians would benefit from resolve in their foreign policy positions, adopting automatic military intervention following clear signs of recruiting efforts. Even more surprising, our model suggests that right-wing governments could benefit from a committed intervention policy that never uses force. This commitment to a clear and rigid foreign policy that ignores any information that can be inferred from intelligence sources or the choices of factions within the group deprives actors in non-state groups of the
opportunity to use recruitment efforts to manipulate right-wing politicians’ foreign policy decisions. This in turn prevents incumbent leaders in non-state groups from motivating elite support with the threat of international intervention, which then exacerbates the internal conflicts within the group.

In contrast, left-wing politicians, who are more reluctant to use military might, are dissuaded when there is uncertainty as to whether the group poses a threat to global security. Surprisingly, our model shows that this reluctance is a strategic advantage. Left-wing politicians are more willing to let internal disagreements come to the surface in order to avoid resorting to the use of military intervention. That is, left-wing politicians implicitly rely more heavily on ideological divisions to get rid of extremist elements within non-state groups, hoping that the factions that replace them will not turn out to be as great a threat as the old leaderships. As such, they can only benefit from committed foreign policies whenever the deterrent power of international intervention is extreme.

Taken together, these considerations imply, surprisingly, that left-wing politicians are more suitable than their right-wing counterparts at crafting foreign policies to address the threat of global terror coming from non-state groups. This is precisely because left-wing politicians are reluctant to resort to military force as a response to security threats coming from abroad. While this reluctance might appear as a sign of weakness, we show that it is actually a source of strength in the fight against global terrorism. Our model highlights a novel implication: the partisanship of a nation’s executive, who must tailor foreign policy to the threat of global terror, has an important impact on the internal politics of non-state groups, regardless of the ideological composition within that group.

Finally, it is important to consider how one might evaluate our theoretical mechanism and the conclusions it generates empirically. First, our model suggests that when target countries are led by left-wing governments, we should expect an increase in factional divisions within non-state groups. By contrast, during a right-wing executive’s tenure, we should expect a
higher degree of internal unity within non-state groups.
A Appendix

Denote by $W$ the resources available to the leader at the last stage of the game. Let $x$ be the allocation of resources toward the orchestration of a global terror campaign, $y$ the allocation of resources toward localized terrorist violence, $z$ the allocation of resources toward other political tactics, and let $a = (x, y, z)$. We can then restate Lemma 1 as follows:

Lemma A.1 In the final stage of the game, the optimal allocation $a^*(θ_j | r)$ is

(i) A moderate (i.e. $θ_j = 0$) invests all resources into non-terrorist political tactics, i.e. $a^*(0 | r) = (0, 0, W)$ for all $r$;

(ii) An extremist (i.e. $θ_j = 1$), following no recruitment (i.e. $r = 0$), invests all resources into local terror, i.e. $a^*(1 | 0) = (0, W, 0)$;

(iii) An extremist (i.e. $θ_j = 1$), following recruitment (i.e. $r = 1$), invests resources both in campaign of global and local terror, choosing $a^*(1 | 1) = (Γ^{-1}_x(β), W − Γ^{-1}_x(β), 0)$.

Proof of Lemma A.1: Given a preference type $θ_j$, the leader’s problem is given by

\[
\max_{x,y,z} \theta_j T(x, y) + (1 − θ_j)L(z)
\]

\[\text{s.t. } x + y + z ≤ W. \tag{A.1}\]

First, observe that any leader prefers to exhaust the budget so that the constraint in (A.1) always binds. From this, the first two parts are immediate. The last part follows by substitution, and rearranging the first-order condition

\[Γ_x(x^*) = β.\]
Proof of Proposition 1: We begin by observing that it is never a weak best-response for a moderate to recruit. This implies that in any equilibrium the posterior belief of the politician places probability 1 on the group being extremist following the observation of recruitment. From this, the politician prefers to intervene following recruitment. Given this, an extremist (weakly) prefers to recruit as long as $K \leq K^\dagger$ where $K^\dagger$ is defined by,

$$\gamma + (1 - q)(\Gamma(x^*) + \beta(1 - x^*)) - K^\dagger = 2\beta$$

which rearranges to

$$K^\dagger = \gamma + (1 - q)(\Gamma(x^*) + \beta(1 - x^*)) - 2\beta,$$

and the result follows by comparison.

It is useful in subsequent arguments to compute the indirect utility for each faction, so as to obtain the faction’s induced preferences resulting from their anticipation of how the leader allocates the group’s resources.

Lemma A.2 Let the group’s resources in the final stage of the game be given by $W$. If the leader of the group is moderate, then the indirect utility for a moderate faction is $L(W)$, and the indirect utility for an extremist faction is 0. If the leader of the group is extremist, then the indirect utility of a moderate faction is 0, and the indirect utility for an extremist faction is $r(\gamma + \Gamma(x^*) + \beta(1 - x^*)) + (1 - r)\beta W$.

