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Are Resident Terrorist Groups Productive in Weak States?

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ABSTRACT

The current study shows that terrorist groups residing in weak states generate more domestic, transnational, and total terrorist attacks than their counterparts based in relatively stable countries during 1970–2016. At the group-year unit of analysis, the superior attack productivity of weak state terrorist groups is robust to alternative empirical specifications that include four different weak state metrics—territorial control losses, tax revenue challenge, bureaucratic weakness, and violence vulnerabilities. In addition, we find that terrorist groups in weak states are much more inclined to engage in kidnappings, which exploit state weakness, compared to their counterparts elsewhere. To bolster causal inference, we apply an instrument to account for potential endogeneity of state weakness when weakness concerns a lack of territorial control. The analysis herein indicates that weak states' terrorist groups pose a formidable risk not only at home but also abroad. Our comprehensive use of alternative measures of state weakness helps to settle the debate on how state weakness influences terrorism. By focusing on resident terrorist groups, our study links state weakness to the strategic behavior of such groups rather than merely illustrating how the state's wider environmental considerations affect terrorism.

JEL Classification: H56, D74

1 | Introduction

After the four unprecedented skyjackings on September 11, 2001 (henceforth, 9/11), conventional wisdom viewed weak or failing states as bolstering resident terrorist groups' domestic and transnational terrorist attacks (LaFree et al. 2007; National Intelligence Strategy 2005; Patrick 2011). The basing of al-Qaida in Afghanistan, a failed state in 2001, served as a case to support the conventional wisdom. Following 9/11, the US administration mobilized military efforts to confront resident terrorist groups in Afghanistan, Iraq, Somalia, Sudan, Yemen, and other weak countries that allegedly posed terrorist threats against the West (Patrick 2011; Piazza 2008; Rotberg 2002; Takeyh and Gvosdev 2002).

Some researchers questioned the alleged link between weak states and the presence and formidability of resident terrorist groups (e.g., Hehir 2007; Menkhaus 2003; Newman 2007). In particular, Newman (2007) showed that for 84 sample terrorist groups, there were notable ones not residing in weak states. Moreover, weak states did not necessarily contain terrorist groups. Apparently, weak states offer both attractors and detractors to terrorist organizations. As attractors, weak states present terrorist groups with low operating costs (Lai 2007; Pašagić 2020), limited law enforcement (Takeyh and Gvosdev 2002), and ungovernable areas. Moreover, robust black markets in weapons, forged documents, and illicit goods are easily accessible in weak states by terrorist groups, enabling their capacity (Takeyh and Gvosdev 2002). Government

officials in weak states are underpaid, poorly supervised, and inadequately trained, making them susceptible to corruption (Takeyh and Gvosdev 2002). Weak states' governing ineffectiveness fosters grievances that terrorists can exploit to gain supporters and recruits (Pašagić 2020). As detractors, weak states present potentially hostile elements to resident terrorists, stemming from local armed groups, rogue security forces, and rival terrorist groups (Menkhaus 2003). Other detractors arise from a target-poor environment (Menkhaus 2003), inadequate infrastructure (Pašagić 2020), and local political conflicts (Piazza 2008). Additionally, terrorist groups in weak states may be vulnerable to projected counterterrorism measures from strong targeted states (Bapat 2011; Carter 2012). Given myriad opposing factors regarding the basing of terrorist groups in weak states, the net influence of state weakness on resident groups' terrorism productivity is by no means a settled issue despite over two decades of post-9/11 research. If weak states' bureaucratic and territorial control shortfalls promote the resident terrorist groups' attack productivity, then the international community must channel their collective and individual counterterrorism efforts against those resident groups not only to limit terrorist incidents there but also to curb the diffusion of their attacks abroad.

The primary purpose of the current study is to provide convincing evidence that resident terrorist groups in weak or failing states conduct worrisome terrorist campaigns of domestic and transnational attacks that jeopardize interests at home and abroad. Although some past studies indicated that weak states experienced more terrorist attacks, those studies did not consider the *productivity or strategic choices* of resident terrorist groups that perpetrated the attacks (e.g., George 2018; Lai 2007; Piazza 2008). In the current study, we demonstrate that weak states contain terrorist groups that are more productive in terms of attacks and more apt to use kidnappings that exploit state weaknesses than groups elsewhere. The link between weak state terrorist groups and kidnappings is especially noteworthy because kidnapping ransoms have funded up to half of al-Qaida and affiliated groups' operating budgets during 2008–2013 (Callimachi 2014). Moreover, such ransom concessions may weaken already weak states as they appear at the mercy of resident terrorist groups. Brandt et al. (2016) showed that ransom payments induce additional kidnappings, which would further challenge the legitimacy of weak states. Kidnappings also challenge that legitimacy through media coverage that lasts way beyond the initial abduction and that publicizes the group's goals. In contrast, terrorist bombings, assassinations, and armed attacks grab immediate, but not long-lasting, media attention unless the attack is particularly noteworthy.

