

Disguised Terrorism Versus Political and Economic Failures- Which Diagnosis Do We Need to Recognize? 205 Countries in Two Decades of Analysis

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Abstract

Identifying the causes of terrorism has been a goal of researchers for decades. The evidences and implications of terrorism are both extremely ambiguous, but also poignant. Dealing with terrorism has become the centerpiece of political debates for years. Despite of that, it has always been followed by the similar and identical uncompromising and intransigent security measures in different parts of the world, even if the reasons behind the acts combine many and different types of human sides, including political, social, security, psychological, cultural, and religious dimensions. There are lots of tremendous feelings, not only for the victims but also for the assailants that believe in their unprejudiced acts and are continuously able to justify their significance of the use of violence. That is why the paper started by introducing the subject to the reader, including the terms related to the phenomena, but also introducing the idea that there is an economic cost associated with this phenomenon. A key challenge of understanding terrorism is both defining the various and multidimensional theoretical and practical features of extremism, while, at the same time trying to render the various Political and Economic impacts of terrorism on societies. With effort to help the different spheres to understand the roots of this phenomenon, we thought that it was necessary to bring the widest and assorted point of views related to the roots, and also failures that might lead to violence, in particular from political and the economic perspectives, from different countries. We have also added English, French, Spanish and Arabic references written in their native languages.

Empirically, we have chosen to assess the Political and the Economic drivers for Terrorism. Political drivers have been measured by “Control of Corruption” (X4), “Government Effectiveness” (X5), “Regulatory Quality” (X6), “Rule of Law” (X7) and “Voice and Accountability” (X8). Economic determinants are used as control variables in the robustness check and they have been measured by “GDP growth” (X1), “GDP per capita” (X2) and “Employment Ratio” (X3). Using panel data analysis according to GMM technique results indicate that all of these political drivers have significant positive effects on “Political Stability”. Analysis has been conducted using annual data of 205 countries during the period from 2002 to 2019.

Robustness checks indicates that controlling for economic factors has slightly enhanced the explanation power, providing R^2 of 0.2498 instead of 0.1836 (for the first hypothesis), of 0.8928 instead of 0.8853 (for the second hypothesis), of 0.2333 instead of 0.1748 (for the third hypothesis), of 0.8941 instead of 0.8869 (for the fourth hypothesis) and of 0.9920 instead of 0.9821 (for the fifth hypothesis). The paper concludes that terrorism is mainly caused by political drivers. Economic factors had a slight impact and enhanced very much the explanation power of the model. Nevertheless, mixing political and economic considerations have shown that that terrorism is predominantly due to lack of political lacunas, and not for the most part to economic needs.

Keywords: accountability, conflicts, economic policy, GDP, government, growth, rule of law, terrorism, unemployment

1. Introduction

Many see terrorism as a complex phenomenon. The existence of a number of factors creates a fertile environment for terrorism and makes it very difficult to attribute terror to a single factor or reason. This is because the structural determinants of terrorism are closely interconnected. They are generally economic,

political, and social and even cultural constraints (Bueno, 2008). Some even emphasize the issue of the clash between cultures and civilizations (Huntington, 1996), while others refer to the differences of identities due to religious or ethnic beliefs (Schneider et al., 2011).

If we need to know why this topic is vital and worth to be investigated, we might need to consider and explore what was written in the past 40 years, or go over the literature review that we have tried to compile (part 4). This will show that there is a wide range of theories and foundations presented as strong explanations for the roots of terrorism. Analysis are surely sometimes different, but contradictory, even for one single incident. Terrorism sometimes mixes myths and realities. We also need to understand the price and hidden costs (part 5), as risks are tremendous and painful and the burdens are exorbitant. Developing countries are destructively hit by terrorism over and above developed countries. Terrorism sometimes leads to economic and political structural changes and to societal constraints. Governments are increasing measures and expenditures while societies are always alert. The situation turns from peaceful communities to societies in war. Terrorism might also lead to the inefficiency of counterterrorism institutions and policies and shows that counterterrorism is not the only solution, unless we define the roots and real causes. To cover such unsuccessful gaps, governments tends to increase public spending and security budgets. Besides, terrorism affects production cycles that are severely disrupted. Consumption is temporarily limited, bringing a GDP shrank, such as what happened in the US in 2001 (OECD, 2002).

In terms of relating this study with previous work done in this area, a review of the different dimensions of terrorism was made. It shows an existing correlation with income levels and education levels. It also, and mainly shows a correlation with social inclusion, citizenship rights and the impartiality of political and social institutions. Terrorism happens because of poor economic atmosphere that creates a vicious cycle of violence and negative economic outcomes. However, most of the literature show that terrorism remains basically, a result of political and institutional failures, and not only to poverty. Poverty is a subordinate variable.

Within the need to generate theoretical and practical implications for the study, we have reviewed a wide range of analysis. We have found insufficient knowledge and unique clarifications that explain the actions of the terrorists and their stimulus. Literatures sometimes fails to explicate the real motivations and drivers behind the acts, and not only the attacks. It's not only important to detail the numbers of attacks by country or by region, and to count the number of death and losses and to estimate the costs, but also to define the reasons why these attacks are happening through correlations between the macroeconomic variables and the attacks and losses.

That is why this paper attempts to address the Political and Economic drivers of terrorism simultaneously. It has used extensive data from the World Bank (WB) national accounts data, the International Labor Organization (ILO), and the WGI Data and documentation. Political drivers of terrorism have been measured by (5) determinants such as "Control of Corruption", "Government Effectiveness", "Regulatory Quality", "Rule of Law" and "Voice and Accountability". Economic determinants are used as control variables in the robustness check and they have been measured by (3) variables that are "GDP growth", "GDP per capita" and "Employment Ratio", using annual data of 205 countries during the period from 2002 to 2019. The extensive literature review that has been compiled and studied, in addition to the international cases studies that have explored terrorism in many countries, (OECD, 2002; Flynn, 2004; Fernanda & Tavares, 2007; Llussá & Tavares, 2008; Tavares, 2008; Schneider et al., 2011; Jager, 2018; Fleischmann, 2018; Gaibulloev & Sandler, 2019; UNDP, 2019), in addition to the analyses of the environment and the ecosystem related to these incidents, have helped to identify the (8) variables and the drivers related to Political setup and to the Economic environment, driven from the Data Accounts (WB, ILO, WGI).