Proof: For a moderate faction, from Lemma A.1, the indirect utility associated with the optimal choice of a moderate leader is given by

$$U^*(\theta_j \mid r) \mid_{\theta_j=0} = L(W).$$

The indirect utility of a moderate faction when the allocation choice is made by an extremist
leader is 0. Similarly, from Lemma A.1, the indirect utility for an extremist faction when the leader is extremist is

\[ U^*(\theta_j | r) \mid_{\theta_j=1} = r(\gamma + \Gamma(x^*) + \beta(1 - x^*)) + (1 - r)\beta W. \]

Finally, the indirect utility of an extremist faction when a the leader is moderate is \( r \cdot \gamma \).

**Proof of Fact 1:** Formally, the first part of this fact is expressed as: \( s^*(\theta | r = 0) = 1 \) if and only if \( \theta = C \). Since the incumbent did not recruit, intervention from the politician is strictly dominated regardless of the choice of the elite, and thus, the elite need only consider the allocation choice of the incumbent. If \( \theta_I = \theta_E \), then since \( \delta < 1 \), the elite strictly prefers to support. In contrast, if \( \theta_I \neq \theta_E \), since the incumbent chooses its preferred resource allocation the indirect utility for an elite of the opposite preference type is 0 (from Lemma A.2). Instead, the indirect utility of the elite who chooses its preferred allocation is strictly positive, and therefore an elite strictly prefers not to support the incumbent of the opposite preference type.

To prove the second part of the Fact, let \( D(s) \) be an indicator which is 1 if and only if the politician intervenes. For an elite, supporting the leader yields \( -K \cdot D(1) \), while withdrawing support yields,

\[ (((1-q)(U^*(\theta_E | 1) - r\gamma) - K) \cdot D(0) + (1 - D(0))(U^*(\theta_E | 1) - r\gamma). \]

When the elite is not pivotal we have that \( D(0) = D(1) \) and the elite strictly prefers to not support. In contrast, if the elite is pivotal, then there are two cases:

(i) If support deters intervention, i.e. \( D(1) = 1 - D(0) = 0 \), then the elite strictly prefers to support if and only if

\[ (1-q)(U^*(\theta_E | 1) - r\gamma) < K, \]
which holds for each $\theta_E \in \{0, 1\}$ since $K \geq K$.

(ii) If support invites intervention, i.e. $D(0) = 1 - D(1) = 0$, then the elite strictly prefers to support when

$$U^*(\theta_E | 1) < -K$$

which never holds.

Putting these together establishes the fact. ■

**Lemma A.3** The extremist incumbent of a divided group (i.e. $\theta = D_X$) has a dominant strategy to develop a global terror network.

**Proof of Lemma A.3:** If the extremist incumbent in a divided group does not recruit, then by Fact 1, it expects to lose control of the group, thereby receiving a payoff of 0. In contrast, if the extremist incumbent in a divided group recruits and loses control of the group, then its payoff is at least $\gamma > 0$. As a consequence, an extremist incumbent strictly prefers to recruit. ■

**Proof of Fact 2:** Proceed so as to establish a contradiction. Suppose there is a Perfect Bayesian equilibrium in which the pair $\theta$ is fully revealed to the politician. Denote the mapping $\sigma(\theta) = (r, s)(\theta)$, and observe that an equilibrium is fully separating if and only if the mapping $\sigma$ is one-to-one. Suppose that $\sigma(D_X) = (1, 1)$ in a fully separating equilibrium. This implies that the equilibrium best-response of the politician is to fully intervene after observing $\sigma = (1, 1)$ since an extremist faction is in control of the group. But since the equilibrium is fully separating, it must be that $\sigma(\theta) = (1, 0)$ is achieved by either $\theta = C$ or $\theta = D_M$, and in each case the elite is extremist. When $\theta = D_X$, a deviation by the moderate elite from $s = 1$ to $s = 0$ has two consequences. First, non-support makes the politician believe that the elite is extremist. Second, non-support puts the elite in control of the group. Since the politician believes the elite (who then controls the group) is extremist,
she intervenes. Putting these together, the expected payoff of the prescribed equilibrium strategy to the moderate elite is $-K$, and the expected payoff from the optimal deviation is

$$(1 - q)(U^*(\theta_E | 1) - r\gamma) - K.$$ 

Thus by comparison, the moderate elite has a profitable deviation, contradicting that $\sigma(D_X) = (1, 1)$ in any fully separating equilibrium. Combining this with Lemma A.3 implies that $\sigma(D_X) = (1, 0)$ in any fully separating equilibrium.

