Youth unemployment and terrorism in the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) region

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**ABSTRACT**

This paper builds on existing research investigating the root causes of terrorism by considering youth unemployment as a measure of economic deprivation. In particular, the study focuses on terrorism in Middle Eastern and North African (MENAP) countries and features terrorism incident count data for the period 1998–2012 using negative binomial regression models. In our exogenous model, we find that while youth unemployment tends to increase domestic terrorism, it does not have any significant effect on transnational terrorism. Given concerns about endogeneity of youth unemployment in these models, we use two kinds of corrections-instrumental variables and lagged variables. We control for endogeneity by using military expenditure, under-five mortality rate and foreign direct investment as instruments. We are not able to reject the null hypothesis that youth unemployment is exogenous. Using lagged variables, we find a similar result as noted in the exogenous specifications with regard to the effect of youth unemployment on domestic and transnational terrorism. We also find evidence that domestic terrorism tends to have a positive relationship with press freedom, religious and linguistic fractionalization, and area of the country. Transnational terrorism has a positive association with the quality of democracy and a negative association with political stability and regulatory quality. The amount of natural resources tends to be negatively associated with domestic terrorism and positively associated with transnational terrorism.

1. Introduction

This article examines the role of youth unemployment as a determinant of terrorism in the MENAP (Middle East, North Africa, Afghanistan and Pakistan) region. The list of countries in this region is defined in the World Economic Outlook database by International Monetary Fund [1] and is presented in Table 1.

There has been a lot of research on the determinants of terrorism, and it has been summarized in Gessebner and Luechinger [2] and Krieger and Meierrieks [3]. Studies investigating the role of the youth population on terrorism are somewhat limited. Our motivation for considering the effect of youth unemployment specifically comes from the role of three determinants of terrorism highlighted in the literature: youth bulge, unemployment and inequality.

First, consider the role of youth bulge as a determinant of terrorism. It is hypothesized that a country or a region is susceptible to violence such as terrorism when there is an increase in the size of the youth cohort relative to its adult population. Urdal [4] points out two reasons behind this hypothesis. If a country experiences a youth bulge but the labor market fails to absorb them, then this would lead to a sense of grievance among the youth. Further, this adds to the ease with which terrorist groups can recruit these individuals resulting in increased incidence of terrorism [4].

Second, unemployment has also been considered as a possible determinant of terrorism in Feldmann and Perala [5] and Piazza [6]. As Piazza [6] p. 166 states, “…the average national unemployment rate for each country would be expected to bear a significant positive relationship with terrorism, as unemployment precipitates the stress of idle workers who might suffer from unmet economic expectations and therefore turn to political violence.”

Third, inequality is also a possible determinant of terrorism. Gurr [7] explains that political violence is a consequence of collective frustration created due to a sense of relative deprivation. In his words, “Relative deprivation’ is the term... used to denote the tension that develops from a discrepancy between the “ought” and the “is” of collective value satisfaction, and that deserves men to violence.” The discrepancy between an individual’s expected and actual welfare due to lack of employment opportunities generates collective discontent, and ultimately to terrorism. Using data from the World Values Survey and the EuroBarometer Survey Series, MacCulloch [8] finds that more...
people prefer a revolt in their country when inequality is high.

In the literature, the support for each of these variables in terms of its impact on terrorism is rather weak. For example, Gassebner and Luechinger [2] conclude that none of these three variables are robust correlates of terrorism. Therefore, one reasonable question to ask is if these variables together can cause terrorism. Youth unemployment is related with the three variables mentioned above and therefore can combine elements of each of these variables. Therefore, we examine the role of youth unemployment as a determinant of terrorism.

Recently, there has been a surge in terrorist attacks in the MENAP countries. In these countries, the magnitude of youth unemployment is much higher than the magnitude of adult unemployment. Also, youth unemployment is much higher in MENAP countries than in developed economies. Therefore, it makes sense to examine if higher youth unemployment in the MENAP region is a root cause of the recent surge in terrorist attacks in this region.

Schomaker [9] examines the cause of domestic terrorism in the Middle East. She postulates that this problem is the result of several features in the Middle East such as youth bulge, lack of political participation and lack of migration opportunities. Previously, we discussed the role of youth bulge in causing terrorism. Lack of political participation matters because it allows citizens some degree of power to change their conditions. Migration opportunities matter because it allows individuals to exit a country if they are not satisfied with their living conditions. In our study, we are more concerned with youth bulge in causing all kinds of terrorism (domestic and transnational) but we also control for some features, such as quality of institutions and quality of democracy.

