

Phantom Threats: Predatory Governments, the Threat of Extremism, and Public Support

Olga Chyzh*

Abstract

The role of the state is to iteratively solve the classic guns-vs-butter dilemma, which consists of optimizing the division of the state resources between public safety and public welfare. Each possible division has implications for any government whose survival is predicated on public support. In the absence of security threats, the public rewards the incumbent for the provision of public services that lead to economic prosperity. In the presence of security threats, the public favors policies aimed at strengthening defense, even at the expense of economic growth. To complicate matters, governments have a private preference for defense over public welfare, as many defense instruments are easily converted from preventing domestic threats to controlling domestic opposition. I develop a game between the government, the public, and an extremist group, to show that insecure incumbents have a strong predatory incentive to prioritize defense, which, in turn, lowers public safety by provoking violence from radical opposition. Empirical analyses support these predictions.

*Assistant Professor of Political Science, University of Toronto <http://www.olgachyzh.com/>

Introduction

The central function of the state is to iteratively solve the guns-vs-butter dilemma, which consists of optimizing the allocation of its resources towards two goals: public safety and public welfare. The dilemma arises as a result of a disconnect between what this optimum allocation looks like from the perspective of the public vs. that of the regime. The public prefers that the government distribute resources based on an honest assessment of the existing security threat level: that is, prioritize defense in the presence of a security threat, and prioritize public welfare otherwise. The regime, in contrast, has a private preference for prioritizing defense over welfare, as many defense measures (e.g., intelligence gathering, restrictions on movement or speech) are easily re-purposed from containing legitimate security threats to controlling domestic opposition. As long as the public has a mechanism to replace the regime, regime survival is predicated on its ability to balance between these two competing sets of preferences.

What are the factors that tip this balance in favor of the regime vs the public? I answer this question by developing a formal game among the government, the public, and an extremist group (domestic or foreign). In this game, the government can win the support of the public in two ways: (1) by providing public services that lead to economic prosperity and (2) by ensuring public safety in the presence of a security threat. The first option is unreliable: even the best-intentioned governments may face circumstances beyond their control, such as global economic shocks. The second option is reliable—the public tends to rally behind the government during security crises (Gadarian 2010; Getmansky and Zeitzoff 2014)—but not always available: it necessitates that the public believe that its security is threatened. Importantly, this belief can be based on real or exaggerated threat level (Tir 2010; Martinez Machain and Rosenberg 2018).

The government's biggest advantage is informational: the public is not privy to the intel-

ligence as to the real level of security threat. Given its private preference for implementing defense measures, the government has an incentive to misrepresent or exaggerate security threat, so as to justify additional defense measures. In the wake of the Maidan protests in 2013–2014, for example, Ukrainian President Yanukovich was quick to label the protesters as “terrorists” to justify shutting down the subway in central Kyiv (CBC 2014). The danger, of course, is that always exaggerating the threat risks losing the public’s trust. If the government’s claim of a security threat is not credible to the public, then a better survival strategy may be focusing on public welfare.

Justifying security measures by references to public safety requires finding a scapegoat, an actor that can be blamed, with some level of credibility, for creating such a threat, e.g., an opposition group with a radical flank. Israeli government, for example, motivates its substantial defense expenditures with the threat of terrorist attacks by extremist Palestinian groups (Berrebi and Klor 2006). An extreme example of this is Putin’s Russia justifying their military actions in Ukraine between 2014–2022, and the ensuing domestic crackdown on the media and opposition, by arguing that the Right Sector, a small radical nationalist group in Ukraine, posed an existential threat to Russian-speakers in Ukraine (Sokol 2019). Despite the government’s assertions, however, the chosen actor may or may not pose an actual threat: despite Russia accusing the Ukrainian government of Nazism, the Right Sector in Ukraine did not even clear the 2% threshold to gain any seats in the 2019 Ukrainian parliamentary election and has no strongholds in any areas along the Ukraine–Russia border.

The game’s central finding is the government’s solution to guns-vs-butter dilemma depends on its perceived risk of losing office. Insecure incumbents are more likely to act on their private incentive to prioritize defense over welfare, even if that requires misrepresenting or exaggerating the security threat. Doing that, however, lowers, rather than increases, public safety, as a failure to address the political grievances of the dissent may provoke a violent response from its extremist flank. Secure incumbents, in contrast, are more likely to make

efforts to lower the threat of violence by offering policy concessions to political opposition groups. Addressing the political grievances of the dissent, in turn, increases public safety by lowering the threat of violence by political extremists.

I test these predictions using two different data sets: one on terrorist attacks and government counterterrorism action collected by the Terrorism in Western Europe Event Data (TWEED) (Engene 2007) and the other on government—rebel negotiations and concessions (Thomas 2014). The first dataset allows for evaluating predictions related to the effects of incumbent’s perceived risk of losing office on counterterrorism measures and terrorist attacks. In this set of tests, I regress the number of government’s counterterrorism actions on a latent estimate of the incumbent’s risk of losing office in the next election. In support of the game’s prediction, the statistical analysis shows a non-linear relationship between incumbent’s security in office and counterterrorism. For very secure incumbents, this relationship is negative: marginally increasing the risk of losing office is associated with a decrease in counterterrorism measures. For insecure incumbents, whose risk of losing office in the next election is estimated to be above 0.35, this relationship is positive: incremental increases in this risk are associated with more counterterrorism activity. The analyses also show that, for secure and moderately insecure incumbents, the probability of losing office has a positive and statistically significant effect on the number of terrorist attacks.

The second dataset allows me to test predictions related on the effect of incumbent’s security in office and policy concessions to domestic insurgents. Operationalizing incumbent government’s security in terms of time since last election, I show that governments are most likely to make concessions to rebels immediately after an election, when they are the most secure in their power. As the time since last election elapses, the probability of such concessions grows smaller. As the game predicts, however, this relationship only holds for governments, whose continuation in power is predicated on public support.

In addition to generating novel predictions, the game also helps connect a number of

existing empirical findings within a single theoretical model. First, it helps explain the mixed empirical findings in the literature on domestic diversion (Martinez Machain and Rosenberg 2018; Tir and Jasinski 2008). In this respect, the model highlights that a government's ability to generate a domestic rally effect is predicated on its ability to convince the public that a scapegoated out-group presents a real security threat. This can be achieved, for example, by tightening state control over media. Second, the model helps connect and explain the empirical findings that both terrorism and counterterrorism activity tends to increase prior to election (Aksoy 2014, 2018; Daxecker 2014). While previous research explained such timing in terms of the strategic incentives on the part of the terrorists, the current model underscores equally strong incentives on the part of insecure governments. The model, moreover, helps elucidate the causal logic for why an increase in counterterrorism may lead to an increase, rather than a decrease, in terrorism.

The article proceeds in the following way. After situating this research within the recent literature, I present the model, walk through its solution, and highlight its predictions. Next, I describe each of the empirical tests and present their results, one at a time. I conclude by discussing future directions and policy implications.

The Effects of Increased Security on Public Safety

Political violence research has long focused on the competing incentives faced by the government, opposition groups, as well as on the role of domestic public. In some research, the government and the opposition have been modeled as competing for the support of the public. In these studies, repression does not always deter political dissent (Ritter 2014; Ritter and Conrad 2016) and may even push more sympathizers that join or support the dissent (Bueno de Mesquita and Dickson 2007). The government may, however, curb the public support for dissent through public spending (Siqueira and Sandler 2006).

Some research has focused on the tension between increased security and the public safety from the threat of terrorism. Dragu and Polborn (2014), for example, have shown that the electoral incentives may entice an unconstrained executive to implement more aggressive counter-terrorist policies than are necessary or effective, given the actual terrorist threat. Dragu (2011, 2017) has also shown that reduction in privacy protection, such as collection of information on private citizens, may in fact decrease, rather than increase, the domestic terrorist threat. Others have linked counterterrorism to the party of the incumbent, demonstrating that left-wing governments may respond to the threat of terror more aggressively than right-wing governments (Berrebi and Klor 2006; Di Lonardo 2017).