In view of that, the primary hypothesis has worked on two axes: (1) Terrorism and Political Stability, and (2) Terrorism and Economic indicators in order to evaluate the different correlations. The secondary hypothesis has worked on (8) sub-variables related to the two main axes, the political such as Government Effectiveness, Regulatory Quality, Rule of Law and Voice and Accountability, in addition to the economic axe measured by (3) main macroeconomic indicators as mentioned above.

Consequently, the paper is divided into (11) sections. After this introduction in Section (1), Section (2) presents the problem articulation, Section (3) defines the reality of the "term" used in this paper, Section (4) presents the related literature, while Section (5) explains the paradigm between tangible costs and hidden costs. The data analysis begins in Section (6), by developing and testing hypotheses. Section (7) presents a descriptive and diagnostic statistics, while Section (8) is testing the hypotheses, and Section (9) is for the robustness checks. Section (10) is a summary of the data analysis and the results. Section (11) comes to summarize the paper and provides a synopsis of the research and concluding remarks.

2. Problem Statement

Terrorist operations have escalated alarmingly and with various forms of terrorist operations in many countries. Terrorism is a complicated and multidimensional phenomenon that has political, institutional, economic, social and religious roots. These dimensions generally overlap greatly, where these interactions cause difficulties in analyzing and searching for the main causes and roots. We have mentioned earlier that the limited analysis to a holistic approach and/or the partial picture in the economic security literature are leading to insufficient knowledge and explanations of the actions of the terrorists and their stimulus. It sometimes fails to explicate the real motivations and drivers behind the acts, and not only the attacks. Most of the work that has been done during the last 50 years, since the mediatization of the Munich attack during the 1972 Summer Olympics, or even 10 years before, at the time of the assassination of John F. Kennedy, have shed lights on political, social, or ethnic reasons. Some have linked Terrorism to civil wars or to immigration in their analysis and assumptions (Alex, 2016). Others, such as Raul and Schneider (2011) have said that the main reasons are primarily Socio-Economic determinants, and they have only worked on Western Europe. Our review came across a large number of different analysis, sometimes contradictory even for one accident or terrorist attack (Halliday, 2013) and (Mirzayee, Royanian, & Shabanirad, 2017). We have reviewed within this paper more than 75 papers and publications (literature review) that have tried to explain the roots of terrorism. There is no single approach. Some papers have included an economic analysis and have tried to measure the impact of Terrorism on aggregate output and specific sectors of activity such as Lluss á and Tavares (2008). However, few have linked economic “aggregates” to terrorism, and very few have linked it to macroeconomic and Political variables and/or indicators at the same time, and to a large volume of countries examined in the paper (205).

The analysis undertaken in this research, with the examination of 205 countries from 2002 to 2019, aims to classify the reasons and the outcomes of Terrorism worldwide and identify the role of the Political and Economic Drivers on Political Stability/Absence of Violence/Terrorism.

3. Defining the Term

It is difficult to agree on a single definition of terrorism, as there are various and multidimensional academic and political definitions of terrorism (Krueger & Malečková, 2003). According to (Enders & Sandler, 2003), terrorism is "the use of violence, brutality, or threat with premeditation by local or national groups to achieve a political, religious or ideological goal by terrorizing a large number of people who have no direct connection with the decision-makers". This is the explanation commonly used in the studies of political economy examining the impact of terrorism as a phenomenon and its consequences.

Another term appears in the literature of political economy such as “Economic terrorism”. It is known as the contrary to “economic warfare” which is undertaken by states against other states. “Economic terrorism” is undertaken by transnational or non-state actors. (Parmar, 2012). This could entail varied, coordinated and sophisticated or massive destabilizing actions in order to disrupt the economic and financial stability of a state, a group of states or a society for ideological or religious motives. They could either have immediate effects or carry psychological effects, which in turn have economic consequences. Cyber terrorism is another form of economic terrorism. It looks on how groups can attack the internet and its other related networks. Terrorists will use global information infrastructure. The economic damage is high and over-all, much more than the traditional violent and classic terrorism (Colarik, 2006).

We can also differentiate between two types of terrorism; the revolutionary terrorism, with a target to remove the existing political system, and the quasi-revolutionary terrorism, which aims to change some elements of the status quo, without a radical removal of the political system (Michael, 2007). In general, terrorism has three basic features: 1) Use of excessive violence. 2) The secretive and illegal nature of terrorist acts, persons, and organizations. 3) The large desired impact of these acts to attract the attention of the largest number of people, mainly through the media.

4. Literature Review

There is a wide range of schools of thoughts and theoretical explanations of terrorism in terms of origins and roots, where some see political factors as the basis of terrorism (Cinar, 2009). A group of analysts believes that political freedom is a fundamental and determining factor of terrorism, regardless of whether the country is rich or poor (Sabir, 2007). Another line of thought believe that political deviations and violence might be the major cause of the spread of terrorism, regardless of the nature of the political regime. Political changes can create gaps. They create reasons and allegations for terrorism and push terrorists to attempt to fulfill the gaps, where some analyst see that economic factor help in the establishment of terrorism. Others believe that ethnic, geographic and demographic factors play a greater role in creating terrorism (Schneider et al., 2011).

In a book entitled “*Root Causes of Terrorism: Myths, Reality and Ways Forward*”, a team of international experts analyze the potentials and boundaries of terrorism by addressing the sources and the sustainably factors. They argue that the reasons for terrorism is due to the internal socio-economic conflicts in the societies, as a results of the process of modernization that creates different types of pressures (because of western ideas, new lifestyles, the transition from rural to urban areas, etc.). These economic and social pressures present an advantage for the terrorist groups and make them able to easily recruit the losers of the modernization process. (Bjørøgo, 2005). On the other side, some argue that the low level of education or the economic situation cannot be considered as the main causes leading to the spread of terrorism (Fernanda & Tavares, 2007; Jager, 2018; Fleichmann, 2018).

Some authors have noticed that globalization and modernity have two contrasting effects on societies. It offers great economic opportunities that reduce violence and terrorism. However, it sometimes, increases disappointment, thus brings more violence and terrorism (Schneider et al., 2011; Caruso & Shneider, 2011). Most recent studies in this field, which focused on the role of globalization in the spread of terrorism, showed that, it has sometimes significant statistical effect on terrorism (Gaibullov & Sandler, 2019).

