



Determinants of terrorism in Pakistan: An empirical investigation

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ABSTRACT

The purpose of this study is to analyze the determinants of terrorism in the context of Pakistan. The determinants of terrorism include various socio-economic variables like GDP per capita, unemployment, political rights, inflation, poverty, inequality and literacy level. A long-run relationship between the variables is analyzed by applying Johansen co-integration technique. The Error Correction Model (ECM) is applied to determine the stability of the long run relationship between terrorism and various variables and also to streamline the short-run and long run impacts of the variables on terrorism. In general, the results revealed that there exists a long run relationship between various social and economic variables and terrorism while the results of ECM revealed that about 89% convergence towards equilibrium takes place every year. Similarly, important results are obtained by short run and long run elasticities estimated under the Error Correction Model. Impulse response analysis reveals that the impacts of one standard deviation shock given to random disturbances on the systems of variables have mixed results. Some variables have increasing trend over the time period, some have decreasing trends, while some have fluctuating and cyclical trends.

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1. Introduction

Terrorism results not only in the loss of human lives but also in substantial economic and political damages. The emergence of terrorism is linked to political and socioeconomic conditions such as repression; political instability and volatility; sharp partitions in the population; country size; poverty; inequality; unemployment; inflation; low development opportunities; ethnic/religious fractionalization and minorities; and institutional, international and demographic factors that lead to terrorism and increase the willingness among the people to support terrorism (Frey et al., 2007; Freytag et al., 2010; Krieger and Meierrieks, 2011).

The existence of terrorism is an indication that there are serious disturbances in the social and moral values of the society. Many definitions of terrorism have been put forward by various authors and used by various government agencies and academic communities but due to political and ideological conflicts, "One man's terrorist is another man's freedom fighter" (Europol, 2008; Jenkins, 2003; Sick, 1990; Silke, 2004; William, 2000). However, it can be defined as "... the planned use or threat of extra normal violence by sub national groups to obtain a political, religious, or ideological objective through threats of a large audience, usually not directly involved with the decision making." (Enders and Sandler, 2002:145).

The terrorists target tourists, military, police, religious figures, institutions, diplomatic personnel, government officials, private property,

utilities, transportation, airport, airlines, media, NGOs and use tactics like suicide attacks, bombing, hijacking, kidnapping, hostage taking and armed attacks (Abadie, 2006) that result in casualties, damage to buildings and huge economic costs (Ali, 2010).

After September 11, terrorism has unexpectedly altered the social, economic and geo-political conditions globally (Michael, 2007). The terrorist groupings with worldwide connections are using nationwide terrains for recruitment and training, trading criminal weapons and have mutual planning for creating terror in the economies (Shukla, 2009). Pakistan is highly affected by such dynamics hence terrorist's actions are intimidating Pakistan's law and order condition and human rights by destructing essential infrastructure and economic prospects. This paper attempts to analyze the determinants of terrorism in Pakistan. The objectives of the research are to evaluate the overall association among terrorism and various social and economic variables; to explore historical background of terrorism in Pakistan; and to investigate the short run and long run effects of various social and economic variables on terrorism in Pakistan.

2. Determinants of terrorism

Literature has linked the emergence of terrorism to many socio-economic, political and demographic variables. The potential sources are low GDP per capita; poverty; income inequality; unemployment; inflation; political rights; and education. Research findings indicate GDP per capita as a significant predictor of terrorism (Blomberg et al., 2004; Bravo and Dias, 2006; Burgoon, 2006; Fearon and Laitin, 2003; Freytag et al., 2010; Lai, 2007; Li and Schaub, 2004); poverty (Burgoon, 2006; Fearon and Laitin, 2003; Friedman, 2002a; Gurr,

