

becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialization of labour at last reach a point where they become incompatible with their capitalist integument. Thus integument is burst asunder". Ironical as it may sound Marx said that the second transformation resulting in re-appropriation of property would be an easier process as the base of socialized production on which capitalism essentially exists carries with it all the ready-made potential for transformation into socialized property and the attending class struggles change not only the economic structure of society but the superstructure as well. When one of the signs at the Occupy Seattle protest read: "Dear 1%. We were asleep. Now we've woken up. Signed, the 99%." It shows that Marx and Engels had rightly said that "not criticism but revolution is the driving force of history". However, the question remains as to whether a seemingly communist movement run by socialists trying to bring down the free enterprise system is a solution? As Brett Scott rightly questions in his article in The Guardian, "Has the Occupy Movement considered subverting global finance from within?" Not to make the long march through the institutions to change the system from within, but to gain inside knowledge in order to target the system and influence the people in it from without seems like a sensible idea. In his brilliantly written article he tells us why Karl Marx would have been an excellent hedge fund manager because essentially a hedge fund manager is looking to constantly diverge and look at big picture views and ideas, something every individual in the Occupy movement is essentially looking at. As Marx had said,

development is not imposed on us from the "outside", nor do we simply adapt, in passive ways to social change. We, in fact, initiate those changes and, by so doing, make ourselves worthy of the new conditions. So to think that the free enterprise system entails corruption and lopsided distribution of wealth is pretty much initiated by us is not wrong. The misconception that finance is "complicated" actually is in interest of the industry and is something that the activists find comforting too. The insider-outsider approach of the occupy movement leaves little scope for either of the two classes in essence. Public opinion is now mass manufactured, and behaviors are created to keep the public distracted from the real issues in life. An immediate passage of "The Dream Act" leaves nothing but for the future.

The Economics of terrorism

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Ever since 9/11 in the USA and 26/11 in India, terrorism and the threat of terrorist attacks have loomed large in public debate and academic research. The economic analysis of terrorism is a fascinating area of research with sweeping policy and welfare implications. I present herewith an overview of the existing literature.

What motivates terrorists? Grossman (1991) presents a general equilibrium model that treats insurrection and the suppression of

insurrection as economic activities willingly undertaken by the participants. The ruler has to trade off higher taxes not only with the lower tax revenue that comes about when people devote less time to productive activities but also with the added cost of having to hire soldiering services to suppress insurrection. Grossman finds that economies in which the soldiering technology is effective can move themselves to no-conflict equilibriums by devoting some resources to soldiering and keeping tax rates low. Lapan and Sandler (1993) present an analysis of terrorism as a signaling game in the face of incomplete information. Terrorist attacks are devices through which the two sides learn more about each others' offensive and defensive capabilities. Lapan and Sandler (1988) examine the extent to which governments should pre-commit themselves to a strategy of never negotiating with terrorists. They show that such a strategy is not likely to be effective when terrorists have a high probability of success or when the cost of failure is low. Effective deterrence would then require taking steps to reduce the probability of success and to raise the cost of failure in addition to adopting otherwise time-inconsistent strategies of non-negotiation. On the empirical side, Enders et al. (1990) assess the effectiveness of terrorist-thwarting policies on terrorism. They find little evidence for legislative activity in preventing terrorism. Atkinson et al. (1987) examine the impact of changes in the negotiating environment (e.g. bargaining costs, bluffing) on the length and severity of terrorist attacks. They find, in general, that increases in bargaining costs lengthen the duration of a terrorist incident. O'Brien (1996) considers whether terrorism is used as a foreign policy tool by international

superpowers and concludes that authoritarian regimes are more likely to sponsor terrorist attacks following setbacks in the foreign policy arena. These papers provide, broadly speaking, the groundwork for analyzing terrorism within an economic framework, using theoretical tools such as game theory and utility maximization as well as empirical methods such as vector autoregression models and spectral analysis.

There is also literature that analyzes how economic circumstances influence conflict in general. For example, Hess and Orphanides (1995, 2001) estimate the probability of conflict for the U.S. doubles when the economy has recently been in an economic contraction and the president is running for re-election. Similarly, Stoll (1984), Ostrom and Job (1986), Russett (1990), Lian and O'Neal (1993), Gelpi (1997), and Brueck (1997) have found linkages between the incidence of war and the political cycle and/or the business cycle. Broader definitions of conflict have been considered in more recent research. Blomberg et al. (2002), and Blomberg and Hess (2002) provide more specific definitions of conflict such as external conflict (e.g. wars) and internal conflict (e.g. coups). After doing so, however, rather than finding a systematic relationship across all countries and time, they found a conditional conflict-growth relationship that can only be identified once the region and initial conditions are taken into account.

We turn to the effect of economic circumstances on terrorism in particular. The conventional wisdom among policymakers is that poverty creates terrorism but several empirical studies have challenged this view. Krueger and Malečková, 2003; Berrebi, 2003; Abadie, 2004; Piazza, 2006; Feldman and Ruffle,

2007; Krueger and Laitin, 2007; Kurrild-Klitgaard et.al. 2006; Dreher and Gassebner, 2008; Testas, 2004 have all found little or no correlation among economic conditions and terrorism. Considering the supply side of terrorism, Berrebi (2003) finds that high standards of living and educational levels are positively associated with participation in Hamas and Palestinian Islamic Jihad (PIJ) terrorist activities in Israel. Krueger and Malečková (2003) find that the connection between poverty, education, and terrorism is indirect, complicated, and probably quite weak. In an influential paper, Abadie (2004) shows that terrorist risk is not significantly higher in poor countries when we control for political freedom. Among the cross-country studies, Krueger and Laitin (2007) is the only paper that differentiates between country of occurrence, target country, and the terrorist's country of origin. The authors use a US State Department data set on international terrorism and find that a country's economic performance is not a statistically significant predictor of international terrorist attacks committed by that country's nationals. Hence, we must strive for political freedom before targeting economic grievances. The Basque and Irish secessionists, after all, come from relatively well-to-do backgrounds and yet, their involvements in terror acts are historically significant.

Economic models tend to explain behaviors as rational individual decisions. This is necessary to be able to assert that changes in certain variables of the model will make possible changes in individuals' behavior or vice versa, and to discover which one(s). Thus, terrorists' motivations are translated into economic language by saying that they aim to maximize

their benefit, subject to some restrictions. In this context, individuals or groups can be stated to be rational, but in themselves the results of their actions do not appear to stem from a rational mind. In aerial attacks, terrorists maximize the expected benefit of the rewards sought, subject to some restrictions. The restrictions may be the actions of the authorities to cause the attack to fail. An offensive act is prepared (e.g. a number of hijackings), the independent variables of which include a subjective estimate of the chances of being caught, their estimates of the chance of being found guilty, and other actions by the authorities (e.g., police presence). Landes (1978), by using data from hijackings between 1961 and 1976, shows that the increasing probability of arrest strengthens the deterrent effect.

The existing research paradigm proffers fresh insights into the motives of terrorists and possible deterrents. It is this reviewer's personal hope that informed action will bring down national and international levels of terrorism.

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SPECIAL ARTICLE

Internal and External Migration in India Socio-Ethnic and Economic Frictions

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1. Analysis of the Nature and Causes of Rural-Urban Migration

With the stabilization programs and structural adjustments in the Indian economy since 1991 there has been an increasing disparity between rural and urban development within India,

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