Combining these insights, I build a model that zeroes in on the competing incentives faced by the government for the provision of safety, security, and public services. The main extension to the existing models is that, rather than conceptualizing of the government as “good” and the dissent as “bad,” or vice versa, I allow both parties’ goals to vary between “honest” and “self-serving.” On one end of the spectrum, the government and the dissent may be pursuing what they perceive as the public good. On the other, each actor may be pursuing its own predatory incentive. At the same time, each actor uses the tools at their disposal, including deception, to win the support of the public.

A Theoretical Model of Counterterrorism

The game focuses on the interaction between three actors: *Government* (**G**), *the Public* (**P**), and a radical anti-government group *Extremists* (**T**). The government is the head of the executive office in a country. The public is a sizeable subset of the domestic population, whose support is necessary for the government to stay in power. The *Extremists* are a group of individuals within the society that is willing to pursue its goals through premeditated use of violence.

In line with previous game-theoretic research (Arce and Sandler 2007, 2010), the game features an informational asymmetry among the players regarding the type of the extremists. Specifically, the extremists and the government are more informed than the public. While the government is able to correctly assess the type of the extremists, the public has incomplete information about whether the domestic opposition group is merely seeking concessions on a set of policies (*p-type*) or are an uncompromising militant group with extreme demands (*m-type*). *P-type* groups seek policy concessions from the government, are open to negotiations with the government, and are generally opposed to the use of violence, except as a last resort. In contrast, *m-types* are a fanatical group that derives an added utility from the use of violence itself. According to Abrahms (2006), for instance, policy-motivated extremists may accept limited concessions, while militant groups are unwilling to compromise on their demands. According to these definitions, examples of *p-type* extremists may include such groups as Euskadi ta Askatasuna (ETA), the Provisional Republic Army (PIRA), and the Tamil Tigers, while *m-types* extremists may include al Qaida, al-Jihad, or the Abu Nidal Organization (ANO) (Arce and Sandler 2010).

The structure of the game is visualized in Figure 1. The game starts with *Nature* (N), determining the type of the domestic opposition group as either politically motivated *p-type* with probability α , or militant *m-type* with the probability $(1-\alpha)$. The extremists know their own type, and so does the government, while the public are only informed about the mean of the distribution of the types in the population, α .

The Government's Choice

The government knows the type of the extremists and has to choose between implementing *Defense* (D) or *Welfare* (W) policy. This decision involves the classic “guns-vs-butter” trade-off, i.e. a greater focus on defense takes resources away from public services. From the perspective of the government, this decision also has a second, private trade-off. Expanding

defense measures increases the government's information on the activities of the domestic opposition and provides tools for preempting dissent. Enhancing the welfare of the public, however, may increase the public's support for the government, which is necessary for the leader to stay in power.

The government prefers to stay in power and, for this, must maintain the support of the public. To reflect this incentive, the government's benefit from the support of the public is modeled via a positive parameter, s , which appears in the government's payoffs from all outcomes in which the public supports the government. As long as the government can stay in power, it also derives a benefit from choosing *Defense* over *Welfare*, as modeled via a positive parameter, g , that accrues to the government each time it chooses *Defense* and is not removed from power. In case of extremist's violence, the government pays a cost, d , which is reduced to δd , ($0 < \delta < 1$), if the government chose *Defense*. That is, implementing counter-terrorist policies reduces the damage the extremists can inflict.

Given this incentive structure, the government's ideal outcome in this game is to convince the public that the extremists are of the *m-type*, so that it can justify the *Defense* policy while preserving the support of the public.

The Opposition's Choice

After the *Government* moves, the next move is by the extremists. The extremists know their own type, and can observe the *Government's* action. The extremists' choose between *Violence* (A) and *No Violence* ($\neg A$), but the two types face different incentives and payoff structures.

P-type Extremists *P-type* groups align with a large segment of the public in terms of their policy goals. Unlike the public, are willing to resort to violent means to achieve these goals or punish the government for acting in a predatory manner. This is modeled via a g

benefit that enters into *p-type*'s payoffs for all outcomes in which the government implements a welfare policy. As long as the government implements welfare policies, *p-type* groups do not benefit from engaging in violence and prefer that the public support the government (i.e., that the public plays *S*). This is reflected in the $-d$ parameter in *p-type*'s payoff from any outcome in which they engage in violence against a government that implements welfare policies and in the $-s$ parameter in *p-type*'s payoff from any outcome in which a nonpredatory government is removed from power.

If the government implements a *Defense* policy against a *p-type* group, then the group derives a benefit from punishing the government by engaging in violence, as modeled via parameter δd that enters into *p-type*'s payoff from all outcomes in which they attack a predatory government. The benefit from attacking d is reduced by the amount δ as the government's implementation of a *Defense* policy helps reduce the damage from an attack. *P-types* also derive an additional benefit if the public removes the predatory government from office, as is reflected by the s parameter that enters into the *p-type*'s payoffs from every outcome in which the public does not support a predatory government.

M-type Extremists

M-type extremists are a militant group whose primary goal is to engage in violence against the government and the public, i.e. *m-types* always prefer attacking to not attacking. If the government chooses *Welfare*, then *m-type*'s payoff from attacking contains a benefit d , while if the government chooses *Defense*, there are able to reduce the damage from an attack, which decreases *m-type*'s payoff from attacking to δd , ($0 < \delta < 1$). If the public does not support the government, then *m-type*'s utility also contains a benefit s , which can be thought of as the benefit associated with additional political instability, or a possible increase in the extremists' funding and/or recruitment.

The Public

The next move is by the *Public*. The public is uninformed about the type of the *Extremists*, but observes the actions of the *Government* and the *Extremists*. The *Public*'s choice is whether to *Support* the *Government* (S) or *Not Support* the *Government* (\neg S).

The public prefers that the government choose *Defense* when the extremists are of the *m-type* and *Welfare* otherwise, which is modeled via a benefit g (“good governance” payoff). The public obtains a benefit s for removing a predatory or an incompetent government¹, and a cost $-s$ for removing a non-predatory government. In case of an attack, the public also pays a cost of d (if the government chose *Welfare*) or δd , ($0 < \delta < 1$) (if the government chose *Defense*).

The public's dilemma is to correctly guess the type of the extremists from the government's signal and punish the government if they are acting in a predatory or incompetent manner. The caveat is that, when the government acts in a predatory manner, *p-type* terrorists act indistinguishably from *m-type* terrorists, which complicates the public's decision.

The difference in preferences between the public and *p-types* is that, while both prefer to remove a predatory government, the public prefers the outcome in which the government is removed peacefully, while the *p-types* prefer to also punish a predatory government by engaging in a violent attack against it. That is, from the perspective of the public, a violent removal carries additional costs, such as destruction of property, loss of life, political and economic uncertainty.

Figure 1 depicts the game in extensive form, along with each actors' payoffs. Table 1 provides a list of all game parameters.

¹A predatory government chooses *Defense* when the terrorists are of the *p-type*; an incompetent government chooses *Welfare* when the terrorists are of the *m-type*.

