

The Washington Times

www.washingtontimes.com

How to find Osama

By Richard W. Rahn

Published August 15, 2004

Having just finished reading the report of the September 11 commission, I was shocked; shocked to learn major U.S. government bureaucracies are incompetent. Washington being Washington, most of the solutions proposed revolved around reorganizing and creating more bureaucracies.

It seems not to have occurred to anyone there are market solutions for many information problems the intelligence community faces. Two examples follow. The first is the general problem of economic intelligence, and the second is using the market to find a particular someone -- Osama bin Laden.

A couple of decades ago, I became aware the CIA was systematically overstating the size of the Soviet and Eastern European economies. An article I wrote about it was published in 1984. My critique, and those of others then, had no impact. At the end of the Cold War, we indeed found real per capita incomes in the Soviet Union and Eastern Europe were on average about one-third the CIA estimates.

The CIA greatly overestimated the size of these countries' civilian economies because the agency overrelied on the translations of official documents and periodicals rather than have agents or embassy personnel walk about and see what goods were available at what price. This is "market research."

Those of us who had spent time in the former communist countries before and during the economic transition were well aware few goods in the old Soviet Union actually were available in any quantity at official prices. For example, the Soviet press might state the official price of a refrigerator was 100 rubles, but in fact there were no refrigerators available at that price. With luck, a Soviet citizen might actually have been able to find a refrigerator on the black market for 400 rubles.

That there were far fewer goods at much higher prices was well known to many in the Western press and business community, but the CIA ignored much of this evidence -- I suspect partly because it would have diminished the perceived threat.

Intelligence agencies should do much more "contracting out." There are economic and market research firms operating in virtually every country with considerable local expertise. For the right price, they could provide the CIA much better information, at a far less cost, than it would likely obtain on its own.

Using principles of market economics should not be limited to gathering economic intelligence, but greatly expanded to gathering information on weapons systems and terrorists.

At some price, there is almost always someone who will reveal secrets any government might like to know -- and usually this price is far lower than other ways of seeking the information.

For instance, after three years and expenditure of many tens of billions of dollars, we (i.e., the CIA and others) still have not found Osama bin Laden.

A couple of years ago, the U.S. government offered a bounty of \$25 million for his head. Many in Washington believe this shows bounties don't work. In fact, it shows the price was too low. Suppose we increased the bounty \$5 million a month until he was brought in dead or alive. What do you think would happen?

The reason \$25 million has not worked is that getting bin Laden is both dangerous and expensive, and you would probably need a team to do it. So by the time you add up your expenses and divide the net amount after taxes among your team, the risk-reward ratio is not sufficiently attractive.

At some price, getting bin Laden becomes attractive to many reasonably competent people, and some brave and enterprising soul would get him.

At the moment, \$25 million plus \$5 million a month since September 11, 2001, adds up to a bounty of about \$200 million. That may sound like a lot of money, but it only works out less than a dollar for each American, and we have already spent many times that sum trying to find him.

I expect \$200 million is a large enough pot to even induce thousands of American trial lawyers to start combing the hills of Afghanistan, like gold prospectors in California in 1849 -- and nothing could be more beneficial to the U.S. economy.

Richard W. Rahn is a senior fellow of the Discovery Institute and an adjunct scholar of the Cato Institute.