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By ELI BERMAN and JACOB N. SHAPIRO | November 29, 2015

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In the accelerating public discussion of ISIL, it's easy to become focused on what we don't know: its elusive leader, its shadowy connections abroad, the gruesome propaganda emanating from somewhere on the Internet. Much about the group suggests a mysterious terrorist entity with an apocalyptic ideology that aspires to strike everywhere, including here in America. Reporting on ISIL is extremely inconsistent, its leaders rarely appear in public and its extensive [social media](#) machine makes it hard to tell its propaganda from fact.

Deciding how we think about ISIL is critical to deciding how to fight it. President Obama said he plans to stay the course by intensifying his current policy, which you might call *containment plus*: contain the group's expansion in Syria and Iraq, and hasten its demise with steady air strikes and support to regional allies. His critics, meanwhile, call for a range of options, from allowing **local forces** to defeat the group, to **easing** the rules of engagement for airstrikes, to deploying U.S. special forces, to a **large-scale** campaign using 20,000 or more U.S. troops in **direct combat** ground roles.

Which is right? The answer depends at least in part on what kind of an enemy we think ISIL really *is*. Is it a tremendously well-resourced terrorist group that controls substantial territory, which it uses to plan attacks, vet operatives and manage a complex financial network? Or is it a fledgling nation-state that sponsors terrorist attacks? If we view ISIL as the former, then containment seems like an odd strategy, since even if contained it could continue to support terrorist attacks. But if we view it as a state, then it looks very different: a desperately poor nation trying to fight a three-front war—Iraq to the East, the Kurds to the North and Syria and other insurgents to the West.

While the uncertainty about ISIL is real, we actually do know a lot about it as a nation. It doesn't publish statistics or communicate with the United Nations, but it's definitely a bureaucracy, and a large number of **documents** from the group have been **captured and published**. Remote satellite sensing lets us make estimates of the population in its territory, as well as its pre-war economic activity and trends in oil production. And a range of excellent reporting has illuminated many of the group's day-to-day **governance practices**.

Taken together, this evidence suggests to us that ISIL is most usefully thought of as a state. Not a state with recognized borders, but an entity that needs to control territory in order to sustain its message, validate its propaganda and maintain much of its capacity. And if it's a state, then the good news is that it's an extremely weak one: geographically vulnerable, with an unsustainable resource base and a grave problem with its population. As we decide how to confront it, there are three crucial points to understand.

Money

The first thing to recognize about ISIL is that it has an intractable **funding problem**.

We hear a lot about its **cash flows**, which are surely large for a terrorist group, but tiny for a state. Early on in ISIL's existence, one heard a great deal about its oil revenues, and recent **estimates** apparently **extrapolated** from one province in one month put revenues at \$500 million per year from oil alone, yet oil and gas extraction is not sustainable as a funding source. Oil production is dropping because the group

lacks engineers and because its infrastructure is **being bombed**. And what oil ISIL can sell must go at an **enormous discount** relative to world market prices, because of sanctions and physical constraints on transporting the product to world markets.

An alternative source of funding that has received much attention is the looting of antiquities, since it controls territory in an area profoundly important to world heritage. But looted treasures cannot possibly fill this kind of gap. In the long run supply is limited; in the shorter run, if the group flooded the market with antiquities to raise cash (which they haven't yet done, as far as we can tell) prices would crash unless demand for such goods is highly elastic, which seems **unlikely**.

So ISIL is left with what has been revealed as its main funding source: **extorting funds** from the population under its control. This is standard practice for rebel groups, showing up with guns at roadblocks and businesses and demanding payment or confiscating goods. But extortion, too, is unsustainable as the most productive residents **flee**, taking their capital with them (both human and physical), **inflation** erodes the value of taxes that are collected and people exposed to excessive taxation **stop investing** in productive activities.

People

Various publicly available **maps** provide estimates of the regions ISIL controls. There are two scientifically validated sources of highly localized population **estimates** that combine census data with satellite imagery to estimate population numbers across the world. Bringing the maps and the estimates together suggests that areas ISIL can tax had a pre-war population between 2.8 million and 5.3 million people.

But the group has suffered **massive departures** from its territory, so many that its propaganda machine has taken to attacking those who leave.

It's not surprising, if you think about it: Governance is poor, rights are not protected and the rules change constantly. There are **many accounts** of the group **forcing people** to stay, and there are significant **tensions** between local fighters and foreigners who receive **preferential treatment**. The result, for ISIL as a state, is a damagingly large human capital drain.

Now, obviously the group is calling people to the cause. But the people attracted by ISIL's global recruiting drive amount to an army of fighters—low-skilled ideologues, for the most part, rather than the engineers, administrators and entrepreneurs that an economy would require to thrive, at least to judge from **published** reports.

Regime competence

Even absent attrition, ISIL would be doomed as a state. Modern history shows us that unpredictable autocratic regimes always suffer terrible economies and low growth. Every other state in the last century that has had extortionary governance (high and unpredictable tax rates administered by an autocratic leadership that [redistributes](#) to regime insiders) has seen its economy crumble over time.

ISIL's governing institutions are terrible from the perspective of economic activity: they offer poor property rights, unpredictable taxation, no investment in human capital, no credit markets or affordable insurance. Unless ISIL's leaders have figured out a radical new way of managing production that no other country has devised, then their economy is going to produce little.

It is impossible to predict how long it will take for the state's economy to collapse, but the collapse over time is certain. Recent reporting tells of increasingly [dire conditions](#).

This problem has afflicted states far more legitimate than ISIL. Zimbabwe is the most obvious examples of a state that was rich before its governing institutions doomed it to stagnation and decline. States like Zimbabwe don't vanish, in part because they're part of a global system that values stability and ultimately props them up. ISIL has no such safety net.

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Knowing all that, and thinking of ISIL as a state, implies that "containment plus" indeed makes sense. We're fighting a failed state in the making, one that will implode if merely contained, and will collapse even faster under coordinated economic and military pressure from its neighbors.

Granted, this view of ISIL as eventually doomed does not treat the urgent threats it poses, both in the Middle East and in the West. On the way to collapse, the group is very [likely](#) to lash out with more terrorist attacks in the West. Since NATO could quickly crush ISIL if it so chose, the question is really how many attacks like Paris would be avoided by such action, and at what cost? And the answer to that depends very much on the vigilance of Western intelligence services. If one assumes that greater vigilance can substantially mitigate the risks, as it has for the United States, which has disrupted

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many attacks in the last decade, then containment looks even better.

In weighing whether to attack or contain the group, there's one other consideration that hasn't yet received enough attention: The ideological benefits of allowing it to collapse by itself. No one uses communism to rally rebels anymore (save for a few small groups in India); the collapse of communist states in the 1990s demonstrated to everyone how ineffective the ideology was at running a modern economy. As Ronald Reagan correctly saw, allowing communism to collapse of its inherent contradictions would discredit it forever.

As the Soviet Union was to communism, so ISIL is to jihadism: the purest articulation of a noxious ideology of governance, which incidentally has little connection to Islam. If we allow it to fail, then it will be clearly a failure of ISIL as an *idea*. The same is not true of a military defeat at the hands of Western forces. Given its deep structural weaknesses and its symbolic value in the global war of ideas, our best strategy is almost surely one based on containment, allowing the group's motivating ideology to destroy the group from the inside—and thus more rapidly find its proper place in the dustbin of history.

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