Anyhow, despite some major disparities between authors and analysis that explain the roots and causes of terrorism, there are a number of issues in common that appear and that we can witness such as:

1- Countries that have a democratic regime and institutions have a comparative advantage in reducing the cost of terrorism compared to countries that do not follow a democratic system. It is mainly due to the ability of democratic systems to create and offer better arrangements for the citizens and better deal with economic and social shocks and problem. In other terms, they can better contain political, ideological and ethnic factions and integrate them into the political system, thus responding to the needs of marginalized communities and make them less responsive to terrorist actions (Tavares, 2004).

2- Studies have shown that multilingualism does not have a negative effect on the possibility of increasing local terrorism rates, unlike religious and ethnic diversity, which have a negative effect on the risks of increasing terrorism rates (Tavares, 2004).

3- Regardless the risks, the strength of the counterterrorism institutions, such as the army and the police, and the political and ideological tools of the governments and the ruling regimes, they greatly affect the conduct and performance of terrorist organizations. (Kilcullen, 2016).

4- The institutional system and its efficiency affect the participation of the citizens. It has been shown that the choice of violence and people to adhere to terrorist organizations, is negatively proportional to improvements and efficiency of economic and political of System (Schneider et al., 2011)

5- We do learn from violent actions and terrorist campaigns that some of the acts, if not most of them, their target is to make actual regimes or governments fail and fall. Walter and Todd (2010) explain that, even in liberal democracy if government fails to provide security to the citizens, it will lose support and be voted out of office. They give examples of governments that were unable to control terrorist campaign that murdered innocent individuals on city streets or on public transit, and how governments appeared inept and lost popularity.

6- We do also learn from the consequences of violent actions, that if terrorists did not succeed to change regimes, their actions may succeed to hit social and political freedoms in the targeted countries. In other terms, even if terrorist campaigns did not lead to the fail of the actual regimes or governments as described previously by Walter Enders and Todd Sandler, they cause indirect pressures. Martha and Irving (1986) argue that even if terrorism has failed to achieve its primary objective of changing the foundations of targeted state power, it has been effective in influencing democratic societies to curb essential freedoms in the name of counterterrorism objectives. Their work discussed the impacts of terrorism on democracies, through the actions of the Irish Republican Army, labeled as a terrorist organization. They have analyzed the ideology, history, structure, and tactics of the Protestant and Catholic terrorist extremist groups in Northern Ireland. They examined also the terrorism and counterterrorism in Argentina that plunged the country into a period of violence from 1965 to 1979. Their conclusion is that changing the statuesque is the main objective of the terrorists, rather than just putting pressures on government.

7- Developing countries are negatively affected by terrorism more than developed countries because of their weak institutional capacities. From an economic perspective, the small size of their markets and the failure of economic policies that bring a high debt-to-GDP ratio for example and other bad macroeconomic indicators, lead to violence and sometimes to terrorist actions (Schneider et al., 2011). However, when we analyze terrorism, we learn that the impacts are worldwide. Developed countries are also vulnerable to terrorism. Flynn (2004) is also explaining how America was vulnerable to the attacks and how the US government failed to predict and protect

Americans from terrorism and from the cost of terrorism.

8- We also learn that the way terrorism is hypothesized and professed is different from a country to another, but also from a political group to another inside the same country. Terrorism is not only a societal perspective, but it is a huge political dimension. It is subject to sometime ridiculous fights between political parties. The literature review shows that there are many rubrics and even use of the word “terrorism” according to political regimes and backgrounds in the world. We can argue that the Americans and the Iranian do not have the same vision regarding the same word. Palestinians and Israeli will not also have. As example, in the United States, terrorism is principally a threat from “Al Qaida”, while the American right-wing terrorism remains understudied, and underreported in the media (Kearns, Betus, & Lemieux 2019), despite the facts that these groups are responsible for more occurrences and incidents after 2010 in the US. (Miller, 2017). Koehler (2016) also sheds light on the Right-Wing Extremism and Terrorism that was developed in Europe, especially in the 1990’s, but with different colors and reasons, as a reaction of the rise of increased immigration in Europe.

9- Economic crises might of course lead to violence. It might slightly lead to terrorism. Testas (2001) has shown that the economic crises in Algeria in the nineties was at the origin of the unbreakable terrorism in this country that was devastated by violence. A cruel conflict opposed armed militant groups to the democratic civil society supported by the army. Other studies support the idea that economic decline in the 1980s in some Arab counties is the origin of the spread of violence. (Schneider et al., 2011). However, we think that in Algeria the origins of the crises are ideological, but it was nourished by indeed the low-income level of the populations. In Algeria, the political and ideological gap between two factions (the Army and the Islamists of the FIS, known as *Le Front islamique du salut* or, al-Jabha al-Islāmiyah lil-Inqādh) devastated the country, despite dramatic economic conditions. Sri Lanka is a similar case.

10- In Sri Lanka, the slowdown of the economy, the high rates of unemployment between young people, in addition to a high inflation rate have prepared the ground to a civil war. Moreover, the introduction of new and unsuitable education system, the negative power of the media, in addition to made-up modernization, where mistakes undertaken by the political regime. The result was a huge ethnic conflict between the Sinhalese, the majority and the Tamil as a minority (Samaranayake, 1999). Moreover, in Latin America, Feldmann and Perala (2004) have found no correlation between economic factors such as growth, income distribution, etc. and terrorism in the continent. They attributed terrorism mainly to political and institutional elements.

Conclusion is that many have tried to find answers to the different dimensions of terrorism and to define the phenomena (Duyvesteyn & Fumerton, 2009). However, few have reached an agreement while explaining *The Strategy of Terrorism* (Neumann & Smith, 2008).

At the end, we can argue that one of the limitation of such studies is the difficulty to define the “paradigm” and not only the “term”. What is terrorism and how do you differentiate it from other forms of violence such as revolutions? How can we evaluate the costs and the damages? How do we track the roots and reasons why behind their mechanisms? All those elements are needed in order to understand the real motivations, the instruments and the mechanisms of phenomena and explain the economic and the social costs.