Table 1: Game Parameters

Parameter	Description	Constraints
α	Probability that the group is of the <i>p-type</i>	$0 < \alpha < 1$
d	Cost of a terrorist attack	$d > 0$
g	Policy benefit; the government's payoff includes g when they play <i>Defense</i> , the public's and the extremists' payoffs include g when the government acts in the best interest of the public	$g > 0$
δ	Added security from attacks resulting from <i>Defense</i>	$0 < \delta < 1$
s	Benefit from supporting a non-predatory government	$s > 0$

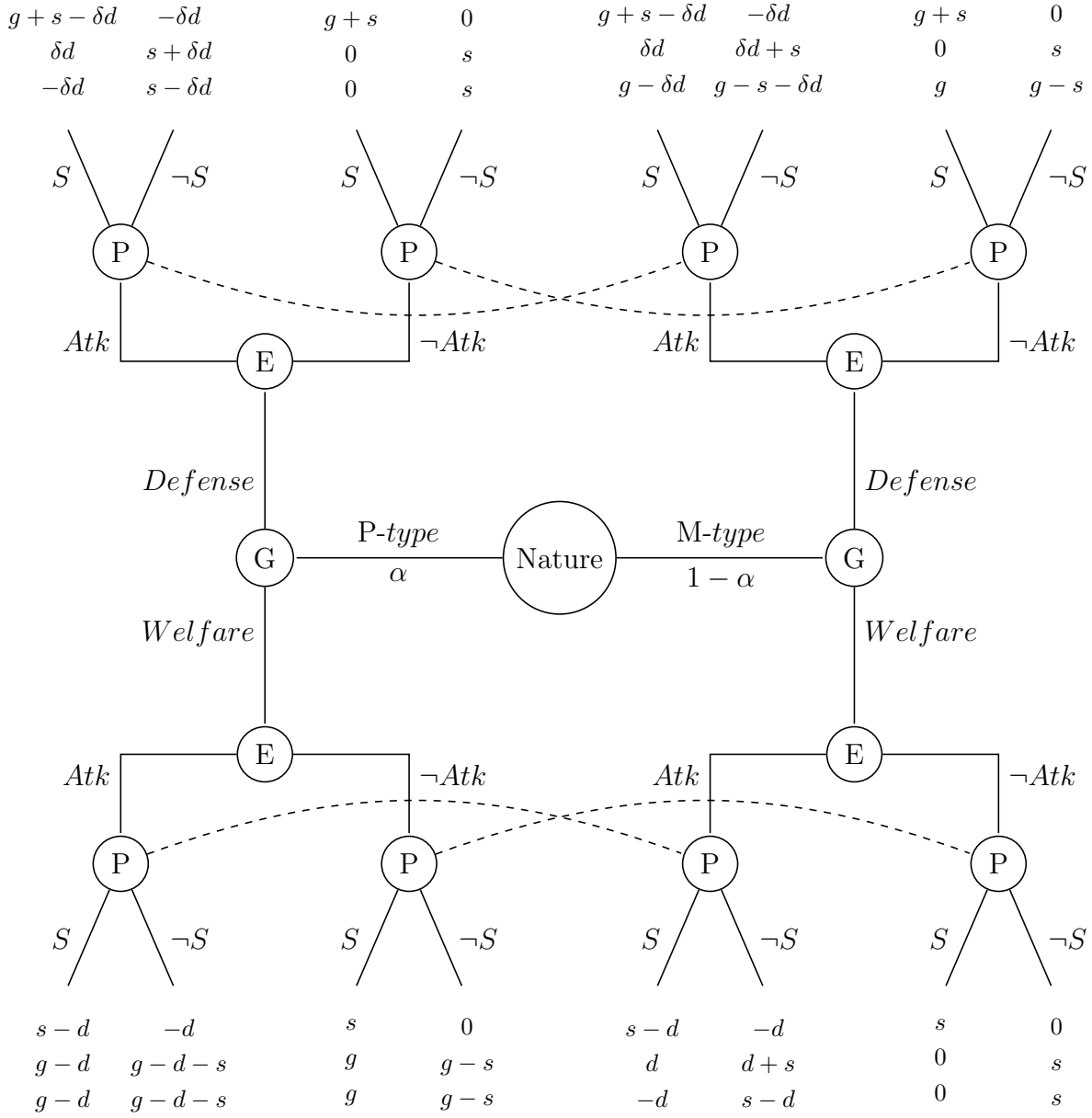
Game Solution

The game is solved using the Perfect Bayesian equilibrium (PBE) solution concept. First, note that the *p-type* extremists never attack as long as the government provides social welfare policy. To show this, denote *p-type*'s expected utility from attacking and not attacking as $U_{PE}(A)$ and $U_{PE}(\neg A)$, accordingly. Then, as long as the government chooses W and the public plays S , *p-type*'s expected utility from attacking is $U_{PE}(A|W, S) = g - d$, which is less than their expected utility from not attacking is $U_{PE}(\neg A|W, S) = g$. Alternatively, if the government chooses W and the public plays $\neg S$, then $U_{PE}(A|W, \neg S) = g - d - s$ and $U_{PE}(\neg A|W, \neg S) = g - s$. Therefore, as long as the government plays W , *p-type* groups never attack, irrespective of the public's strategy.

Conversely, the *p-type* groups always attack if the government chooses D . If the government plays D and the public plays S then $U_{PE}(A|D, S) = \delta d$, which is greater than $U_{PE}(\neg A|D, S) = 0$. If the government plays D and the public plays $\neg S$, then $U_{PE}(A|D, \neg S) = s + \delta d$, which is greater than $U_{PE}(\neg A|D, \neg S) = s$.

Second, notice that *m-type* extremists always attack, no matter the strategies of the other players. If the government chooses D and the public chooses S , then $U_{ME}(A|D, S) = \delta d$, which is greater than their expected utility from not attacking, $U_{ME}(\neg A|D, S) = 0$. If the government chooses D and the public chooses $\neg S$, then $U_{ME}(A|D, \neg S) = \delta d + s$, which is again greater than their expected utility from not attacking, $U_{ME}(\neg A|D, \neg S) = s$. If the

Figure 1: An Extensive-Form Game between the Government, the Extremists, and the Public



government plays W and the public plays S , then $U_{ME}(A|W, S) = d$, which is greater than $U_{ME}(\neg A|W, S) = 0$. Finally, if the government chooses W and the public plays $\neg S$, then $U_{ME}(A|W, \neg S) = d + s$, which is greater than $U_{ME}(\neg A|W, \neg S) = s$.

This means that the public is able to interpret the game history, in which the government plays W and the extremist group does not attack, as a signal that the extremists are of the

p-type. If we denote the public's belief that the extremists are of the *p-type* as θ , then after observing the history of $\{W, \neg A\}$, the public can update this belief as $\theta = 1$. In this case, the public's expected utility from supporting the government is $U_P(S|W, \neg A) = g$, which is greater than their expected utility from not supporting the government, $U_P(\neg S|W, \neg A) = g - s$. In other words, the public will always support the government if the government chooses W and the extremist group plays $\neg A$.

Conversely, if the government plays W and the extremist group attacks, the public will be able to infer that the extremists must be of the *m-type*, i.e. $\theta = 0$. In this scenario, the public's expected utility from supporting the government is $U_P(S|W, A) = -d$, which is less than their expected utility from not supporting the government, $U_P(\neg S|W, A) = s - d$. Therefore, the public will never support the government if the government plays W and the extremist group attacks.

Since both types of extremists attack if the government chooses D , the public cannot use the game history of $\{D, A\}$ to update its belief regarding the type of the extremist group. If this case, the public's expected utility from supporting the government, $U_P(S|D, A) = -\alpha\delta d + (1-\alpha)(g - \delta d) = g - \alpha g - \delta d$, whereas $U_P(\neg S|D, A) = \alpha(s - \delta d) + (1-\alpha)(g - s - \delta d) = g - \alpha g - \delta d + 2\alpha s - s$. The public will play S as long as $U_P(S|D, A) \geq U_P(\neg S|D, A)$ or $\alpha \leq \frac{1}{2}$, and will play $\neg S$ if $\alpha > \frac{1}{2}$.

Now that we determined the decisions of the public and both types of extremists at each of their respective decision nodes, let's consider the decision of the government. Since the public's strategy depends on the value of α , we need to look at two cases. First, if $\alpha \leq \frac{1}{2}$, then as long as they are facing a *p-type* group, the government's expected utility from playing D is $U_G(D|A, S) = g + s - \delta d$, whereas $U_G(W|\neg A, S) = s$. This means that the government will play D against the *p-type* groups as long as $g + s - \delta d \geq s$ or $g \geq \delta d$, and W if $g < \delta d$.