Given the above argument, for an equilibrium to be fully separating the image of the types $\theta = C$ and $\theta = D_M$, according the mapping $\sigma$, must be $(1, 1) \times (0, 0)$. For this to hold one of the following cases must constitute an equilibrium:

1. $\sigma(C) = (0, 0)$ and $\sigma(D_M) = (1, 1)$. This contradicts Fact 1 since an extremist elite supports an extremist incumbent if no recruitment occurs.

2. $\sigma(C) = (1, 1)$ and $\sigma(D_M) = (0, 0)$. The outcome $\sigma(\theta) = (1, 1)$ reveals that both the incumbent and the elite are extremist and will thus allocate effort toward global terror. The politician, after observing $\sigma = (1, 1)$ will intervene. However, if the extremist elite, in opposition to the prescribed strategy profile, chooses to not support the incumbent leader that has recruited, then the politician will conclude that the elite is moderate. Additionally, since the elite did not support the incumbent the elite becomes the leader of the group. The politician, whose posterior is that the elite is moderate with probability 1, will not intervene. The elite, who is then in control of the group, chooses her preferred allocation between global and local terror. This contradicts that support of the extremist incumbent is a best-response by an extremist elite.

Taken together, these establish that there does not exist a fully separating equilibrium. ■
Lemma A.4: In a group led by an extremist incumbent who recruited, the moderate elite and the extremist elite must choose the same action.

Proof of Lemma A.4: We argue by contradiction. There are two cases to consider:

(a) Suppose $s^*(D_X \mid r = 1) = 0$, and hence $s^*(C \mid r = 1) = 1$. This implies that the politician after observing the outcome $\sigma = (1, 0)$ concludes that the elite is moderate and controls the group. As a consequence, the politician does not intervene, and the extremist elite in a cohesive group prefers not to support, contradicting that $s^*(C \mid r = 1) = 1$.

(b) Suppose now that $s^*(D_X \mid r = 1) = 1$ and hence $s^*(C \mid r = 1) = 0$. There are two subcases depending on the outcome when $\theta = D_M$:

(i) Suppose that $\sigma(D_M) = (0, 0)$. The politician after observing $\sigma = (1, 0)$ concludes that the group is cohesive (and thus controlled by an extremist faction). In addition, upon observing $\sigma = (0, 0)$, the politician concludes that an extremist faction controls the group. In either event, the politician will intervene. But then the moderate elite in a divided group cannot deter intervention by supporting, contradicting Fact 1.

(ii) Suppose that $\sigma(D_M) = (1, 1)$. The politician believes the leader of the group is extremist with probability $\mu_M + \mu_X$, and thus prefers to intervene if and only if

$$c \leq (\mu_M + \mu_X)\phi q\Gamma(x^*)$$  \hspace{1cm} (A.2)

In this case when (A.2) holds, then the politician intervenes after observing $\sigma = (1, 1)$ and the moderate elite in a divided group does not deter intervention with support, contradicting Fact 1. In contrast, if (A.2) does not hold, the politician does not intervene upon observing $\sigma = (1, 1)$. After observing $\sigma = (1, 0)$ the politician concludes the elite who controls the group is extremist, and thus intervenes. As a
result, the extremist elite in a cohesive group has a profitable deviation to support, contradicting \( s^*(C \mid r = 1) = 0 \).

Putting these together establishes the result. ■

**Proof of Proposition 2:** By Lemma A.3 the extremist incumbent in a divided group recruits, and so the following strategy

\[
    r^*(\theta) = \begin{cases} 
        1 & \text{if } \theta_I = 1 \\
        0 & \text{if } \theta_I = 0,
    \end{cases}
\]  

(A.3)

is the only strategy in which the incumbent can reveal her ultimate goals. The moderate incumbent of a divided group does not recruit, and thus by Fact 1, the extremist elite does not support. Next, we must check that recruitment is optimal for the extremist incumbent of a cohesive group. An extremist incumbent who recruits if not supported, receives a recruitment benefit of \( \gamma + \Gamma(x^*) \). If instead, she were to not recruit she would be supported by the extremist elite and would allocate all resources to local terror, receiving \( 2\beta \).

Following recruitment by the extremist incumbent, Lemma A.4 establishes that both elite preference types must choose the same action. Suppose first that \( s^*(C \mid r = 1) = s^*(D_X \mid r = 1) = 1 \). In this case, the politician concludes that the group is controlled by an extremist faction, and thus intervenes. But then the moderate elite is not pivotal in deterring intervention, contradicting Fact 1. This establishes that \( s^*(C \mid r = 1) = s^*(D_X \mid r = 1) = 0 \).