5. The Cost versus the Hidden Costs

Different work has attempted to calculate the direct costs due to terrorist actions and attacks. However, it is very difficult to enumerate the all or the majority of the different hidden costs. There are also hidden costs such as the psychological behaviors of the citizens as a result of terrorist operations, or the mental image that a society would acquire. Nevertheless, the economic cost of terrorism, which can be calculated, is exorbitant, especially in developing countries. Terrorism negatively affects economic growth rates through its effect on a set of economic variables such as Foreign Direct Investment (FDI), Foreign Trade and economic relations. These variables are negatively and consequently affecting the rates of growth of the GDP.

Hidden costs are also seen in the fluctuating consumption patterns and behavior of individuals as a result of terrorist operations. It also noticeable in the redirection of government investments from civil needs to defense and security activities, in addition to the exclusion of private investment in economic activities that would directly lead to an increase in unemployment rates. It has been also noticed the reluctance of potential capital creation and investments in the countries that have been affected by terror attacks.

According to the available data, the Middle East and North Africa (MENA) region was one of the highest areas in the world affected by terrorism. In 2016, we have seen 4,732 terrorist attacks and 13,512 deaths in the MENA Region. South Asia has witnessed 3,137 terrorist attacks and 5,949 deaths with an escalation in 2017 (<http://ourworldindata.org/terrorism>). The UNDP is arguing that the worldwide economic cost of terrorism

reached US\$52 billion in 2017 and that it is had increased by two thirds in the ten years from 2008. In some developed countries, the cost is extremely high comparing with the GDP generated. In Africa, the cost of terrorism in ten years, from 2007 to 2016 is at a minimum US\$119 billion. The UN organization said that this number is considerably greater when we add the losses of the informal economic circuits, and the public spending such as security spending, and refugee/IDP costs that are sometimes not accounted or are difficult to account (UNDP, 2019).

The cost of terrorism is interesting to be analyzed on a sectorial level. There is a clear negative impact on household consumption after terrorist attacks. However, consequences of terrorism may be positive savings rates. Empirical studies on Israel in the 1990s have shown an important impact (Frey et al., 2004). The same impact historically happens to investment and Foreign Direct Investment (FDI). Nevertheless, mainly, the stock market is greatly affected and prices goes of course down after the attacks. However, the most affected sectors are tourism, aviation and hotel industries. With regard to the insurance sector, the impact of terrorist attacks varies. However, it has proven that insurance activities arise after each terrorist attack. The same case has been noticed for the information technology sector (Fernanda & Tavers, 2007; OECD, 2002). Besides, Frey et al. (2004) have mentioned that terrorism usually targets urban areas because of the high population density and the presence of vital facilities, which gives the attacks a wider media resonance. Terrorism also lead to a migration of the population that will move to safer areas. This remark has been noticed in lots of countries that have seen methodic terrorism.

On 12 October 2000, in Yemen and precisely in the port of Aden, a speedboat jam-packed of explosives hit the USS Cole while refueling at the port. The consequences were that 17 sailors died, plus 39 others critically injured. Two years later, terrorists attacked the French oil tanker Limburg (capacity of 300,000 tons) with a small boat full of explosives in the same country. The direct costs were the financial charges of the two boats, in addition to the value of human lives lost. True, but the indirect results rather than losing two boats were tremendous. They appeared later. The incidents pulverized the shipping industry all over the world. There was a 300% increase in insurance payments. Moreover, Djibouti and Oman lost the use of their competitive facilities. Yemen, that have witnessed the incidents, have seen a 50% decrease in its port activities and lost \$3.8 million per month because of the attacks (Walter & Todd, 2005).

It's argued that developed countries are also vulnerable to terrorism more than developing countries. However, the impact of terrorism on developing countries is much stronger than on developed countries. This is mainly due to several reasons, including the small size of developing economies compared to the institutional size of the economy in developed countries (Tavares, 2004; Bloomberg et al., 2004). The relative vulnerability of developing economies compared to developed economies, especially when exposed to terrorism, makes them unable to absorb economic impacts and shocks (Fernanda & Tavers, 2007). In the US, after September 11, the budget of the Homeland Security has grown by over 60% to \$36.2 billion for the fiscal year 2004. In fiscal year 2005, it grew by another 10% to \$40.2 billion. A little over 60% of the security budget goes to defending against terrorism in the US. (OECD, 2002).

6. Measuring Variables and Developing Hypotheses

The paper has used the extensive data and index from the World Bank (WB) national accounts data, the International Labor Organization (ILO), and the WGI Data and documentation, for 205 countries. It has identified the (5) Political drivers of terrorism measured by "Control of Corruption" (X4), "Government Effectiveness" (X5), "Regulatory Quality" (X6), "Rule of Law" (X7) and "Voice and Accountability" (X8), for 205 countries during the period from 2002 to 2019. It has used (3) Economic determinants as control variables in the robustness check and they have been measured by "GDP growth" (X1), "GDP per capita" (X2) and "Employment Ratio" (X3). The research variables are calculated as follows:

Table 1. Research variables

Variable	Sign	Source
Political Stability and Absence of Violence/Terrorism: Estimate	Y	Detailed documentation of the WGI
GDP growth (annual %)	X1	World Bank national accounts data
GDP per capita (current US\$)	X2	World Bank national accounts data
Employment to population ratio, 15+, total (%) (national estimate)	X3	International Labor Organization.
Control of Corruption: Estimate	X4	Detailed documentation of the WGI
Government Effectiveness: Estimate	X5	Detailed documentation of the WGI
Regulatory Quality: Estimate	X6	Detailed documentation of the WGI
Rule of Law: Estimate	X7	Detailed documentation of the WGI
Voice and Accountability: Estimate	X8	Detailed documentation of the WGI

This paper aims at testing the following five hypotheses:

- 1- There's no significant effect of "Control of Corruption" on "Political Stability".
- 2- There's no significant effect of "Government Effectiveness" on "Political Stability".
- 3- There's no significant effect of "Regulatory Quality" on "Political Stability".
- 4- There's no significant effect of "Rule of Law" on "Political Stability".
- 5- There's no significant effect of "Voice and Accountability" on "Political Stability".

Regarding each of the above-mentioned hypotheses, we consider the alternative hypothesis $H_a: \beta \neq 0$ versus null hypothesis $H_b: \beta = 0$, where β is the regression coefficient of the following functions:

$$Y = \alpha + \beta X_4 \quad (1)$$

$$Y = \alpha + \beta X_5 \quad (2)$$

$$Y = \alpha + \beta X_6 \quad (3)$$

$$Y = \alpha + \beta X_7 \quad (4)$$

$$Y = \alpha + \beta X_8 \quad (5)$$

All of these independent variables are positively correlated and this is why we test their effects separately to avoid the problem of multicollinearity.