If the extremists are of the *m-type*, then the government's expected utility from playing D is $U_G(D|A, S) = g + s - \delta d$, and $U_G(W|A, \neg S) = -d$. Since $d > \delta d$, this means that the

government will always play D against m -type groups. This produces the first pure strategy equilibrium, $EQ1$:

$$\begin{cases} S_G = D; S_P = S, \theta = \alpha; S_{PE} = A; S_{ME} = A; \\ \alpha \leq \frac{1}{2}, g \geq \delta d \end{cases}$$

The payoffs:

$$\begin{cases} U_G(EQ1) = g + s - \delta d \\ U_P(EQ1) = g - \alpha g - \delta d \\ U_{PE}(EQ1) = \delta d \\ U_{ME}(EQ1) = \delta d \end{cases}$$

This is a pooling equilibrium, in that the strategies of the informed actors (the government and the extremists) reveal no additional information regarding the type of the extremists to the public. In this equilibrium, the government prioritizes defense measures over policies aimed to enhance the welfare of the public, both extremist groups attack, and the public supports the government. This equilibrium is possible under two conditions: (1) moderate to low probability that the extremists are of the policy type ($\alpha \leq \frac{1}{2}$) and (2) the government values the private benefit of counter-terrorist measures more than public safety, $g \geq \delta d$. In this equilibrium, both types of extremist groups engage in violent against the government and the public, even though the government could have averted the attacks by p -types. Ironically, in this equilibrium, the government's emphasis on defense results in a less safe outcome for the public. Another counter-intuitive insight is that, although the public is aware that the government may act in a predatory manner (both g and δd are public knowledge), it still supports the government (as long as the threat of militant extremism is high or there is high

uncertainty regarding the type of the extremists).

The existence of this equilibrium suggests that predatory governments may be able to take advantage of the public's level of perceived threat of militant extremism to enact self-serving policies, such as limiting civil liberties and restricting privacy in the name of security. Such opportunities for predatory action may present themselves, for instance, in the aftermath of salient terrorist attacks. Although the public's perceived level of threat is affected by some foreign attacks, the objective level of threat is more directly linked to recent domestic (as opposed to foreign) attacks. A testable implication is that predatory governments may increase levels of counterterrorism in response to both foreign and domestic attacks, non-predatory governments will be more likely to enact additional counterterrorism measures in the aftermath of domestic attacks. Another testable prediction is that the public should show equal support for counterterrorism measures, whether it is motivated by recent domestic or foreign attacks, and irrespective of the government's competence.

Returning to the game analysis, if $g < \delta d$ and $\alpha \leq \frac{1}{2}$, then there exists a separating equilibrium, *EQ2*:

$$\begin{cases} S_G = \{W, D\}; S_P = S, \theta = 1; S_{PT} = \neg A; S_{MT} = A; \\ \alpha \leq \frac{1}{2}, g < \delta d \end{cases}$$

The payoffs:

$$\begin{cases} U_G(EQ2) = s - (1 - \alpha)(\delta d - g) \\ U_P(EQ2) = g - \delta d(1 - \alpha) \\ U_{PT}(EQ2) = g \\ U_{MT}(EQ2) = \delta d \end{cases}$$

This is a separating equilibrium—the public is able to infer information regarding the extremist’s type by observing the history of the game. The government prioritizes public safety and welfare over its own private incentives and reaches an acceptable policy solution with the *p-type* group. The only time the government enacts counterterrorism measures is in response to an imminent threat from militant extremist groups. Again, the public supports the government, no matter the outcome.

Next, we have to check the case of $\alpha > \frac{1}{2}$. In this case, if the government is facing a *p-type* group, its expected utility from playing D is $U_G(D|A, \neg S) = -\delta d$, is always lower than its expected utility from playing W is $U_G(W|\neg A, S) = s$. Hence, the government will play W if it is facing a *p-type* group.

If the government is facing an *m-type* group, its expected utility from D is $U_G(D|A, \neg S) = -\delta d$, which is always greater than its expected utility from playing W , $U_G(W|A, \neg S) = -d$. Therefore, the government will play D against an *m-type* group. But if the government action informs the public of the type of the extremists, then the public is always better off supporting the government, so the assumed strategies are unstable, i.e. there is no pure strategy equilibrium when $\alpha > \frac{1}{2}$.

Semi-Separating Equilibrium

The game has a third, semi-separating equilibrium, in which the government always implements defense measures against the militant groups, but mixes its strategy when playing against the policy-focused radical opposition. To solve for this equilibrium, recall that, as long as the government plays D , the public is indifferent between playing S and $\neg S$ when it believes that the extremists are of the *p-type*, $\theta = \frac{1}{2}$. Denote the public’s probability of playing S in response to D as τ . In order for the government to mix between W and D , the probability τ must make the government indifferent between playing W and D against the *p-type* opposition. Assuming the public mixes its strategy in response to D , the government’s

expected utility from playing D against p -types is $U_G(D|A, \tau) = \tau(g + s - \delta d) + (1 - \tau)(-\delta d)$, whereas its expected utility from playing W against p -types is $U_G(W|\neg A, S) = s$. Therefore, the government is indifferent between these two payoffs when $\tau(g + s - \delta d) + (1 - \tau)(-\delta d) = s$. Solving for τ , we obtain $\tau = \frac{s + \delta d}{s + g}$. Notice that since $0 \leq \tau \leq 1$, we must ensure that $g \geq \delta d$.

Next, denote the government's probability of playing D against p -type groups as γ . To keep the public indifferent between S and $\neg S$, the government must mix its strategy with such a probability that the public's posterior belief regarding the type of the extremist group, θ , satisfies $\theta = \frac{1}{2}$. Hence, $\alpha\gamma = \frac{1}{2}$, or $\gamma = \frac{1}{2\alpha}$.

Combined with the previously established result regarding the strategies of the extremist groups, this analysis results in the following semi-separating equilibrium, $EQ3$:

$$\begin{cases} S_G = \{\frac{1}{2\alpha}, D\}; S_P = \{\frac{s + \delta d}{s + g}, S\}, \theta = \frac{1}{2}; S_{PE} = \neg A; S_{ME} = A; \\ g \geq \delta d; \alpha \geq \frac{1}{2} \end{cases}$$

The payoffs:

$$\begin{cases} U_G(EQ3) = s \\ U_P(EQ3) = \frac{g}{2} - \delta d \\ U_{PE}(EQ3) = \frac{2\alpha g^2 + 2\alpha g s + \delta d g - g^2}{2\alpha g + 2\alpha s} \\ U_{ME}(EQ3) = \frac{\delta d g + g s}{g + s} \end{cases}$$

This is a semi-separating equilibrium. This equilibrium is enabled by two conditions: (1) the public's high *a priori* belief that the extremists are of the policy type ($\alpha > \frac{1}{2}$), and (2) the government positive utility from implementing counterterrorism measures, even after the cost of possible terrorist attacks ($g > \delta d$). Under this equilibrium, the government always implements counterterrorism measures when the extremist group is of the militant type. When the extremist group is of the policy type, the government implements counterterrorism with probability $\frac{1}{2\alpha}$ and implements policy change the rest of the time (with

probability $1 - \frac{1}{2\alpha}$). Essentially, in this equilibrium the government is taking advantage of the public's uncertainty regarding the type of the extremists. Driven by its own preference for counterterrorism over policy negotiations, the government mixes its strategy in such a way that decreases the public's *a posteriori* belief that the extremists are policy-oriented ($\theta = \frac{1}{2}$). Unable to determine the type of the extremists from the game history, yet also aware that the government has an incentive to obfuscate, the public responds by mixing its own strategy: they support the government with probability $\frac{s+\delta d}{s+g}$ and withdraw their support with probability $1 - \frac{s+\delta d}{s+g}$. Finally, the militant extremist group always attacks, whereas the policy group attacks in response to counterterrorism measures yet is appeased (does not attack) in response to policy concessions.