Last, we must show that the moderate incumbent does not want to recruit. Recall that the moderate incumbent only wants to recruit whenever recruitment motivates the elite to support (since otherwise there is no strict incentive to recruit). Consider the case in which the politician, upon observing the path \( \sigma = (1, 1) \), chooses not to intervene. By deterring intervention, the elite receives \( \gamma \) from the lone wolf. However, if instead the extremist elite
chooses not to support, then intervention is deterred if and only if 
\[ c \geq \frac{\mu C}{\mu C + \mu_X}q\Gamma(x^*). \]

As a result, and from Lemma A.2, the elite receives \( \gamma + \Gamma(x^*) + \beta(1 - x^*) \) and thus cannot credibly support the moderate incumbent who has chosen to recruit. Thus the moderate incumbent does not have a profitable deviation from not recruiting, implying that the moderate incumbent will not recruit.

**Proof of Proposition 3:** We first establish that there is only one possible pooling strategy profile sustainable in equilibrium. A pooling equilibrium is one in which \( r^*(\theta) = x \) for all \( \theta \), and \( s^*(\theta | r = x) = y \) for all \( \theta \). By Lemma A.3, we know that \( x \) must be 1, and thus we require that \( s^*(\theta | r = 1) = y \) for all \( \theta \). Since the moderate incumbent in a divided group only recruits if the extremist elite chooses to support, it must be that \( s^*(\theta | r = 1) = 1 \) for all \( \theta \). Thus, the only pooling equilibrium is one where all incumbents recruit and all elites support.

Let \( p = Pr(\theta_E = 1 | \sigma = (1, 0)) \). Upon observing \( \sigma = (1, 0) \) the politician believes the elite is extremist with probability \( p \). An elite in a divided group supports the incumbent if and only if, by doing so, it avoids intervention. As such, for the elite to support the incumbent it has to be the case that 
\[ c < pq\Gamma(x^*). \]

Rearranging, we obtain 
\[ p > \frac{c}{q\Gamma(x^*)} = \hat{p}_c. \]

Therefore, for all \( p \in (\hat{p}_c, 1] \equiv P_c \) the elite is pivotal in deterring intervention and hence no elite has an incentive to deviate to \( s = 0 \).\(^{17}\) Given that no elite has an incentive to

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\(^{16}\)Importantly, \( s^*(\theta | r = 0) \) need not be the same for all \( \theta \) since it is off the equilibrium path.

\(^{17}\)Notice that since \( c < \phi q\Gamma(x^*) \) and \( 0 \leq \phi \leq 1 \) we have that \( \hat{p}_c \in (0, 1) \).
withdraw support and intervention is avoided, it is immediate to see that no incumbent has an incentive to deviate to \( r = 0 \).

Let us now show that given a \( c \), each equilibrium with \( r^*(\theta) = 1 \) and \( s^*(\theta \mid r = 1) = 1 \) for all \( \theta \), and \( p \in (\hat{p}_c, 1] = \mathcal{P}_c \) survives the Intuitive Criterion of Cho and Kreps (1987). No elite preference type is always strictly better off in equilibrium than by choosing \( s = 0 \). The minimum payoff an elite can get by deviating is \( -K + (1 - q)\mu^*(\theta_E \mid r = 1) \) which is smaller than 0, which is the equilibrium payoff of elites in divided groups. As such, there is no action \( s \) and no profile \( \theta = (\theta_I, \theta_E) \) such that the elite is worse off in equilibrium than in the case of a deviation to \( s \) followed by intervention. This establishes that for every \( c \) there exists a set \( \mathcal{P}_c \) of off the path beliefs such that for every \( p \in \mathcal{P}_c \) the pooling equilibrium described in Proposition 3 survives the Intuitive Criterion of Cho and Kreps (1987). ■

**Lemma A.5**

1. If the politician can credibly commit not to intervene, then the expected level of global terrorism is \( \mu_C G(x^*) + \mu_E \gamma \).

2. If the politician can credibly commit to intervene upon observing recruitment, then there exists a \( K^\dagger \) such that if \( K \leq K^\dagger \), the expected level of terrorism is \( (\mu_C + \mu_E)\gamma + (1 - \phi q)\Gamma(x^*) \), and if \( K > K^\dagger \), the expected level of terrorism is \( \mu_E \gamma \).

**Proof of Lemma A.5:** If the politician commits to never intervene, the leader of a cohesive group recruits and the elite supports him since there will be no consequences in terms of military intervention. By Lemma A.3, an extremist leader in a divisive group has a dominant strategy to recruit, while by Fact 1 the moderate elite will not support. Finally, a moderate leader in a divided group cannot generate support from an extremist elite given the commitment of the politician not to intervene under any circumstance. As a consequence, a moderate leader will not recruit and the extremist elite will not support. Given this, there will be a positive level of terrorism both in the case the politician is facing a cohesive group
and in the case he is facing a divided group initially lead by an extremist faction. It follows from this that the expected level of global terrorism is $\mu_C G(x^*) + \mu_E \gamma$.