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1970; Jenkins, 1988; Moghaddam, 2005; Stern, 2003), income inequality (Bruce and Robinson, 1989; Brynjar and Katja, 2000; Lai, 2007; Lichbach, 1989; Muller and Seligson, 1990; Ross, 1993; Salvatore, 2007); inequality (Abadie, 2006; Bruce and Robinson, 1989; Kurrild-Klitgaard et al., 2006; Lichbach, 1989; Midlarsky, 1988; Muller and Seligson, 1990; Ross, 1993; Salvatore, 2007; Turk, 1982); unemployment (Abadie, 2006; Berman et al., 2008; Goldstein, 2006; Harrison, 2006; Hudson et al., 2002; Johnston, 2001; Kalyvas, 2006; Oppenheim, 2007); inflation (Auvinen, 1997; Caruso and Schneider, 2011; Feldmann and Perala, 2004; Nicole, 2003; Piazza, 2006; Samaranyake, 1999); political rights (Crenshaw, 1981; Dreher et al., 2007; Hamilton and Hamilton, 1983; Jenkins, 1988; Kurrild-Klitgaard et al., 2006; Rummel, 1984; Schock, 1996); and education (Azam and Thelen, 2008; Berrebi, 2007; Bravo and Dias, 2006; Krueger, 2008; Oyefusi, 2010; Piazza, 2008; Tavares, 2004; Testas, 2004).

There are several opinions regarding the impact of an increased or decreased GDP per capita growth on terrorism. On one hand, Li and Schaub (2004) and Collier and Hoeffler (2004) analyzed the relationship of GDP per capita with terrorism and found that the relationship is negative and inverse because increase in GDP per capita makes people better off and thus lower the opportunity cost of terrorism. Several other scholars (Blomberg and Hess, 2008; Bravo and Dias, 2006; Campos and Gassebner, 2008; Dreher and Fischer, 2010; Lai, 2007; Muller and Weede, 1990) found the similar outcomes regarding negative association between GDP per capita and terrorism. On the other hand, high per capita income leads to more terrorist activities because of the rationale that higher per capita income reflects a sign of greater state capacity (Fearon and Laitin, 2003). As a result, higher state capacity makes open insurgence a less attractive option and it makes violent activities (underground activities) more striking, as argued by Blomberg et al. (2004). Similarly, the empirical work performed by Olson (1963), Tavares (2004), Lai (2007), Krueger and Laitin (2008), Freytag et al. (2010), Ray (2010) and Caruso and Schneider (2011) found positive association between higher GDP per capita and high terrorist activities. Furthermore, the empirical results by Krueger and Laitin (2008), Krueger and Maleckova (2003), Piazza (2006); Abadie (2006), Kurrild-Klitgaard et al. (2006), Basuchoudhary and Shughart (2010), Plumper and Neumayer (2010) and Shapiro and Fair (2010) established no significant relationship between GDP per capita and terrorism.

The model study in which inequality and poverty are related to political violence is Gurr (1970). The relationship between poverty and the emergence of terrorism is positive and direct (Stern, 2003; Miguel et al., 2004; Aziz, 2009; Krieger and Meierrieks, 2011; Schneider et al., 2010; Bandyopadhyay et al., forthcoming; Berman et al., 2009). Krueger and Maleckova (2003) analyzed the association between terrorism and poverty and found these unrelated especially in developed countries. Abadie (2006), Kurrild-Klitgaard et al. (2006), Gassebner and Luechinger (2011) and Piazza (2011) found no significant link between poverty and terrorism.

The most endangering and threatening factors responsible for the society are poverty and inequality especially in less developed countries (Salvatore, 2007). High levels of income inequality create grievances among various deprived groups in the society and terrorism is used as a source of curtailing these discriminations. The benefits of legal activities as compared to illegal activities become less and terrorist activity becomes a more valuable and attractive option available (Ross, 1993). Turk (1982), Midlarsky (1988), Bruce and Robinson (1989), Lichbach (1989) and Muller and Seligson (1990) found income inequality to be an important source of causing terrorism and Abadie (2006) and Kurrild-Klitgaard et al. (2006) found inequality to be an insignificant predictor of terrorism.