This is the only equilibrium, in which the public does not always rally behind the government in response to terrorist attacks. Suspicious of the government motives and aware of the high *a priori* probability that the extremists are of the policy type, the public (sometimes) correctly punishes the government for failing to make policy concessions and, thus prevent violence. Since the public is unable to definitively determine the type of the extremists, this also means that in some proportion of the cases, the public will punish the government that was acting in the public's best interest (when the extremists are of the militant type). By identifying the conditions, under which the public rallies behind the government under attack vs. holds the government accountable for failing to prevent the attacks, this equilibrium speaks to the literature on domestic diversion, ostensibly characterized by mixed empirical findings (Martinez Machain and Rosenberg 2018; Tir and Jasinski 2008). Specifically, the model underscores that a government's use of a threat to boost its domestic support will only work if the public has some trust in the government. The public will only rally around the government if it puts a reasonably high probability that the extremist group is of the militant type.

Predatory Governments and Domestic Terrorism

The observed game equilibrium is dictated by the relationship between the government's concern with its own survival, g , and the extremists' ability to inflict costs on the government, δd . Both equilibria, in which the government acts on its predatory incentive (the pooling and the semi-separating equilibria) are only possible as long as the government's predatory incentive outweighs the damage from violence, i.e. $g > \delta d$. Empirically, this condition is satisfied whenever (1) a leader is insecure about her survival in office (e.g., is running for re-election against a strong challenger) (2) and/or is relatively insulated from the costs of terrorist attacks (e.g., not up for re-election, majority party, monopoly on information).

The game's core insight is that government's concern with its own survival creates a perverse incentive for the government to prioritize counterterrorism over the provision of services, even if that leads to an increase in violence in society. When the government stands to gain from enhanced security measures, it may choose to implement counterterrorism policies, even if such policies are excessive or reduce public safety: i.e. *p-type* extremists only attack predatory governments. Rather than using its private information regarding the type of the extremists, so as to maximize public safety (i.e., whenever possible, prevent attacks through the provision of policy and services), the government takes advantage of this private information and exploits the public's fear of extremism to enact policies to further its own predatory agenda, an ensuing increase in extremists attacks notwithstanding.

This, in turn, exacerbates the grievances of the dissent that would have not resorted to violence had their preferences been taken into account. If such groups engage in violence against a predatory government, this further justifies the government's focus on defense in the eyes of the public. In the end, the predatory government is the only winner in this situation. The public, who has the power to vote out a predatory government, does not have enough information to hold predatory governments accountable, and to only reward

the governments that act in the public's best interest.

Importantly, the existence of the equilibria, in which a predatory government uses the threat of extremism to pursue private benefits, is made possible by the existence of militant extremists. If militant extremists did not exist, then the public would hold the government accountable for failures to avert extremist violence by *p-types*. Thus, the presence of the militant extremists results in suboptimal outcomes for the *p-type* groups and the public (Arce and Sandler 2007; Berrebi and Klor 2006).

Another insight is that *p-type*'s ability to constrain a predatory government depends on the strength of the predatory incentive (compared to the government's fear of violence). If the government's private incentives are not too strong, the presence of a *p-type* group enables the existence of a separating equilibrium, in which the government pursues the interests of the public. If the government's private incentive outweighs its fear of an attack, then a *p-type* group can no longer influence the government's strategy.

The model helps explain and link together a number of disparate empirical findings in the political violence literature, as well as generates a series of novel, previously untested predictions. The model explains, for instance, why both terrorist attacks and counterterrorism efforts may increase in the run up to elections (Aksoy 2014, 2018). By design, election cycles in democracies are set up so as to induce variation in the incumbent party's security in office. Peaked in the immediate aftermath of an election, this security generally declines as the next election draws closer. Therefore, according to the model, as the next election approaches, the incumbent party faces a growing incentive to use the threat of terrorism to justify last-minute security measures that would weaken the opposition's chances of winning the election (e.g., restrictions on movement or information). Increase in security measures, in turn, exacerbates the grievances of the radical opposition, increasing the risk of terrorist attacks—hence, the finding that both counterterrorism and terrorist attacks increase prior to elections (Aksoy 2014, 2018).

The model posits a single causal mechanism—incumbent’s insecurity in power—behind the link between the observed pre-election spikes in both counterterrorism and terrorism. By generalization, this implies that pre-election counterterrorism efforts and terrorism should also vary as a function of other factors that affect incumbents confidence in winning the elections, such as strength and number of opposition candidate(s), recent economic performance, or whether the incumbent party’s control of government is conditional on forming a coalition. This logic leads to the following hypotheses.

Hypothesis 1: Governments are more likely to implement counterterrorism policies as their risk of losing office increases.

Hypothesis 2: Incumbent party’s uncertainty regarding its re-election prospects will be associated with an increase in pre-election terrorist activity.

In addition to linking incumbent’s security in power to terrorism to counterterrorism, the model also links these outcomes to policy concessions. Specifically, the equilibrium, in which the government opts for policy concessions when facing a policy-oriented extremist group is only possible when the government is relatively secure (i.e., its incentive to use the threat of terrorism to improve its own security is weak). As a result, the model generates another, previously untested prediction that secure governments are more likely to grant policy concessions to extremist groups, such as insurgents. As governments are the most secure right after the elections, this results in the following hypothesis.

Hypothesis 3: Governments are more likely to make policy concessions right after the election.

Terrorism, Counterterrorism, and Electoral Prospects

The first two hypotheses posit a link between the incumbent party’s electoral prospects, terrorism, and counterterrorism. I test these hypothesis using the Terrorism in Western Europe

Event Data (TWEED) that code domestic terrorist attacks as well as government counterterrorism actions in Western European countries between 1950 and 2004 (Engene 2007). These data are especially well-suited for testing the hypotheses, as most of the countries in the sample are democracies, and hence, political parties that make up their governments will all face varying levels of risk of losing office.² In addition, the Western European region is characterized by variation in both terrorism and counterterrorism measures, as it experienced high levels of terrorism throughout the time period included in the sample.

The unit of analysis is country-month. The first dependent variable in the analysis, *Number of Attacks*, is a monthly count of terrorist attacks in each country. The mean number of a terrorist attacks in the sample is 0.73; about 14 percent of observations in the sample experienced one or more attacks.

The second dependent variable, *Number of Counterterrorism Actions*, is a monthly count of government counterterrorism actions by country, as coded in the TWEED dataset. TWEED separates between preemptive counterterrorism vs. that as an immediate reaction to an attack (e.g., armed exchange during an attack). The latter are excluded from the measure of my dependent variable, as the focus is on preemptive counterterrorism rather than state's response to attacks.

The primary independent variable is *Incumbent Party's Risk* of losing office in the upcoming election. I measure this variable using a cross-national measure of electoral competitiveness, developed by Kayser and Lindstädt (2015). Kayser and Lindstädt (2015, 243) define electoral risk as “the expected probability that the plurality party in parliament loses its seats plurality in the next election” and estimate this risk using data on (a) country- and election-specific seats–votes elasticities (how large a seat swing could result from a small swing in vote share) and (b) past vote swings. The resulting measure ranges from 0 (no risk) to 0.69 (high risk) within the overall sample, with the theoretical upper bound of 1

²Portugal, Spain, and Greece are included in the analysis only for the years when they are democratic.

(certain loss).³ Since the effect of risk is non-linear—an increase from low to moderate is not as threatening as an increase from moderate to high risk—I model the effect of risk using both its linear and square term.

The selection of control variables is based on the literature. The counterterrorism model specification includes the same variables as Aksoy (2018); the model of terrorist attacks is specified based on Aksoy (2014). Since both dependent variables are measured on a count scale, the models are estimated using negative binomial regressions.

Figure 2 shows the number of counterterrorism actions (on the left) and terrorist attacks (on the right) by distance from the next parliamentary election, averaged over all countries in the sample. Blue lines denote averages for incumbent parties who face low risk ($p < .3$) of removal in the next election, whereas red lines show averages for incumbent parties with high risk of removal ($p > .3$). We see that, compared to secure incumbents, insecure governments engage in higher levels of counterterrorism, and face more terrorist attacks, on average. This descriptive evidence supports hypotheses 1 and 2.