To establish robust evidence for our hypotheses, we employ four alternative measures to account for state weakness, which include territorial control losses, tax revenue challenges, bureaucratic weaknesses, and violence vulnerabilities. By employing different measures that have varying amounts of correlations (see Section 2.1), our four-measure approach considers diverse losses in governance or territorial control. Even though our state weakness metrics concern alternative aspects of states' governance and territorial control, the four measures provide a consistent story regarding the inherent terrorism risk arising from resident terrorist groups. A host of robustness tests support the paper's findings. In particular, we identify an instrument for lost territorial control that supports causation by addressing the endogeneity concern stemming from omitted variables and/or potential reverse causality between state weakness and terrorism. We bolster our territorial area instrument with placebo tests and the plausibly exogenous method, currently in vogue.

Our comprehensive use of alternative measures of state weakness and those measures' ability to provide consistent results linking state weakness to resident terrorist groups' attack productivity distinguish our study from the literature. This distinction is bolstered by our identification efforts to address endogeneity concerns, particularly with respect to the loss of territorial control, which is an essential determinant of state weakness. In further distinction to the literature's use of country-year analysis (e.g., Coggins 2015; George 2018; Lai 2007; Piazza 2008), we use a resident terrorist group-year unit of analysis so that we can focus on how state weakness affects the strategic behavior of resident terrorist groups as the actors responsible for the terrorism. Consequently, we do not tie wider environmental factors to weak state terrorism, consistent with the literature's reliance on country-year observations, which ignores the responsible perpetrators. Knowing factors favoring resident terrorist groups' productivity offers policy recommendations on how best to curb terrorism in weak states by lessening their productivity.

2 | Preliminaries and Literature Review

2.1 | Preliminaries on Concept and Indicators of State Weakness

Even though the concept of state weakness or failure is mired in controversy (see, e.g., Hehir 2007; Menkhaus 2003; Newman 2007; Pašagić 2020; Plummer 2012), there is a consensus on two key drivers of state weakness. First, weak states confront governing challenges to deliver public services and order (Patrick 2011). Second, weak states face territorial crises so that the government does not exercise sovereignty throughout the country's borders (Newman 2007). The extent of weakness can be linked to the percentage of its territory that the government does not control. Governing challenges may result in lost security, ineffective social programs, poor educational attainment, high infant mortality, compromised public health, ineffective political actions, and inadequate economic policies (Coggins 2015; Patrick 2011; Piazza 2008). State weakness–induced security losses may lead to various forms of political violence including terrorism. Additionally, political exigencies can limit the rule of law, lead to corruption, and reduce civil and political rights, all of which can cause grievance-fueled terrorism (Choi 2010; Meierrieks and Auer 2024). On the economic front, Patrick (2011) argued that weak states experience low gross domestic product (GDP) per capita, poor economic growth, high inflation, and inadequate regulatory practices that create discontentment and terrorism. On the legal side, weak states are prone to criminal activities that may support resident terrorist groups' campaigns at home and abroad (Patrick 2011; Piazza and Piazza 2020; Rotberg 2002).

When weak states relinquish some of their territorial sovereignty, resident terrorist groups may take advantage of safe havens from which to launch attacks (Lai 2007; Piazza 2008; Takeyh

and Gvosdev 2002). Additionally, safe havens, if acquired, may support terrorist kidnappings, both as a mode of attack and a means of financing (Brandt et al. 2016). Kidnappings in weak states may threaten those who shirk terrorist-imposed taxes or who resist terrorist recruitment in areas not controlled by the government (Gilbert 2022; Liu and Eisner 2024; Welsh 2024).

Given the myriad dimensions and implications stemming from state failure, empirical researchers must rely on diverse weakness measures when gauging terrorism consequences (Plummer 2012). Thus, we follow earlier articles by employing multiple, but often different, state weakness metrics (see, e.g., Coggins 2015; Gaibulloev et al. 2024; George 2018; Lai 2007; Piazza 2008). In the current study, we utilize four diverse state weakness measures to capture territorial control or governing challenges or both. Each measure provides a continuous metric, which can vary from no territorial control (full governing losses) to full territorial control (no governing losses). The first measure, derived from the Varieties of Democracy (VDem) database, indicates the mean percentage of territory that the central government exerts uncontested administrative, policing, military, and political control (Coppedge et al. 2020). This loss of territorial control may involve armed nonstate actors in the context of civil wars, which we later address by controlling those wars. Hegemonic state control over its domestic territory is a fundamental tenet of state capacity. Weak states exercise full control over a low percentage of their territory, making the country prone to the basing and operation of terrorist groups.