For the second part, suppose the politician can credibly commit to intervene after observing recruitment from the non-state group. From Lemma A.2, the payoff of recruitment for a leader in a cohesive group is

$$\gamma + (1 - \phi q)\left[\Gamma(x^*) + \beta (1 - x^*)\right] - K,$$

while the payoff of nonrecruitment for a leader in a cohesive group is $2\beta$.

First, if the cost imposed on the group by a military intervention is low enough (i.e. $K \leq K^{\dagger}$), committing to intervene after observing recruitment is not a strong enough threat to deter extremist factions from investing into recruiting efforts. As consequence, the leader of a cohesive group recruits and the elite supports him since the support will reduce the effectiveness of the impending military intervention. Again by Lemma A.3, an extremist incumbent in a divisive group has a dominant strategy to recruit, while by Fact 1 the moderate elite will not support. Finally, a moderate incumbent in a divided group will not recruit since recruitment does not trigger support from the extremist elite. In particular, in this case recruitment triggers intervention. If the extremist elite were to support the leader after recruitment, in case of unsuccessful intervention, by Lemma A.2 it would not receive any benefit. Given this, the expected level of terrorism will be $\mu_C G(x^*) + \mu_E \gamma$.

Second, if the cost imposed on the group by a military intervention is high enough (i.e. $K > K^{\dagger}$), the commitment to intervene after recruitment is able to deter an extremist leader in a cohesive group from engaging in recruitment activities aimed at starting a global terror campaign. As a result, such a leader will not recruit and it will be supported by the extremist elite faction. In a divided group, an extremist leader has a dominant strategy to recruit, by Lemma A.3. The moderate elite’s best response is to not support the leader. Finally, a
moderate incumbent will not recruit, since intervention does not depend on support, and so the extremist elite in a divided group will not support. Given this, there will be a positive level of terrorism only when the politician is facing a divided group led by an extremist faction. This implies that the expected level of terrorism is \( \mu_E \gamma \).

**Proof of Proposition 4:** We begin by deriving the politician’s welfare in the equilibrium of Proposition 2, and denote it by \( W_S \). In this case, extremist leaders recruit, moderate leaders do not recruit, and elites of all preference types do not support the leader. As such, we have that,

\[
W_S = -\mu_C \Gamma(x^*) - (\mu_C + \mu_E)\gamma. \quad (A.4)
\]

Next, consider the welfare of the politician in the equilibrium of Proposition 3, and denote it by \( W_P \). In this case, leaders of all preference types recruit and elites of all preference types support the leader. As such, we have that,

\[
W_P = -(\mu_C + \mu_E) \Gamma(x^*) - \gamma. \quad (A.5)
\]

When the politician commits not to intervene in any circumstance, then the politician’s expected level of welfare, denoted by \( W_I \), is given by

\[
W_I = -\mu_C \Gamma(x^*) - (\mu_C + \mu_E)\gamma. \quad (A.5)
\]

When the politician commits to intervene after recruitment, as stated in Proposition 4, then clearly, the politician is better off when the interventionist policy is able to deter recruitment: the expected level of terrorism is lower and the ex ante probability of intervention is lower as well. For this reason, we focus only on the case in which commitment to intervene after recruitment does not have a deterrent effect. Without deterrence, when the politician
commits to intervene after recruitment, the politician’s welfare, denoted by $W_I$, is given by

$$W_I = -\mu_C(1 - \phi q)\Gamma(x^*) - (\mu_C + \mu_E)(\gamma + c).$$

We now consider the relevant welfare comparisons. First, we need to show that $W_\tilde{I} > W_P$ and that $W_I > W_P$. Let us start from the latter. We have that

$$W_I - W_P = -\mu_C(1 - \phi q)\Gamma(x^*) - (\mu_C + \mu_E)(\gamma + c) - [-(\mu_C + \mu_E)\Gamma(x^*) - \gamma] =$$

$$= \mu_E\Gamma(x^*) + \gamma(\mu_C + \mu_E - 1) + \mu_C\phi q\Gamma(x^*) - c(\mu_C + \mu_E) =$$

$$= \mu_E(\Gamma(x^*) - c) + \mu_M\gamma + \mu_C(\phi q\Gamma(x^*) - c) > 0,$$

where the last inequality follows from the fact that $c < \phi q\Gamma(x^*) < \Gamma(x^*)$.