7. Descriptive and Diagnostic Statistics

Table 2 illustrates descriptive statistics of the research variables during the research period and table (3) indicates the correlation coefficients as follows:

Table 2. Descriptive statistics of research variables

Variables	X1	X2	X3	X4	X5	X6	X7	X8
Mean	3.6495	18414.07	56.2367	0.3508	140.2799	0.4543	146.524	1.4099
Median	3.4256	8562.39	57.1285	0.1075	0.286816	0.3811	0.1684	0.4006
Maximum	123.14	143256.0	93.970	8.2719	10729.4	7.8739	10964.15	60.6107
Minimum	-21.5945	162.433	7.3500	-5.9455	-1.6741	-4.8712	-1.8644	-2.12443
Std. Dev.	4.7819	21874.2	11.1698	1.18804	1015.88	1.0731	1061.53	7.8738
Skewness	8.0642	1.8332	-0.09277	1.31806	7.814746	1.1875	7.7932	6.6449
Kurtosis	198.846	6.69124	3.70028	8.129294	65.8143	9.3943	65.2135	46.3539
Jarque-Bera	3243739.	2273.64	44.0848	2793.73	351952.8	3908.28	345530.5	172718.9
Probability	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Observations	2016	2016	2016	2016	2016	2016	2016	2016

Source: Outputs of data processing using Eviews 10.

Table 3. Correlation coefficients between research variables

	Y	X1	X2	X3	X4	X5	X6	X7	X8
Y	1.00000								
X1	-0.06038	1.00000							
X2	0.03724	-0.15908	1.00000						
X3	-0.00220	0.07621	0.25298	1.00000					
X4	0.43710	-0.17112	0.64356	0.09757	1.00000				
X5	0.94705	-0.04457	-0.01999	-0.01306	0.31706	1.00000			
X6	0.45475	-0.17490	0.59438	0.06719	0.91054	0.33954	1.00000		
X7	0.94804	-0.04487	-0.01901	-0.01288	0.31787	0.99959	0.34065	1.00000	
X8	0.99574	-0.07200	0.03639	-0.02129	0.44007	0.94686	0.46481	0.94772	1.00000

Source: Outputs of data processing using Eviews 10.

Regarding normality, Jarque-Bera values indicate that all variables are normally distributed at p-value of 0.01. Regarding multicollinearity, the correlation coefficients among political independent variables range from 0.31706 to 0.94772, which indicates that multicollinearity problem does exist and this is why we will use these variables separately. For the economic determinants, this problem hasn't been noticed.

8. Testing Hypotheses

To test the first hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Control of Corruption” on “Political Stability” for 205 countries during the period from 2002 to 2019. Table 4 indicates this effect, as follows:

Table 4. The effect of control of corruption on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.566626	0.228438	2.480439	0.0132
X4	2.339357	0.560374	4.174634	0.0000
R-squared	0.183553		Mean dependent var	0.627745
Adjusted R-squared	0.183326		S.D. dependent var	6.047481
S.E. of regression	5.465110		Sum squared resid	107463.0
Durbin-Watson stat	0.132792		J-statistic	0.000000
Instrument rank	2			

Table 4 shows that the “Control of Corruption” has a significant effect on “Political Stability” with explanation power of 0.1836 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Control of Corruption” may have a significant positive effect on “Political Stability”.

To test the second hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Government Effectiveness” on “Political Stability” for 205 countries during the period from 2002 to 2019. Table 5 indicates this effect, as follows:

Table 5. The effect of government effectiveness on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.043838	0.052930	0.828224	0.4076
X5	0.007454	0.000521	14.29837	0.0000
R-squared	0.885262		Mean dependent var	0.627745
Adjusted R-squared	0.885230		S.D. dependent var	6.047481
S.E. of regression	2.048746		Sum squared resid	15102.10
Durbin-Watson stat	0.326550		J-statistic	0.000000
Instrument rank	2			

Table 5 shows that the “Government Effectiveness” has a significant effect on “Political Stability” with explanation power of 0.8853 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Government Effectiveness” may have a significant positive effect on “Political Stability”.

To test the third hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Regulatory Quality” on “Political Stability” for 205 countries during the period from 2002 to 2019. Table 6 indicates this effect, as follows:

Table 6. The effect of regulatory quality on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.576123	0.231585	2.487744	0.0129
X6	2.311349	0.583017	3.964460	0.0001
R-squared	0.174764		Mean dependent var	0.627745
Adjusted R-squared	0.174534		S.D. dependent var	6.047481
S.E. of regression	5.494447		Sum squared resid	108619.9
Durbin-Watson stat	0.129325		J-statistic	0.000000
Instrument rank	2			

Table 6 shows that the “Regulatory Quality” has a significant effect on “Political Stability” with explanation power of 0.1748 at p-value of 0.05. This means that we can reject the null hypothesis and accept the alternative one, providing that “Regulatory Quality” may have a significant positive effect on “Political Stability”.

To test the fourth hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Rule of Law” on “Political Stability” for 205 countries during the period from 2002 to 2019. Table 7 indicates this effect, as follows:

Table 7. The effect of rule of law on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.052099	0.052194	0.998178	0.3183
X7	0.007140	0.000497	14.36818	0.0000
R-squared	0.886860		Mean dependent var	0.631695
Adjusted R-squared	0.886829		S.D. dependent var	6.021761
S.E. of regression	2.025772		Sum squared resid	14892.51
Durbin-Watson stat	0.319113		J-statistic	0.000000
Instrument rank	2			

Table 7 shows that the “Rule of Law” has a significant effect on “Political Stability” with explanation power of 0.8869 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Rule of Law” may have a significant positive effect on “Political Stability”.