Table 2 presents the results of the regression analysis: the dependent variable is *Counterterrorism* in Model 1 and *Terrorism* in Model 2. The coefficients on *Incumbent's Probability of Losing Office* and its square are statistically significant in both models, which indicates that the effect *Incumbent's Probability of Losing Office* on counterterrorism and terrorism is non-constant, and varies with the values of *Incumbent's Probability of Losing Office*.

Because the main independent variable enters the analysis as a squared term, its effect are not fully interpretable by looking at the regression table alone. To help interpret these results, Figure 3 shows the marginal effects of *Incumbent's Probability of Losing Office*, along with their 95% confidence intervals, and Figure 4 shows predicted values for each dependent variable. As we can see from the figure on the left, the effect of incumbent party's risk on counterterrorism varies with the level of incumbent's risk. When the incumbent party's risk

³The subsamples used in each analysis differ based on data availability on other variables.

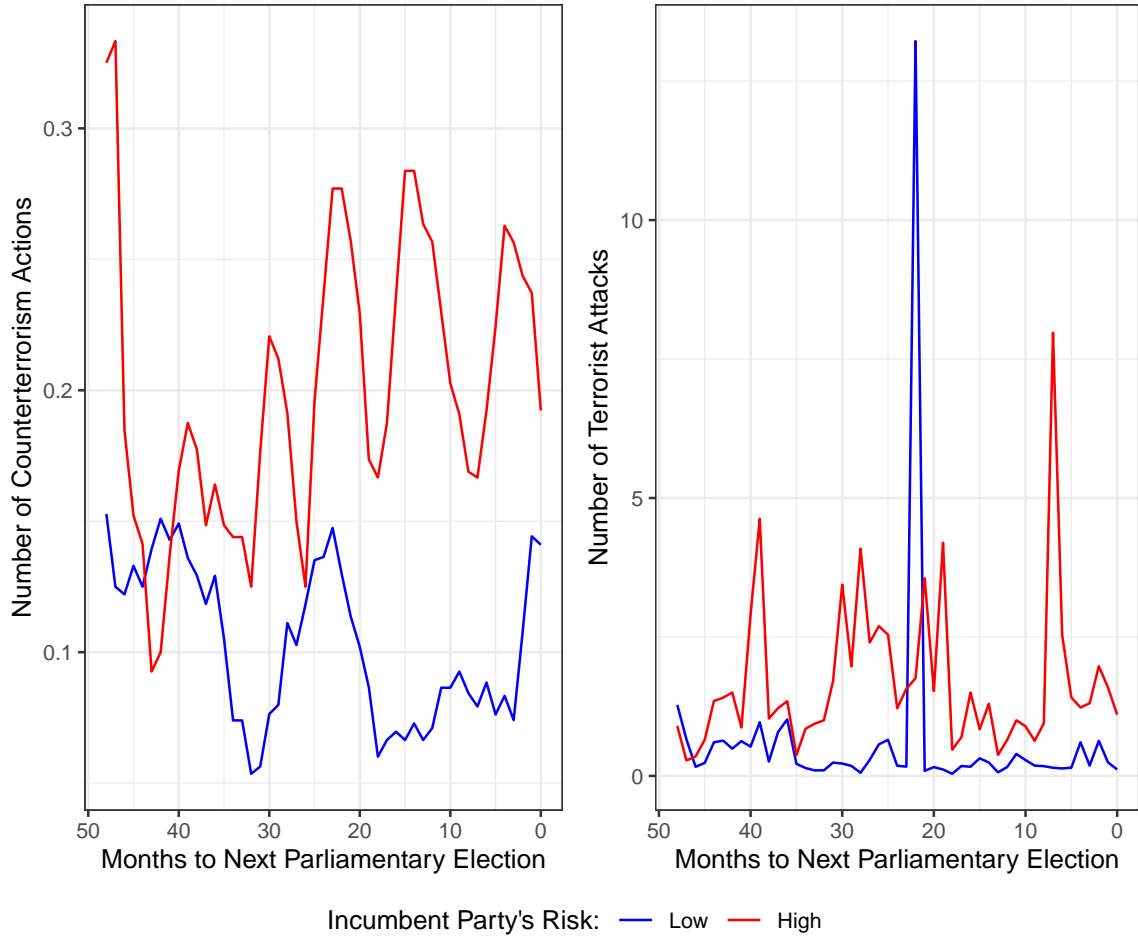


Figure 2: Incumbent's Risk, Terrorism, and Counterterrorism

of losing office is low—between 0 and 0.1—the effect of incrementally increasing this risk has a negative and statistically significant effect on counterterrorism. This shows that secure governments are less likely to engage in counterterrorism measures prior to elections.

When incumbent party's risk is moderate—between 0.1 and 0.35—incremental increases in this risk have no statistically significant effect on counterterrorism. Finally, when the incumbent party's risk of losing office is high—between 0.35 and 0.7—incremental increases in this risk are associated with more counterterrorism. As predicted by the model, insecure governments implement counterterrorism measures prior to elections. These results are shown in substantive terms—in expected counterterrorism levels—in Figure 4.

Table 2: The Effect of Incumbent’s Risk on Counterterrorism, and Terrorism

	<i>Counterterrorism</i>		<i>Terrorism</i>	
Incumbent’s Prob. of Losing Office	-1.885*	(0.800)	3.271***	(0.886)
(Incumbent’s Prob. of Losing Office) ²	3.375**	(1.232)	-3.457*	(1.374)
Month to Election	0.040***	(0.010)	0.013*	(0.005)
Right*Month to Election	-0.001***	(0.001)		
Right	0.027***	(0.005)		
Threshold*Month to Election			-0.001*	(0.001)
Threshold			0.085***	(0.008)
Terrorist Attacks	0.001	(0.001)		
counterterrorism			0.353***	(0.069)
GDP per capita (log)	-1.237***	(0.275)	-1.607***	(0.291)
Population (log)	1.261***	(0.060)	1.374***	(0.064)
Cold War	0.270*	(0.137)	0.353*	(0.146)
Constant	-4.015	(2.712)	-1.045	(2.765)
Num.Obs.	4715		4543	
Log.Lik.	-1522.879		-2556.260	

Notes: *** $p < .001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.05$ (one-tailed)

As shown in the right subfigure of Figure 3, the effect on incumbent party’s risk of losing on terrorism is also non-linear. When the incumbent party’s risk of losing office is low to moderate—between 0 and 0.38, any incremental increase in this risk increases the probability of terrorism. Once the incumbent party’s risk of losing is above 0.38—any additional increases in this risk has no statistically significant effect on terrorism. The marginal effect weakens in absolute value as the incumbent’s risk of losing office increases. This is consistent with the model’s assumption that an increased level of counterterrorism will diminish the “damage” from political violence, the δ parameter. These results are shown in substantive terms—the expected number of terrorist attacks—in the right subfigure of Figure 4. Taken together, these results provide evidence for Hypotheses 1 and 2.