Next, we show that $W_\tilde{I} > W_P$. We have that

$$W_\tilde{I} - W_P = -\mu_C\Gamma(x^*) - (\mu_C + \mu_E)\gamma - [-(\mu_C + \mu_E)\Gamma(x^*) - \gamma] =$$

$$= \mu_E\Gamma(x^*) + \mu_M\gamma > 0.$$

This establishes the first part. For the last part we need to show three things: (1) $W_I = W_S$, (2) $W_I < W_S$ when the threat of intervention does not deter recruitment, and (3) $W_I < W_S$ when the threat of intervention deter recruitment iff $c > \frac{\mu CG(x^*)}{\mu E}$.

(1) follows by comparing (A.4) and (A.5). For (2) consider

$$W_I - W_S = -\mu_C(1 - \phi q)\Gamma(x^*) - (\mu_C + \mu_E)(\gamma + c) - [-(\mu_C\Gamma(x^*) - (\mu_C + \mu_E)\gamma]$$

$$= \mu_C\phi q\Gamma(x^*) - c(\mu_C + \mu_E).$$

The last term is positive iff

$$c < \frac{\mu_C}{\mu_C + \mu_E}\phi q\Gamma(x^*).$$

(A.7)
However, from Proposition A.3, the equilibrium under consideration exists only when

\[ c \geq \frac{\mu_C}{\mu_C + \mu_E} q \Gamma(x^*) \]  

(A.8)

Since \( \phi < 1 \), condition (A.7) and condition (A.8) cannot be simultaneously satisfied. Thus, \( W_I < W_S \). For (3) we have that

\[ W_I - W_S = -\mu_E(\gamma + c) - [\mu_C \Gamma(x^*) - (\mu_C + \mu_E)\gamma] = \]

\[ = \mu_E c + \mu_C \Gamma(x^*) + \mu_C \gamma. \]

(A.9)

The last expression is negative iff

\[ c > \frac{\mu_C G(x^*)}{\mu_E}, \]

establishing the claim. ■
B Supplemental Materials

B.1 Appendix — When Intervention is Cheap

The analysis thus far has focused on pure-strategy Perfect Bayesian equilibria, but as can be seen from the statement of Proposition 2 and Proposition 3, these equilibria are sustained under the conditions that the cost of intervention is sufficiently high, namely \( c \geq (\mu_C + \mu_X)\phi q \Gamma(x^*) \). Although we contend that this is a mild restriction considering that in the current political climate politicians face a large degree of electoral pressure against initiatives to place “boots on the ground”, in this subsection we provide a brief analysis of behavior when the cost of intervention is small. We will make use of the following lemma,

Lemma B.1 If the moderate incumbent recruits, then the extremist incumbent recruits regardless of whether the group is divided or cohesive.

Proof: Suppose not. By Lemma A.3 the extremist incumbent facing a moderate elite recruits. Now suppose that when \( \theta = C \) the incumbent does not recruit. Then by Fact 1, the extremist incumbent who does not recruit is supported only if the elite is extremist. There are two cases to consider:

(i) Suppose that \( s^*(D_X \mid r = 1) = 0 \). The politician, after observing the outcome \( \sigma = (1,0) \), does not intervene because she knows the elite is moderate. As a result, if \( \theta = D_M \) the elite prefers to not support, \( s = 0 \). Hence, the moderate incumbent does not have a strict incentive to recruit and thus does not recruit.

(ii) Suppose instead that \( s^*(D_X \mid r = 1) = 1 \). If the moderate incumbent that recruits is not supported, then the politician upon observing \( \sigma = (1,1) \), intervenes. Thus, support by the moderate elite in a divided group does not deter intervention, contradicting Fact 1. So then it must be that the extremist elite in a divided group supports. In this case, if \( c < \frac{\mu_M}{\mu_X + \mu_M} \phi q \Gamma(x^*) \), then the politician intervenes, and the moderate elite cannot deter
intervention with support, contradicting Fact 1. In contrast, if \[ c \geq \frac{\mu_M}{\mu_X + \mu_M} \phi q \Gamma(x^*) \], then the politician does not intervene after observing \( \sigma = (1, 1) \). In this case, if \( \theta = C \) and the incumbent recruits, the extremist elite’s sequential best-response is to support, thereby avoiding intervention. But this implies that the extremist incumbent of a cohesive group has an incentive to recruit, contrary to the strategy prescribed.

We show that when \( c \) is small there is no pure-strategy equilibrium.

**Proposition 5** If \( c < c = (\mu_C + \mu_X) \phi q \Gamma(x^*) \), then there does not exist a pure-strategy Perfect Bayesian equilibrium.

