

## **PROPOSAL: THE FINANCING OF TERRORIST ORGANIZATIONS**

**Martin Shubik, Professor of Mathematical Institutional Economics, Department of Economics and Yale School of Management**

This is a study of how terrorist and other illegal organizations handle their finances (both internationally and nationally). It will aim at both a survey of the current literature and then be aimed at asking several basic theoretical questions concerning the role of anonymous and less anonymous forms of credit granting. Attention must be paid both to size of financing and purpose.

The student should be capable of doing empirical research that covers both the locating and understanding of the basic economic and other literature on terrorist (and patriotic “liberation” movement) organizations, as well as doing a survey and critique of the scholarly literature.

### **SUMMARY**

**Aaron Zelinsky, Class of 2006**

This summer I researched the economics of terrorism for Professor Martin Shubik. In particular, my work fell into three broad categories: funding, targeting, and operational structure. I collected and analyzed publicly available sources for each of these three categories and have continued my research as part of my senior thesis, with professor Shubik as my thesis advisor.

I spent part of the summer collecting information regarding how terrorists raise money. First, I conducted newspaper, legal briefs, and secondary source searches to create a list of likely methods of terrorist fund-raising. I then detailed the benefits and downsides of each of the nineteen fundraising mechanisms, and created recommendations for combating the funding in the future. I also analyzed the potential for network systems to be targeted by terrorists. I compiled a list of fifteen attackable systems, and then created twenty-two questions to gauge the vulnerability of these systems. The questions ranged from the number of users to the damage done by past-outages to the photogenic and telegenic nature of the attack. I used publicly available information to answer these questions, and began to construct a matrix with the systems on the column space and the questions on the rows.

Finally, I analyzed the changing nature of terrorist operational structure. I did this mainly by reading contemporary accounts of terrorist networks and comparing them with older documentation. I believe that the increasingly decentralized nature of terror networks creates difficulties for the current tactical and financial terrorism prevention methods.

On the whole, my ROME research was immensely rewarding; I enjoyed it so much that I have applied to do research of my own following graduation.