Sayre (2009) shows a direct relationship between unemployment and terrorism and Goldstein (2006) found that it is significant. Catalano et al. (1997) found that unemployment causes frustration, anger, stress and distress in the society and generate support for terrorism and violence (Abadie, 2006; Berman et al., 2008; Berman et al.,

2009; Harrison, 2006; Honaker, 2010; Kalyvas, 2006; Oppenheim, 2007). The results revealed that terrorism is unrelated to a city's unemployment rate. The notion that economic factors including unemployment and terrorism are unrelated is also verified by Thompson (1989) who pointed out that unemployment is not fueling terrorism (Green et al., 1998). Oyefusi (2010) found that high unemployment rates increase the willingness of only those people who are highly educated but unemployed to participate in the violent activities. The direct link of unemployment to terrorism is insignificant unless and until education is considered (Krueger and Maleckova, 2003).

Researchers found the relationship between inflation and terrorism as direct and significant (Auvinen, 1997; Caruso and Schneider, 2011; Feldmann and Perala, 2004; Nicole, 2003; Piazza, 2006; Samaranyake, 1999). High inflation has destabilizing effects on the economy and is responsible for social disorders.

Terrorism is a political and demographic phenomenon (Abadie, 2006; Basuchoudhary and Shughart, 2010; Choi, 2010; Dreher and Gassebner, 2008; Hacker, 1976; Kis-Katos et al., 2011; Krueger and Laitin, 2008; Krueger and Maleckova, 2003; Kurrild-Klitgaard et al., 2006; Piazza, 2008; Savun and Phillips, 2009; Tavares, 2004). Lai (2007) and Basuchoudhary and Shughart (2010) found that higher levels of economic freedom lessen the emergence of terrorism. Moreover, Dreher and Fischer (2010) and Bandyopadhyay et al. (forthcoming) found in their study a negative association between political freedom and terrorism. Kurrild-Klitgaard et al. (2006) and Rummel (1984) argued that political and economic freedom has a negative relationship with terrorism as it increases its opportunity cost. The lack of political rights and participation in the political process is a source of dissatisfaction and thus encouraged terrorist organizations to recruit these disappointed people and found support for illegal activities (Crenshaw, 1981). Tavares (2004), Bravo and Dias (2006), Wade and Reiter (2007) and Basuchoudhary and Shughart (2010) revealed no connection between terrorism and political freedom/rights. Bravo and Dias (2006) stated that economically poor and non democratic countries are more prone to terrorism and economic factors matter more to terrorism than political factor (Wade and Reiter, 2007).

The impact of education on terrorism is not clear. On one side, low level of education coincides with higher support for terrorist activities and thus illiterate people can be easily recruited because of their inability in properly distinguishing between right and wrong. On the other side, terrorist organizations are willing to recruit educated people because of their high ability of understanding and accomplishing tasks quickly. Berrebi (2007) argued that there exists a direct and positive relationship between education and terrorism on the micro level. The results showed that the years of schooling are less important than the quality of knowledge and understanding about various phenomena. Krueger (2008) analyzed the educational background of many terrorists and found that most of them were highly educated and politically motivated (Collier and Hoeffler, 2004; Shafiq and Sinno, 2010). Tavares (2004) found that higher illiteracy connected to more incidences of terrorism and in developing countries, education can be a useful tool to decrease the intensity of terrorism (Azam and Thelen, 2008). Drakos and Gofas (2006), Kurrild-Klitgaard et al. (2006) and Krueger and Laitin (2008) found insignificant relationship between education and terrorism.

3. Terrorism in Pakistan

Pakistan is confronting the threats of terrorism that are decaying and destructing the economy through various channels. With different targets and motives, using the newest and latest weapons, occupying wider areas, damaging precious infrastructure and claiming killing of larger audience (civilians, army personnel, foreigners etc.), various dynamics of terrorism in Pakistan have engrossed substantial attention both locally and globally. Consequently, research has been published on root causes of terrorism in Pakistan (Asal et al., 2008; Looney,

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