A second indicator of state weakness relies on the government's ability to extract income taxes from its population, which gauges the government's capacity to command obedience, finance counterterrorism, monitor citizens' behavior, and execute public policies (Rogers and Weller 2013). When states are less adept at enforcing income tax compliance, they confront domestic administrative, policing, and financing challenges. A government's revenue underwrites its governing capability. The tax extraction measure comes from data collected by the International Centre for Tax and Development in the United Kingdom and consists of the percentage of government revenues from income taxation (Prichard et al. 2014). This income tax percentage excludes resource taxes and social contributions, both of which are less dependent on state capacity than income taxes to monitor and direct citizens' actions. We anticipate that states with a larger income tax capacity to experience less terrorist activity.

A third gauge of state capacity draws on the government's relative political reach in mobilizing and controlling its workforce through official, rather than informal or black market, channels when affecting economic activity. Like the last indicator, the current one concerns the country's governing capacity. Weaker states are less able than stronger ones to direct their workers to obey domestic regulations or to implement economic development goals. In states with diminished reach over workers, citizens can be more resistant to government intrusions, including regulations, on their economic activities, relying instead on informal channels. Reduced political reach curtails the state's control of its population (Fisunoglu et al. 2020) and is measured by the Relative Political Capacity Dataset (Fisunoglu et al. 2023), which may concern state capacity in affecting conflicts. The political reach over workers consists of the ratio of the economically active (non–black market) workforce to the country's population. This political reach indicator holds constant secondary education, the working age share of the population, social security tax share of GDP, rate of urbanization, and government spending share of GDP.

Our final measure of state capacity is the state fragility index (SFI), constructed by the Center for Systemic Peace (Marshall and Elzinga-Marshall 2018). SFI aggregates four subindicators involving cohesion, economic, political, and social considerations, each of which depends on its own three indicators. For example, the cohesion subindicator accounts for the country's security environment (e.g., the state's monopoly over military power), divisions among the elite, and within-country groups' schisms, whereas the economic subindicator considers the country's economic development, economic outlook, and emigration flow. The political subindicator captures the state's legitimacy, public services, and civil rights, whereas the social indicator reflects the state's demographic pressures, displaced persons, and external actors (e.g., foreign troops or insurgents). SFI accounts for governance and territorial control drivers of a state's capacity and ranges from 0 for the least failed state to 25 for the most failed state. We follow George (2018) in using SFI as a metric of a state's weakness/strength. Given the range of SFI, we anticipate a positive relationship between a country's SFI and its resident groups' terrorism.

We compute the correlation matrix for our four measures of state weakness and report the matrix in Supporting Information Table A1. As expected, the percentage of government revenues from income taxation is positively correlated with territorial control (0.49) and negatively correlated with state fragility (−0.78). The correlation between territorial control and state fragility is negative (−0.58). Political reach, however, is only weakly correlated with the other three measures of state failure, so that political reach captures governance aspects not much associated with the other three weakness metrics. Even those metrics with high correlation, each still captures different aspects of weak governance since the correlations are nowhere near one.

We identify weak states as those that have displayed state weakness characteristics for one or more of the four measures during the sample period.

2.2 | Literature Review

In elucidating the concept of state failure, we referred earlier to many qualitative articles on the topic. At this juncture, we review the handful of quantitative articles on state weakness and terrorism. In a pioneering article, Lai (2007) examined whether weak states attracted terrorist groups that perpetrated transnational terrorist incidents in *other states*. For 1968–1998, his country-year panel study showed that select state weakness measures (e.g., civil war, interstate war, and neighboring countries' terrorist events) were significant determinants of transnational terrorist attacks stemming from weak states. His interesting study ignored the actions of resident terrorist groups and domestic terrorism along with endogeneity concerns. Moreover, his state failure indicators do not necessarily capture governance or territorial control drivers.

Gaibulloev (2015) empirically investigated 525 terrorist organizations and showed that these groups—particularly ones with religious extremist or right-wing ideological orientation—were more likely to locate their bases of operation in weak or failed states. Unlike the current study, he did not examine the productivity or tactics of resident terrorist groups. Based on transnational terrorist attacks during 1973–2007, Piazza (2008) found that weak or failed states disproportionately contributed to such incidents at home and abroad. However, he did not investigate the productivity of resident *terrorist groups* in weak states relative to their counterparts in strong states. Moreover, some of Piazza's (2008) controls raised an unaddressed endogeneity worry.

For 1999–2008, Coggins (2015) used numerous state failure measures involving human insecurity (i.e., high infant mortality and small GDP per capita), state incapacity (e.g., government ineffectiveness and limited rule of law), and political collapse to relate to terrorist incidents. Coggins (2015) found that most weak states *did not* experience or perpetrate domestic and transnational terrorist attacks. However, her country-year panel did suggest that completely failed or highly corrupt states sustained terrorist attacks and displaced such attacks abroad. Once again, endogeneity concerns were recognized but not addressed. Consistent with the literature, her perspective was from the country's viewpoint rather than from that of the resident terrorist groups.