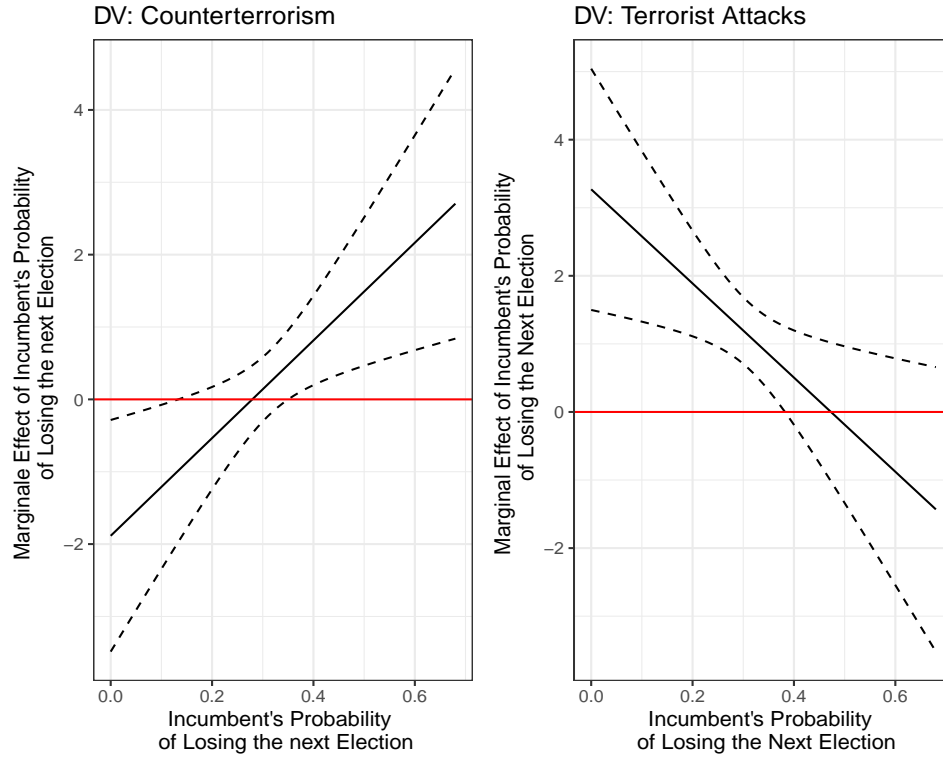


Figure 3: Marginal Effects of Incumbent's Risk on Counterterrorism and Terrorism

Government Concessions and the Electoral Calendar

The third hypothesis posits that governments are most likely to give policy concessions to *p-type* extremist groups in the immediate aftermath of an election. To test this hypothesis, I will use the data on government-rebel negotiations and concessions collected by Thomas (2014). The data includes 106 African rebel groups, their demands of the government, and any instances of negotiations and concessions.⁴

The unit of analysis is a dyad-month (each dyad consists of a government and a rebel group). The dependent variable, *Concessions*, is the number of substantive (as opposed to symbolic or procedural) political concessions that the government granted to the rebels.⁵

The primary independent variable is *Month Since Last Election*. This variable is coded

⁴Of these groups, 42% have used terrorism.

⁵An example of a procedural concessions is changing the venue of negotiations. Political concessions are limited to policy rather than non-policy demands, e.g., food, medicine.

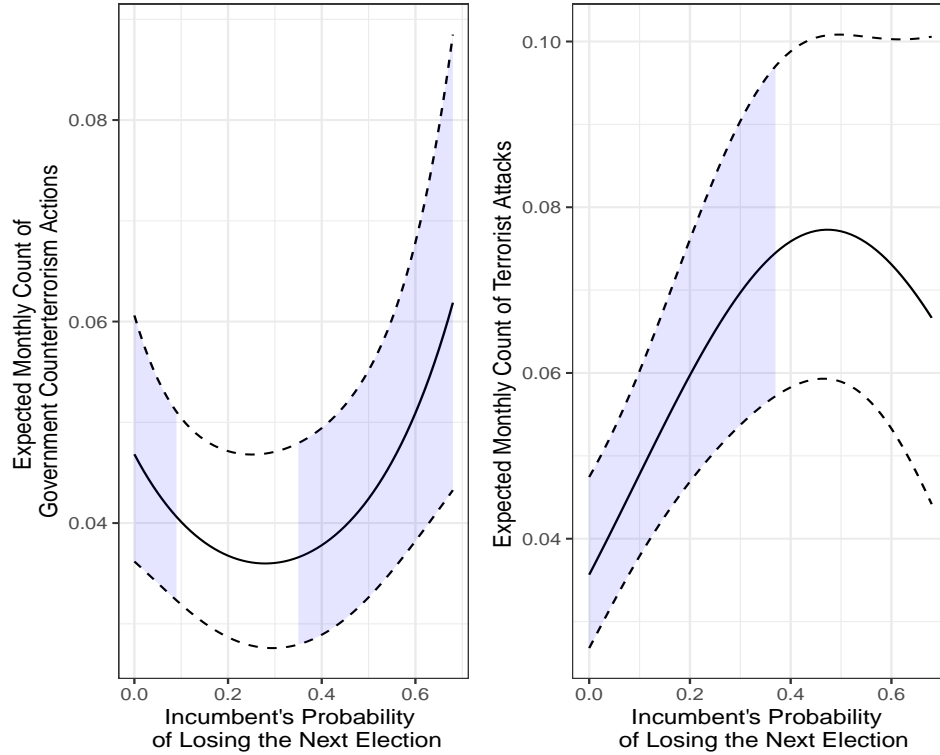


Figure 4: Predicted Values of Counterterrorism and Terrorism, by Incumbent Party's Risk of Losing Office. Shaded regions correspond denote statistically significant marginal effects.

using the National Elections Across Democracy and Autocracy Dataset (NELDA; Hyde and Marinov 2012). Temporal proximity to an election, of course, are only an indicator of government security for regimes, in which elections are a credible mechanism of government turnover. To account for this, I interact *Month Since Last Election* with the country's Polity 2 score, obtained from Marshall and Jaggers (2014). The theoretical expectation is that leaders of countries with high Polity 2 scores will make the most concessions in the immediate aftermath of an election, whereas the timing of concessions by leaders of countries with low Polity 2 scores will not depend on elections. That is, the marginal effect of *Month Since Last Election* is expected to be negative for more democratic states.

The model is specified using the same control as Thomas (2014). As the dependent variable is a count, the model is estimated using a negative binomial regression.

Table 3: The Effect of Electoral Cycle on Government Concessions to the Rebels

Month Since Last Election*Regime type	-0.002+	(0.001)
Month Since Last Election	-0.015***	(0.004)
Regime type	0.185*	(0.084)
Rebel Relative Strength	1.042***	(0.202)
Main Group	-0.222	(0.411)
Explicit Support	0.210	(0.324)
ln(Deaths)	0.203+	(0.113)
Number of Conflict Episodes	-1.040+	(0.611)
Episode Duration	0.002	(0.003)
Third-Party Mediation	1.866**	(0.583)
Territorial War	-0.516	(0.912)
Ethnic War	0.662+	(0.382)
Number of Rebel Groups	0.214	(0.223)
ln(GDP)	0.325*	(0.143)
Lagged DV	1.040***	(0.199)
Constant	-14.069***	(3.509)
Num.Obs.	1952	
Log.Lik.	-321.915	

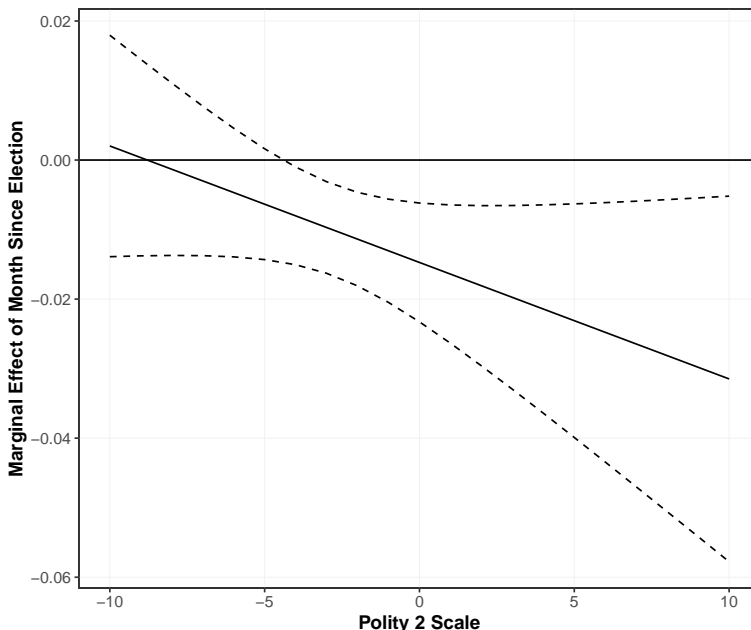
Notes: *** $p < .001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.05$ (one-tailed)

Table 3 shows the results of this analysis. As the primary independent variable is an interaction, Figure 5 displays the marginal effect of *Month Since Last Election* on government concessions, by Polity 2 score. As we can see, the effect is statistically significant and negative for Polity 2 scores above -5. The strength of the effect increases with Polity 2 scores. This indicates that the probability of government concessions decreases with time since last election. This relationship, as expected, only holds for regimes, in which elections serve as a credible mechanism for removing the government from power. All in all, the results of this analysis provide strong support for Hypothesis 3.