To test the fifth hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Voice and Accountability” on “Political Stability” for 205 countries during the period from 2002 to 2019. Table 8 indicates this effect, as follows:

Table 8. The effect of voice and accountability on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.000631	0.035850	-0.017591	0.9860
X8	1.000269	0.005600	178.6194	0.0000
R-squared	0.982128		Mean dependent var	0.630850
Adjusted R-squared	0.982123		S.D. dependent var	6.031733
S.E. of regression	0.806468		Sum squared resid	2352.461
Durbin-Watson stat	0.168925		J-statistic	1.40E-45
Instrument rank	2			

Table 8 shows that the “Voice and Accountability” has a significant effect on “Political Stability” with explanation power of 0.9821 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Voice and Accountability” may have a significant positive effect on “Political Stability”.

So, for each of the 5 hypotheses, we can reject the null hypothesis and accept the alternative one, providing that “Control of Corruption” may have a significant positive effect on “Political Stability”, with R^2 of 0.1836 at p-value of 0.01 and that “Control of Corruption” may have a significant positive effect on “Political Stability”, with R^2 of 0.8853 at p-value of 0.01. Besides, results indicate that “Regulatory Quality” may have a significant positive effect on “Political Stability”, with R^2 of 0.1748 at p-value of 0.01 and that “Rule of Law” may have a significant positive effect on “Political Stability”, with R^2 of 0.8869 at p-value of 0.01. Finally, “Voice and Accountability” seems to have a significant positive effect on “Political Stability”, with R^2 of 0.9821 at p-value of 0.01.

9. Robustness Checks

A Robustness check has been conducted to investigate the political drivers of terrorism controlling for economic factors, where we consider the alternative hypothesis $H_a: \beta \neq 0$ versus null hypothesis $H_b: \beta = 0$, where β is the regression coefficient of the following functions:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 \quad (6)$$

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_5 \quad (7)$$

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_6 \quad (8)$$

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_7 \quad (9)$$

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_8 \quad (10)$$

To retest the first hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Control of Corruption” on “Political Stability” controlling for economic factors. Table 9 indicates this effect, as follows:

Table 9. Testing the first hypothesis controlling for economic factors

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	1.887629	0.565798	3.336225	0.0009
X2	-9.97E-05	2.97E-05	-3.356887	0.0008
X4	3.594965	0.795465	4.519322	0.0000
R-squared	0.249832		Mean dependent var	0.655402
Adjusted R-squared	0.249405		S.D. dependent var	6.113056
S.E. of regression	5.296161		Sum squared resid	98509.22
Durbin-Watson stat	0.182176		J-statistic	7.01E-46
Instrument rank	3			

Table 9 shows that controlling for economic factors has provided an explanation power of 0.2498 instead of 0.1836 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Control of Corruption” may have a significant positive effect on “Political Stability”.

To retest the second hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Government Effectiveness” on “Political Stability” controlling for economic factors. Table 10 indicates this effect, as follows:

Table 10. The effect of government effectiveness on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.222925	0.069889	-3.189721	0.0014
X1	-0.012095	0.005432	-2.226695	0.0260
X2	2.39E-05	2.05E-06	11.64853	0.0000
X5	0.007444	0.000524	14.19468	0.0000
R-squared	0.892829		Mean dependent var	0.656880
Adjusted R-squared	0.892737		S.D. dependent var	6.131767
S.E. of regression	2.008222		Sum squared resid	14070.98
Durbin-Watson stat	0.344468		J-statistic	0.000000
Instrument rank	4			

Table 10 shows that controlling for economic factors has provided an explanation power of 0.8928 instead of 0.8853 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Control of Corruption” may have a significant positive effect on “Political Stability”.

To retest the third hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Control of Corruption” on “Political Stability” controlling for economic factors. Table 11 indicates this effect, as follows:

Table 11. The effect of regulatory quality on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	1.692338	0.552671	3.062107	0.0022
X2	-8.82E-05	2.91E-05	-3.031417	0.0025
X6	3.493108	0.845180	4.132977	0.0000
R-squared	0.233309		Mean dependent var	0.655402
Adjusted R-squared	0.232873		S.D. dependent var	6.113056
S.E. of regression	5.354170		Sum squared resid	100679.0
Durbin-Watson stat	0.166869		J-statistic	0.000000
Instrument rank	3			

Table 11 shows that controlling for economic factors has provided an explanation power of 0.2333 instead of 0.1748 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Regulatory Quality” may have a significant positive effect on “Political Stability”.

To test the fourth hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Control of Corruption” on “Political Stability” controlling for economic factors. Table 12 indicates this effect, as follows:

Table 12. The effect of rule of law on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.187731	0.071195	-2.636848	0.0084
X1	-0.013339	0.005567	-2.396206	0.0166
X2	2.12E-05	2.32E-06	9.167403	0.0000
X7	0.007132	0.000500	14.25134	0.0000
R-squared	0.894123		Mean dependent var	0.660195
Adjusted R-squared	0.894033		S.D. dependent var	6.108322
S.E. of regression	1.988419		Sum squared resid	13901.59
Durbin-Watson stat	0.336422		J-statistic	0.000000
Instrument rank	4			

Table 12 shows that controlling for economic factors has provided an explanation power of 0.8941 instead of 0.8869 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Rule of Law” may have a significant positive effect on “Political Stability”.

To retest the fifth hypothesis, a panel data analysis according to GMM technique has been conducted to investigate the effect of “Control of Corruption” on “Political Stability” controlling for economic factors. Table 13 indicates this effect, as follows:

Table 13. The effect of voice and accountability on political stability

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.929121	0.188756	-4.922342	0.0000
X1	0.016903	0.007689	2.198360	0.0280
X3	0.012975	0.003426	3.786595	0.0002
X8	1.008642	0.004140	243.6471	0.0000
R-squared	0.991954		Mean dependent var	1.285533
Adjusted R-squared	0.991942		S.D. dependent var	7.962637
S.E. of regression	0.714790		Sum squared resid	1029.003
Durbin-Watson stat	0.127965		J-statistic	0.000000
Instrument rank	4			

Table 13 shows that controlling for economic factors has provided an explanation power of 0.9920 instead of 0.9821 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Voice and Accountability” may have a significant positive effect on “Political Stability”.

Robustness checks indicate that controlling for economic factors has slightly enhanced the explanation power, providing R^2 of 0.2498 instead of 0.1836 (for the first hypothesis), of 0.8928 instead of 0.8853 (for the second hypothesis), of 0.2333 instead of 0.1748 (for the third hypothesis), of 0.8941 instead of 0.8869 (for the fourth hypothesis) and of 0.9920 instead of 0.9821 (for the fifth hypothesis).