**Proof:** Suppose to the contrary that there is a pure-strategy Perfect Bayesian equilibrium when \( c < c \). In particular, this implies that each incumbent type has a pure-strategy best-response. Consider the profile of incumbent choices

\[
r^*(\theta) = \begin{cases} 
  x_1 & \text{if } \theta = C \\
  x_2 & \text{if } \theta = D_X \\
  x_3 & \text{if } \theta = D_M. 
\end{cases}
\]

By Lemma A.3, \( x_2 = 1 \) in any equilibrium. If \( x_1 = 1 \) and \( x_3 = 0 \), then by Proposition 2 it must be that \( c \geq \frac{\mu_C}{\mu_C + \mu_X} q \Gamma(x^*) \) which contradicts the fact that \( c < c \). Now suppose \( x_1 = x_3 = 0 \), which constitutes a fully separating equilibrium, contradicting Proposition 2.

Lemma B.1 implies that if \( x_3 = 1 \), then \( x_1 = 1 \). By Proposition 3 this can only constitute an equilibrium whenever \( c \geq (\mu_C + \mu_X) \phi q \Gamma(x^*) \) which contradicts the fact that \( c < c \).

Putting these together establishes that there does not exist a pure-strategy equilibrium whenever \( c < c \).

We next characterize a mixed-strategy Perfect Bayesian equilibrium when \( c < c \).
Proposition 6 If $q \geq \max\{1 - \frac{2\beta}{U^*(1 | r = 1)}, \frac{2\gamma}{\Gamma(x^*)}\}$, there exists an equilibrium in mixed-strategies where an moderate incumbent does not recruit, a extremist incumbent of a divided group recruits, and a extremist incumbent of a cohesive group recruits with probability

\[ \rho^* = \frac{c}{q\Gamma(x^*) - c}, \quad (B.1) \]

and the elite does not support. After observing lone wolf operatives and non-support the politician intervenes with probability

\[ Q^* = \frac{1}{q} \left(1 - \frac{2\beta}{\gamma + \Gamma(x^*) + \beta(1 - x^*)}\right). \quad (B.2) \]

Proof: It is immediate to see that under the strategy profile specified, a moderate elite does not have an incentive to support a extremist incumbent and hence also an extremist elite does not have an incentive to support an extremist incumbent. Let us now consider the incentives of the incumbent when $\theta = C$. Call the probability of intervention $Q$. If the incumbent decides to recruit, its expected utility is given by

\[ Q(((1 - q)U^*(1 | r = 1)) + (1 - Q)U^*(1 | r = 1) \]

while if it decides not to recruit its expected utility is given by $2\beta$. The incumbent is indifferent between $r = 0$ and $r = 1$ if

\[ 2\beta = Q(1 - q)U^*(1 | r = 1)) + (1 - Q)U^*(1 | r = 1). \]

Simplifying, we obtain that the indifference condition

\[ Q^* = \frac{U^*(1 | r = 1) - 2\beta}{(qU^*(1 | r = 1))}. \quad (B.3) \]
We require that $0 \leq Q^* \leq 1$. First,

$$qU^*(1 \mid r = 1) > U^*(1 \mid r = 1) - 2\beta$$

if and only if

$$U^*(1 \mid r = 1)(1 - q) \leq 2\beta,$$

establishing that $Q^* < 1$ since $q > 1 - \frac{2\beta}{U^*(1 \mid r = 1)}$. To see that $Q^*$ is positive observe that since $G(x^*) > 2\beta$, the numerator is positive.

Let us consider now the incentives of the politician. If the politician observes $\sigma = (0, 0)$, he does not intervene. On the contrary, upon observing $\sigma = (1, 0)$, the expected utility of intervention is given by

$$-\frac{\rho}{1 + \rho}[(1 - q)\Gamma(x^*) + \gamma] - c,$$

while the expected utility of no intervention is given by

$$-\frac{\rho}{1 + \rho}G(x^*).$$

The politician is the indifferent when

$$\frac{\rho}{1 + \rho}G(x^*) = \frac{\rho}{1 + \rho}[(1 - q)\Gamma(x^*) + \gamma] + c,$$

which then simplifies to

$$\rho^* = \frac{c}{q\Gamma(x^*) - c}. \quad (B.4)$$

Notice that $\rho^*$ defines a probability whenever $c \leq \frac{\rho}{2}\Gamma(x^*)$ since $c < \phi\Gamma(x^*) < \Gamma(x^*)$. Putting together (B.3) and (B.4) gives us the result stated in the proposition. ■
B.2 Cohesive Moderate Group

In this appendix we address the possibility of a cohesive moderate group, specifically, a group in which the incumbent faction and the elite faction are moderate. Formally, $\theta_I = \theta_E = 0$.

Lemma B.2 Let the group be one in which the incumbent and the elite are moderate. The incumbent has a strictly dominant strategy to not recruit.