Conclusion

It is easy to fall into familiar tropes, especially when we discuss emotionally-charged topics, such as political extremism, counterterrorism, and public safety. The threat of violent

Figure 5: Marginal Effect of Month Since Last Election on Government Concessions, by Polity 2



extremism naturally elicits moral outrage and the instinct to uncritically rally behind the government. At the same time, the government may face a private incentive to exaggerate the threat so as to strengthen its grip on power. From Bush’s War in Iraq to Trump’s Build the Wall campaign, history abounds with instances of using the threat from an out-group as an excuse for tightening domestic freedoms. In an extreme case, Putin’s regime has manufactured the threat of “nazism,” to fairly effectively justify its unprovoked invasion of Ukraine, and the ensuing crackdown on domestic dissent, to its domestic audience.

That governments may pursue its strategic interests is also suggested, indirectly, by a host of existing empirical findings. We know, for example, that terrorist attacks and counterterrorism measures tend to spike in the run up to elections (Aksoy 2014, 2018). While this pattern is often explained away by the terrorists’ goal to spoil the elections, the alternative story—that the government may benefit from tighter control over the security measures prior to the election—is rarely explored. The analyses presented here highlight

another interesting regularity—that incumbents who need public support to stay in power are the most likely to make any concessions to the domestic insurgents immediately after an election. Were these incumbents acting on the public’s best interest, we would hardly expect the timing of concessions to coincide with the peak period of electoral security.

The formal model sheds light on the causal logic behind these findings, as well as identifies a set of conditions for a rather grim equilibrium. In this equilibrium, the government exaggerates the threat of violent extremism rather than acknowledging the political grievances of dissent, and the dissent responds with political violence. And all the while, the public, whose true policy preferences are aligned with those of the dissent, believes that the government is acting in the national interest.

What conditions, then, should alert the public that the government may not be acting in the interest of national security but may instead be pursuing its own predatory interests? The theoretical model shows that governments are most likely to act in a predatory manner when they feel insecure about their electoral prospects. And vice versa: secure governments are most likely to look for a peaceful compromise with their political opposition, such as offering policy concessions to insurgent groups. In practice, insecurity may depend on a variety of factors, such as the incumbent’s performance in office, proximity of the next election, or the strength of the political challenger.

Another condition that enables the government to act in a predatory manner is whether it has the ability to convince a large portion of the public that the extremist group is of the militant type. This is possible in highly autocratic regimes with state-controlled media, such as China or Putin’s Russia, especially if the majority of the public is unable to access alternative media sources outside the regime, for example, due to a lack of language proficiency or internet connection. Control over information allows the state to justify increased security measures so as to cement its hold on power.

References

- Abrahms, Max. 2006. "Why Terrorism Does Not Work." *International Security* 31(2): 42–78.
- Aksoy, Deniz. 2014. "Elections and the Timing of Terrorist Attacks." *Journal of Politics* 76(4): 899–913.
- Aksoy, Deniz. 2018. "Electoral and Partisan Cycles in Counterterrorism." *Journal of Politics* 80(4): 1239–1253.
- Arce, Daniel G., and Todd Sandler. 2007. "Terrorist Signalling and the Value of Intelligence." *British Journal of Political Science* 37(4): 573–586.
- Arce, Daniel G., and Todd Sandler. 2010. "Terrorist Spectaculars: Backlash Attacks and the Focus of Intelligence." *Journal of Conflict Resolution* 54(2): 354–373.
- Berrebi, Claude, and Esteban F Klor. 2006. "On Terrorism and Electoral Outcomes Theory and Evidence from the Israeli-Palestinian Conflict." *Journal of Conflict Resolution* 50(6): 899–925.
- Bueno de Mesquita, Ethan, and Eric S Dickson. 2007. "The Propaganda of the Deed: Terrorism, Counterterrorism, and Mobilization." *American Journal of Political Science* 51(2): 364–381.
- CBC. 2014. "Viktor Yanukovich Calls for Truce with Ukraine Protest Leaders."
- Daxecker, Ursula E. 2014. "All Quiet on Election Day? International Election Observation and Incentives for Pre-Election Violence in African elections." *Electoral Studies* 34: 232–243.
- Di Lonardo, Livio. 2017. "The Partisan Politics of Counterterrorism: Reputations, Policy Transparency, and Electoral Outcomes." *Political Science Research and Methods* , 1–17.

- Dragu, Tiberiu. 2011. "Is There a Trade-off Between Security and Liberty? Executive Bias, Privacy Protections, and Terrorism Prevention." *American Political Science Review* 105(1): 64–78.
- Dragu, Tiberiu. 2017. "The Moral Hazard of Terrorism Prevention." *Journal of Politics* 79(1): 223–236.
- Dragu, Tiberiu, and Mattias Polborn. 2014. "The Rule of Law in the Fight against Terrorism." *American Journal of Political Science* 58(2): 511–525.
- Engene, Jan Oskar. 2007. "Five Decades of Terrorism in Europe: The TWEED Dataset." *Journal of Peace Research* 44(1): 109–121.
- Gadarian, Shana Kushner. 2010. "The Politics of Threat: How Terrorism News Shapes Foreign Policy Attitudes." *Journal of Politics* 72(2): 469–483.
- Getmansky, Anna, and Thomas Zeitzoff. 2014. "Terrorism and Voting: The Effect of Rocket Threat on Voting in Israeli Elections." *American Political Science Review* 108(3): 588–604.
- Hyde, Susan D, and Nikolay Marinov. 2012. "Which Elections Can be Lost?" *Political Analysis* 20(2): 191–210.
- Kayser, Mark Andreas, and René Lindstädt. 2015. "A Cross-National Measure of Electoral Competitiveness." *Political Analysis* 23(2): 242–253.
- Marshall, Monty G., Ted Robert Gurr, and Keith Jagers. 2014. "Polity IV Project: Political Regime Characteristics and Transitions, 1800-2013."
- Martinez Machain, Carla, and Leo Rosenberg. 2018. "Domestic Diversion and Strategic Behavior by Minority Groups." *Conflict Management and Peace Science* 35(5): 427–450.

- Ritter, Emily Hencken. 2014. "Policy Disputes, Political Survival, and the Onset and Severity of State Repression." *Journal of Conflict Resolution* 58(1): 143–168.
- Ritter, Emily Hencken, and Courtenay R. Conrad. 2016. "Preventing and Responding to Dissent: The Observational Challenges of Explaining Strategic Repression." *American Political Science Review* 110(1): 85–99.
- Siqueira, Kevin, and Todd Sandler. 2006. "Terrorists versus the Government: Strategic Interaction, Support, and Sponsorship." *Journal of Conflict Resolution* 50(6): 878–898.
- Sokol, Sam. 2019. "Russian Disinformation Distorted Reality in Ukraine. Americans Should Take Note."
- Thomas, Jakana. 2014. "Rewarding Bad Behavior: How Governments Respond to Terrorism in Civil War." *American Journal of Political Science* 58(4): 804–818.
- Tir, Jaroslav. 2010. "Territorial Diversion: Diversionary Theory of War and Territorial Conflict." *Journal of Politics* 72(2): 413–425.
- Tir, Jaroslav, and Michael Jasinski. 2008. "Domestic-level Diversionary Theory of War: Targeting Ethnic Minorities." *Journal of Conflict Resolution* 52(5): 641–664.