

Mitchell's Musings 12-14-15: The Outrageous Market for Outrage

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Organizations nowadays have business plans for the lines of activity in which they hope to succeed. The business plans for terrorist groups – even if not formalized as such - involve recruitment by commission of the most outrageous atrocities they can conceive. For example, the attacks in Paris seemed to be mainly a recruitment tool for those attracted to such behavior, thus perpetuating the organization. The new recruits join the organization and follow its coordinated plans or, without formally joining, they commit similar atrocities that they choose on their own (as appears to be the case in San Bernardino). Thus, even though such attacks are often suicidal, enough new recruits are attracted to replace those who perish.

Of course, the leaders of organizations such as ISIS and al-Qaeda don't themselves commit suicide or die in such acts. Osama Bin Laden did not crash a plane into a building. Instead, leaders like Bin Laden induce others to commit suicidal acts for them. It's a viable, working business model that has so far been a success.

The terrorism marketplace seems to operate within a kind of circular "Say's Law" framework in which supply creates its own demand.¹ Supply (of new atrocities) creates demand for more among a subset of external witnesses for whom the Internet and conventional news media make the images available. A sufficient number of those individuals (it doesn't have to be a large percentage) who are attracted to such events are induced to supply more of them. The process gives the phrase "vicious cycle" an entirely new meaning.

I'm no expert on terrorism but I do think that official statements by government authorities indicating that terrorists are being defeated miss the point. Individual terrorists may be defeated. But the overall terror enterprise has developed a successful business plan, in part dependent on social media. Like "crime," it probably can't be defeated if defeat is defined as no attacks anywhere, or even just not in the U.S. But like crime, it can be suppressed and discouraged. The sad fact is that terrorism as a problem can be managed, but not solved.

¹Say's Law is the 19th century economic proposition that supply creates demand (because the income paid out to those who produce the supply becomes their demand for products). You can find numerous expositions on the web, e.g., <http://www.economicshelp.org/blog/glossary/says-law/>.

Terrorism is the extreme example of the phenomenon of outrageous behavior as a successful business strategy. However, there seems to be a related development in less extreme circumstances. The recent statements by GOP candidate Donald Trump – banning Muslims from entering the U.S., etc. – fall into that category. It's not that other GOP candidates are induced to say exactly the same thing or to say even wilder things. But making outrageous statements attracts both media coverage and supporters. From the news media perspective, even if there are angry editorial denunciations of the remarks, the coverage of them attracts readers, listeners, and viewers. The denunciations, in fact, seem to reinforce the enthusiasm of Trump supporters. So the supply of outrageous statements seems to create a demand for more of them.

Say's Law applied to public discourse seems to invoke yet another 19th century economic law: Gresham's proposition that bad money drives out good.² Gresham's Law was a product of the U.S. bimetallic (gold vs. silver) monetary standard of that era. Under Gresham's law, the metal which is of relatively high value disappears from circulation as a currency and is replaced through market forces by the low-value metal. The contemporary version is that bad discourse drives out good. Outrageous statements are a successful business strategy.

As the Gresham effect has operated in recent days, economic concerns seemed to have totally disappeared from the presidential campaign. Remember the debate about the proposed TPP (Trans-Pacific Partnership) accord and its potential effects on the domestic economy? Whatever you may think about that issue, you haven't seen much about it of late. Similarly, the Pew Research Center a few days ago released a report documenting the relative decline of the American middle class.³ Not much discussion was to be found about that development, either.

That lack of attention is especially of interest since declining economic opportunity seems to be an underlying influence animating the most enthusiastic Trump Republican supporters: individuals with less than a college degree. In fact, neither political party can claim to have done much for them in that area. Telling them to get their degrees and even promising subsidies to do so – the Democrats' response – is not all that helpful.

In fact, the days of presidential campaigns based on "it's-the-economy-stupid" seem to have evaporated in the market for outrage. Undoubtedly, another recession would refocus the public discussion on the

²<http://www.britannica.com/topic/Greshams-law>.

³<http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/>.

economy, but a recession is hardly a result to be desired. And there is an interesting question of whether, if a recession did occur, public policies could be mounted – as they were in 2008 – to prevent a disastrous downward spiral.

We now, post-2008, have banks supposedly too large to fail and political gridlock and polarization that might let them fail. That possibility alone should be of concern to presidential candidates and the electorate. But you haven't heard much about it, have you? In the marketplace for outrage, you probably won't. Still, the odds that you will be adversely affected by a recession in the future are much greater than the odds you will be the victim of a terrorist.

Happy Holidays.