Proof: Formally this fact is expressed as: $r^*(0,0) = 0$. For a moderate incumbent the largest payoff she can achieve is one where $r$ is not used to recruit and the wealth she can allocate in the final stage is $W = 2$. Then by Fact 1, if the elite is also moderate the incumbent strictly prefers to not recruit. ■

Lemma B.2 establishes that the main analysis we present immediately extends to the case that includes the possibility of a cohesive moderate group by iterated elimination of strictly dominated strategies.

B.3 When Extremists Do Not “Go Global”

From the standpoint of the politician, when do lone wolf attacks provide sufficient evidence that there is a terrorist threat within the group? The key inference problem faced by the politician is to determine which faction poses the immediate threat: the incumbent or the elite. In this section, we let $\alpha \in (0,1]$ scale the benefit of global terror for an incumbent faction that loses control of the non-state group.

In this section we show the conditions under which the politician is able to identify the preference composition of the group based on the presence of lone wolf operatives and the support decision of the elite. In particular, we identify the conditions under which the equilibrium choices of the incumbent and elite perfectly reveal the preference composition of the group to the politician. Formally, we characterize the conditions under which there exists a fully separating equilibrium. Observe that this result is a converse to Proposition 2.
Proposition 7 There is a fully separating equilibrium if and only if

\[
\alpha \leq \frac{2\beta}{G(x^*)}.
\]  

(B.5)

Moreover, when (B.5) holds, the unique fully separating equilibrium is described by

(i) If the group is cohesive, i.e. \( \theta = C \), then the incumbent does not recruit and the elite supports only if the incumbent does not recruit;

(ii) If the group is divided and the incumbent is extremist, i.e. \( \theta = D_X \), then the incumbent recruits and the elite does not support;

(iii) If the group is divided and the incumbent is moderate, i.e. \( \theta = D_M \), then the incumbent does not recruit and the elite does not support;

(iv) The politician intervenes if and only if an incumbent recruits and is supported.

Proof: We first establish sufficiency. Consider the strategy profile mentioned in the statement of the Proposition,

\[
r^*(\theta) = \theta_I(1 - \theta_E),
\]

the elite chooses \( s^*(\theta \mid r) = 1 \) if and only if \( \theta = C \) and \( r = 0 \), and the politician intervenes if and only if she observes \( \sigma = (1, 1) \).

If \( \theta = D_X \), then the prescribed strategy profile is a best-response for the incumbent by Lemma A.3. Given that the politician does not intervene upon observing \( \sigma = (1, 0) \), by Fact 1 the moderate elite in a divided group does not have an incentive to deviate. Consider next the case where \( \theta = D_M \). The incumbent has an incentive to deviate if and only if the elite supports following recruitment, however, since the politician does not intervene upon observing \( \sigma = (1, 0) \), recruitment does not change the optimal choice of the extremist elite in a divided group and so the moderate incumbent does not have a strict incentive to
deviate from the prescribed strategy profile. Finally, consider when \( \theta = C \). Notice that if the incumbent recruits, the elite prefers not to support since the politician does not intervene upon observing \( \sigma = (1, 0) \). Since the elite supports if the incumbent does not recruit, the incumbent weakly prefers not to recruit if and only if

\[
\alpha \leq \frac{2\beta}{\gamma + \Gamma(x^*)},
\]

establishing the claim.

Necessity is established by Proposition 2. ■

Recall that the parameter \( \alpha \) measures the level of an extremist faction’s commitment to the cause. Commitment to the cause in our model captures the level at which a faction interested in orchestrating a campaign of terror receives a benefit from the successful implementation of global terror that they themselves have not carried out. Condition (B.5) requires that a extremist faction in control of the group cares more about control of the group then the ability to conduct a successful campaign of global terror.

Proposition 7 suggests that whenever the politician is able to accurately assess the threats to her country, there is in fact no threat beyond that posed by lone wolf operatives. When extremist factions are sufficiently committed to the cause, then the politician’s complete understanding of the international environment goes hand-in-hand with the lack of a global terror campaign. That is, the only case in which the politician is able to craft a foreign policy plan without doubts about the real intentions of the group is precisely when aggressive counterterror is never used.

Last, when factions interested in carrying out terror campaigns lack commitment to the cause, the internal politics of divided groups have two implications. (1) Lone wolves are unavoidable since even when the level of radicalization of extremist factions is low, the target
country might experience acts of terrorism orchestrated by lone wolves that are not part of a larger and more intricate campaign. Specifically, because of internal disagreement and the inevitable loss of control of the group, an extremist incumbent is pushed to recruit so as to facilitate global terror acts through lone wolves thus pushing her agenda forward before losing control of the group. (2) Cohesive groups prefer not to carry out global terror because of the inherent risk of intervention, and the cost such intervention imposes.
References