10. Summary of Data Analysis and Results

The paper addressed the Political and Economic drivers of terrorism. Political drivers of terrorism have been measured by “Control of Corruption” (X4), “Government Effectiveness” (X5), “Regulatory Quality” (X6), “Rule of Law” (X7) and “Voice and Accountability” (X8). Economic determinants are used as control variables in the robustness check and they have been measured by “GDP growth” (X1), “GDP per capita” (X2) and “Employment Ratio” (X3).

We have used a panel data analysis according to GMM technique. Results indicate that all of these political drivers have significant positive effects on “Political Stability”. Data regression and results have shown that we cannot only attribute terrorism to economic bases and roots. It might be greatly inaccurate. The previous analysis and case studies showed the intersection of different determinants, mainly political and institutional factors. Moreover, the sets of economic variables are highly intersected and overlapping. To provide a worldwide evidence, this paper addresses the political and economic determinants of terrorism for 205 countries over the period from 2002 to 2019.

11. Observations and Concluding Remarks

From a philosophical point of view, Albert Camus, the famous French novelist and philosophical essayist, in his attempt to explain the “need to Revolt”, have said that: “It is an essential component of human nature” (in French: *L'envie de se révolter est l'une des dimensions essentielles de la nature humaine.*) (Ben, 1964). Camus has invented an elegant but a genius term to speak about the motivations of the terrorist and have called it the “*Le paradoxes du terroriste*” or the *Paradox of the Terrorist*. Camus is arguing that within this paradox, the terrorist, in his way of saving the humanity, he will act by killing the maximum of humans. (Madoz, 2013). We can therefore understand that, while terror is an undesirable action of anger, it is however part of the human nature. Terrorism is the institutionalization of anger. We also understand that it is moreover the “use of violence” over a period of time, as shown in the first part that have also presented the definition commonly used in political economy. Then we conclude by what we started the sentence with, that it is rather an institutional use of violence, in order to create a critical mass of anger and violence. It’s a human nature. Nevertheless, it is unhuman and revolting. This goes with what we have presented in the literature review, that terrorism is an unhuman act that acts without moral and thinking of the costs and loses. On the contrary, increasing the loses, is a key performance indicator for the terrorists.

We have also found that terrorism have been also mentioned not only by some philosophers such as Camus, but in Max Weber’s reflections. In: “*Le savant et le politique*”, Max Weber, the father of the “bureaucracy”, in his great achievement, have said that terrorism covers multifaceted representations and includes larger number of proportions that are not necessarily in harmony with one another. Max Weber relates also the bureaucratization of modern institutions and their efficiency-driven treatment, with the understanding and control of terrorism. (Weber, 1919). That is why, governments and public institutions are mainly the target of the terrorist attacks, similarly to what we have mentioned in the literature review. Terrorists may want governments to fail and fall, by hitting the public institutions and its bureaucracy.

From a theoretical perspective, and after the review of the different literature presented and the diverse work that was done, we come to the point that we might lose track if we look for a unique definition for the word “Terrorism”. Anyhow, we can claim that Terrorism is at any rate related to violence and to actions that are made beyond the institutional and the legal frameworks of a society and/or a free country. We can also argue that terrorist groups do not fit neatly into one such category. And even the categories themselves can differentiate, expand and diversify. Therefore, we do agree with what Baart (2019) have presented regarding the disparities, the ideas, the goals and techniques and therefore consequences and cost. He defined al-Qaeda as a clearly a jihadist organization, which is easy to claim. However, the exercise became more difficult for the Irish Revolution Army (IRA), defined as a left-wing organization principally focusing on a nationalist agenda. While, the Anti-abortion terrorism as it occurred in the United States like the Army of God more accurately typified as belonging to the right-wing extremist movement. These categorizations certainly matter and different interpretations are likely to yield a slightly different set of outcomes (Schuurman, 2019). They can be all positioned under one umbrella (terrorism), but with different labels.

What did the research variables and the test of the Hypotheses have brought to our knowledge? After the data analysis and after studying the different correlations related to the variables in common with the phenomena (Political stability/terrorism Y), and the rest of the variables (X_1 to X_8), we have seen that terrorism is highly related to the Political setup and performance of the countries. We have brought 8 variables together for a data processing. All of the independent variables where positively correlated. Economic indicators (3) as well as Political drivers (5), and both are affecting terrorism. The Political drivers had an important impact on terrorism. However, they did not have all the same relation of affect. Their effect separately has been measured in order to avoid the multicollineraty. The “Voice and Accountability” was the first Political determinant, then came the “Rule of Law” then the “Government Effectiveness” and then “Regulatory Quality” and then the “Control of Corruption”.

From an economic point of view, and as mentioned and shown in the literature review, the counterterrorism is

not the only solution. This was shown through the Correlation coefficients between the Voice and Accountability (X8) and terrorism (Y) is 0.99574. It is the highest. This means that a better participation of individuals in political and social activities, and the freedom of expression in the media as example, would create a consultative process and a better public mobilization. It would consequently help the counterterrorism policies and would add to it a social and psychological dimension, rather than an impulsive security policy.

Robustness checks have indicated also that the controlling for economic Factors has less slightly enhanced the explanation power. The R^2 alone for the Control of Corruption (X_4) was 0.1836 only. When we have introduced the GDP per capita, which is X_2 from the economic variables, the same R^2 for the control of corruption (X_4) went 0.2498. The change was minor. The GDP per capita did not affect match the impact and the explanation of the reason combined with the political reasons.

From an economic point of view, we come back to the conclusion mentioned earlier, is that economic conditions are significant, but the “Voice and Accountability” which a landmark in the Political Participation and “Rule of Law”, are major factors. Moreover, the “GDP per capita” will not increase and be distributed among citizens to have a fair repartition of the wealth, unless we have a “Rule of Law”, “Government Effectiveness”, and “Regulatory Quality”. These drivers, with the “Control of Corruption” would make the market perfect (Perfect Market) and will decrease the “market failures”, and consequently the “market imperfections”. This is a condition not for increasing wealth in the society, but for increasing wealth distribution, that would lead to a “GDP per capita” growth.