We first consider an exogenous model and find that the effect of youth unemployment is statistically significant in the domestic terrorism model. This finding differs from the literature which generally concludes that unemployment does not matter for terrorism. Further, there are concerns about endogeneity in this model. We correct for endogeneity by using instrumental variables and lagged variables. We consider three instruments viz. military expenditure, lagged under-five mortality rate and foreign direct investment. We discuss the rationale for their choice in detail in Section 5. Our analysis indicates that we cannot reject the null hypothesis that youth unemployment is exogenous.

In addition to instrumental variables, we also consider lagged variables. Here we find evidence that an increase in youth unemployment in the past leads to an increase in the number of domestic terrorist attacks in the current period. This effect is also statistically significant. This result does not hold for transnational attacks.

Other findings are as follows: Linguistic fractionalization tends to increase the frequency of both (domestic and transnational) types of terrorist attacks. However, in general, the determinants of domestic terrorist attacks are different from the determinants of transnational attacks. The frequency of domestic terrorist attacks has a positive relationship with regulatory quality and press freedom. Regarding transnational terrorism, we find that it depends negatively on political stability. That is, unstable countries are generally associated with more transnational terrorism.

The rest of this article is organized as follows: Section 2 presents our literature review. Section 3 describes our data. Section 4 describes our findings in an exogenous framework, and Section 5 extends our results to the endogenous and lagged variables framework. Section 6 summarizes our findings and provides conclusions and directions for future research.

2. Literature review

As mentioned in the Introduction, there are several reasons to believe that youth unemployment has a positive causal relationship with terrorism. Terrorism is a form of crime, often with a political objective. Therefore, the motivation for terrorism is partly rooted in the motivation for crime. It follows from Becker [10] that an unemployed person has a higher incentive to commit crime because the opportunity costs of such acts are low. The low opportunity cost of crime can also lead to terrorism as long as there are other factors present, such as a political grievances. Therefore, unemployment increases the incentive to join a terrorist movement. It also makes it easy for terrorist organizations to recruit volunteers [3].

There are several reasons to believe that youth unemployment matters more to terrorism than aggregate unemployment. First, the magnitude of youth unemployment is much larger than that of aggregate unemployment. For example, according to the KILM (Key Indicators of the Labour Market) database of the International Labour Organization (ILO), the employment-to-population ratio in the Middle East in 2012 was only 21.8% for the youth while the corresponding ratio for adults (aged 25 years or more) was 50.9%. In that same year, the youth employment-to-population ratio for developed economies and the European Union was 38.8% and the corresponding ratio for adults was 57.6% [11]. Therefore, the magnitude of the problem is much worse for the youth than it is for adults. Further, there are some other well-known harmful effects of unemployment such as skill degradation. For the youth, the cost of skill degradation is much more pronounced because it translates into low wages for most of their earning lives. These financial hardships stemming from reduced livelihood could lead to other serious issues. For instance, Cincotta et al. [12] and Urdal [13] find that youth unemployment is a key cause of civil war. We explore if youth unemployment has any relationship to terrorism or not.

In the MENAP region, the extent of youth unemployment is quite high while one compares it with the OECD countries. Dhillon and Yousef [14] summarize several reasons behind this. In many countries in the MENAP region, the government generally provides for free education. However this system has come under strain in recent times because of the youth bulge. According to the World Bank [15] p. 2, this region “...has not capitalized fully on past investments in education, let alone developed education systems capable of meeting new challenges. The education systems did not produce what the markets needed, and the markets were not sufficiently developed to absorb the educated labor force into the most efficient uses.”

Scores on TIMSS (Trends in International Math and Science Study) or PISA (Programme for International Student Assessment) are commonly accepted to be an internationally comparable measure of education quality. It follows from the same report [15] p. 19 that the average score for Middle Eastern countries (compiled over several years between 1995 and 2003) was 399 in comparison to an international average of 489. The poor quality of education makes it difficult for the youth to find meaningful employment. Another factor that makes it hard for the youth to gain employment is excessive reliance on oil exports and the resulting lack of diversification of the economy [16] p. 324. The consequence of poor job prospects is that it makes it challenging for the youth to marry or secure housing. All of these factors breed resentment and can act as a catalyst for terrorism. As Berrebi [17] notes, “highly educated individuals would be particularly frustrated by the loss of economic opportunities and the alternative economic cost of their risking arrest or worse would be lower.”

There is an additional channel that links youth unemployment with terrorism. This line of research considers the role of social identity in explaining the motivation for terrorist attacks. Social identity theory was developed in psychology by Tajfel and Turner [18,19]. This theory stresses that individuals identify with a social group (such as an ethnic group) and their sense of self-worth depends on the status of the group. Therefore, an individual tends to favor members of their own group and discriminate against those who belong to other groups. The concept of social identity has been formalized by Shayo [20] and has been further extended by Sambanis and Shayo [21] to explain conflict.

Let us consider the role of social identity in the context of this paper. Consider a country in which citizens have a strong sense of social
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