We have also checked “Government efficiency” impact. R^2 alone for “Government Effectiveness” (X5) was 0.885 single-handedly. When we have introduced the “GDP growth” (X_1) and the “GDP per capita” (X_2), and both are macroeconomic variables, the same R^2 for the “Government Effectiveness” (X_5) went up from 0.885 to 0.892. The change was minor. The “GDP growth” and the “GDP per capita” did not affect or affect the explanation of the reasons related to the appraisal of terrorism.

Conclusion is that, as have mentioned Tavares (2004), countries that have developed democratic administrations and institutions that have a “Voice and Accountability”, “Rule of Law”, “Government Effectiveness”, “Regulatory Quality” and also a “Control of Corruption”, have a comparative advantage in reducing the cost of terrorism compared to countries that do not follow an egalitarian representative regime and/or institutional arrangements.

Moreover, when Tavares (2004) mentions that Terrorism will decrease in democratic regimes because of their ability to create and offer better arrangements for the citizens and better deal, this goes with our Findings and the Correlation coefficients between research variables. We have found that the 1.Voice and Accountability (X8) and 2. The Rule of Law (X7) came in the first and second position. Table 8 also shows that the “Voice and Accountability” had a significant effect on “Political Stability” with explanation power of 0.9821 at p-value of 0.01. This means that we can reject the null hypothesis and accept the alternative one, providing that “Voice and Accountability” may have a significant positive effect on “Political Stability”, and this is one aspect of sustained democracies. Tavares (2004) have also said that Terror is minimized when democracies can better contain political, ideological and ethnic factions and integrate them into the political system. The (5) variables that we have presented are similarly responding to the needs of marginalized communities and make them less responsive to terrorist actions, through a better participation in the society.

The institutional arrangements and structures and their efficiency enhance the participation of the populations. It has been shown in the Effect of different variables on Political Stability that the choice of violence and the adherence of people to terrorist organizations is negatively proportional to improvements and efficiency of economic and political Systems (Schneider et al., 2011). In conformity with Schneider’s findings and with what the correlation has shown of the Effect of different variables on Political Stability, the “Voice and Accountability” (X8) and the “Rule of Law” (X7), are the two variables affecting Political Stability. These two variable are significant for the participation of the populations, and thus for an atmosphere of satisfaction and/or quasi satisfaction. Voice and Accountability, which is defined by the World Bank as the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media, is proportional to political participation and freedom. This leads consequently to the minimization or the decrease of the sense of violence in the society.

Economic welfare may increase wealth, but does not merely increase Political Stability. This is one of the interesting conclusions of the study that’s shows that Political environment leaded by components such as Government Effectiveness, Regulatory Quality, Rule of Law and Voice and Accountability, they actually lead to Political Stability and Absence of Violence/Terrorism. While an increase of the annual GDP growth, the increase

in GDP per capita or the increase of the employment to population ratios, they do not necessarily lead to Political Stability and to the Absence of Violence/Terrorism. Indeed, this has been verified through our data Analysis, when results have shown that the impact of the Economic Drivers, had slightly affected Political Stability. As shown, and as an example, Controlling Impact for Economic Drivers has provided an Explanation Power of 0.9920 instead of 0.9821 at p-value of 0.01, when we add it to the Effect of Rule of Law on Political Stability.

Therefore, and as a conclusion, brilliant reliable macroeconomic indicators may increase wealth and cash in the financial circuits of the economy, but not political stability and welfare. The GDP Growth, Inflation Rates, Public Debt, Consumer spending, might increase the volume of wealth, but not necessarily the value of wealth. The quantity of money in circulation in the economy, and that can lead to a GDP growth (X1) or unemployment records (X3), and the money supply, is directly proportional to price level of goods and services. They will create economic growth, but not necessarily economic development or sustainability. They will definitely increase economic welfare, but they will not definitely and directly increase Political Stability.

On the other side, we can also look at advance investigation for a correlation between two additional important dimensions of Stability: Political Stability and Financial Credibility. Alber (2019) argues that Financial Stability is demonstrated in related variables such as Financial Inclusion, Financial Integrity and Customer Protection (collectively, "I-SIP"). Moreover, Alber (2016) investigates the relationship between Banking System Efficiency and Financial Stability in 15 MENA countries, from the 2004 to 2013, and accordingly, the "Optimality of Banking Financial Structure" may affect both of "Financial stability" and "Banking System", as one of the main Institutional setup of a Country that guarantees Economic Stability. Alber (2018)

Ironically, some would argue that democracy, derived from the work on the Economic Theory of Democracy by Anthony (1957), or the work of James and Gordon (1962) authors of the Logical Foundations of Constitutional Democracy (1962), and/or from the work of the Intuitionist Economists of the public economics such as Anthony Downs (1957) author of *An Economic Theory of Democracy*, can lead to "Market Failures" and/or to Economic Injustices. Very recently, (Marciano, 2020) but especially (Tusalem, 2015) argue that nascent democracies may be disadvantaged in promoting political stability because of some pressures from some groups or from populist demands on governments and that can generate significant social rigidities. They even claim that nascent democracies can witness large-scale violence if an economic, social or ethnic minority precipitate to control most of the wealth and power.

In the final analysis, and upon concluding, we will point out that terrorism finds its root in politically instable societies. Economic determinants are sure important, but not exclusive and exemplary. Democracies may present some failures or lacunas that would lead to political instability and unsteadiness. Public institutions may fail to solve social problems. This might produce to social cost, including insecurity and violence (the rate of fatal police shootings between 2015 and November 2020 stood at 33 per million for the black Americans, while the rate stood at 13 fatal shootings per million for White Americans, and latest incidents in 2019 and 2020 during President Donald Trump's mandate when George Floyd in Minneapolis, Manuel Ellis in Tacoma, or Byron Williams in Las Vegas were killed in the course of 2019/2020, produced circles of violence from Minneapolis–Saint Paul metropolitan to more than 2,000 urban areas in the United States, with scenes similar to the Apartheid or civil war violence in developing countries). This is an example from a leading democratic country. Also, some governments that were making impressive rate of growth in some developing countries and that were undertaking also democratic improvements, some of them have failed to achieve political stability. They went into a chaotic viscous circle, known sometime as "democratic springs". It's not merely about democracy as a mystical or transcendental term, but it's about mainly its variables such as Voice and Accountability, Participation, Rule of Law and Societal Justice, Social, Moral Ownership and primarily Government Efficiency, that would help different administrations to respond to the fundamental needs of the citizens.

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