Assuming a spatial orientation, George (2018) presented a follow-up study regarding the effect of state weakness on the number of transnational terrorist attacks within the failed state and in contiguous and noncontiguous states. Unlike earlier studies, George (2018) highlighted the perpetrating country's proximity to target countries and the complexity of the terrorist attacks. He showed that weak states not only served as a venue for homegrown terrorist attacks against foreigners but also supported more logistically complex terrorist attacks at home. Both findings arose from weak governments' counterterrorism ineptitude. In his country-year panel estimations, George (2018) showed that weak states' influence on terrorist attacks abroad waned with distance from their borders; however, neither endogeneity concerns nor the resident terrorists' vantage was considered in distinction from the current study.

More recently, Gaibulloev et al. (2024) investigated the survival prospects of resident terrorist groups in failed/strong states based on group data from Hou et al. (2020). Gaibulloev et al. (2024) discovered that as host countries' territorial control strengthened, the survivability of resident terrorist groups decreased until a territorial control threshold was obtained. Thus, territorially challenged states favored the longevity of resident terrorist groups. With those authors' focus on resident terrorist groups' survival, their article did not address how state weakness affected those groups' attack productivity.

3 | Theoretical Considerations

As a state relinquishes control over larger territorial tracts, resident terrorist groups possess better survival prospects as they train, plan, and base operations out of the reach of the authorities (Gaibulloev et al. 2024). Greater survival prospects then bolster resident terrorist campaigns' productivity in terms of domestic and transnational terrorist attacks as operatives are less vulnerable to capture or death. Domestic terrorist attacks target the home country's citizens and assets, whereas transnational terrorist attacks harm foreign residents or their assets at home or abroad. This enhanced productivity is consistent with the weak government's inability to challenge resident terrorist groups' infrastructure in territorial tracts beyond a government's counterterrorism reach (George 2018; Newman 2007; Patrick 2011). Compromised state territorial control favors criminal activities offering financing and safe havens to weak state terrorist groups, which bolster their attack campaigns (Pašagić 2020; Takeyh and Gvosdev 2002).

When a state exercises firm control over its territory, resident terrorist groups cannot establish operational bases or safety zones from which to hide from the authorities. By contrast, uncontrolled territorial expanses provide greater operational space and resources (including manpower) for terrorist groups to recruit, train, stockpile weapons, and plan attacks (Lai 2007; Gaibulloev et al. 2024; Takeyh and Gvosdev 2002). Moreover, such territorial power vacuums permit resident terrorist groups to operate with impunity, where operational costs fall, and the terrorist groups can set traps for government forces (Piazza 2021). Additionally, terrorists can travel unimpeded in poorly controlled territory to an ideal venue from which to launch a surprise attack on settlements, whose spoils can support future operations.

Lack of government territorial control can also inhibit economic development, which can create terrorism-causing grievances leading to more terrorist supporters at home and abroad. In the absence of government territorial control, terrorist groups can use drug trafficking, kidnapping, smuggling, and other illicit activities to support their campaigns (Pašagić 2020). Such lawless tracts provide terrorist groups with the ability to tax indigenous people (Gilbert 2022; Liu and Eisner 2024). If the ungoverned regions contain resource wealth, then the terrorist group can capture and sell the resources, as the Islamic State did in Iraq, to support its operations.

The above reasoning leads to the following:

Hypothesis 1. *As a state exerts control over a smaller (larger) percentage of its territory, resident terrorist groups augment (limit) their attack campaign at home and abroad.*

For a second measure of state control, we use the state's ability to extract income tax revenue from the population as captured by the income tax percentage of government revenue (Prichard et al. 2014). As that percentage increases, not only can the government better monitor its population's earning sources but the state is better positioned to influence its citizens' activities. This enhanced monitoring ability agrees with the importance that Lee and Zhang (2017) placed on "legibility" or the state's knowledge about its citizens' activities. To those authors, anything that increases the government's knowledge and control over its population directly raises the state's capacity to govern. A greater revenue share from income taxes supports

legibility and, hence, state capability. Income sources indicate some within-country potential funding for resident terrorist groups' activities, which can inform counterterrorism actions against such funds. In contrast, as illicit activities rise, income tax percentages fall leading to potential financing for resident terrorist groups and the siphoning of tax funds away from policing, which curbs criminal activities (Patrick 2011; Piazza 2021; Rotberg 2002).

Large income tax collection also provides resources to support governance at home in terms of personal security, economic regulations, strong bureaucratic institutions, firm rule of law, noncorrupt practices, and extensive public services, all of which limit terrorism (Choi 2010; Coggins 2015; George 2018; Meierrieks and Auer 2024; Newman 2007; Patrick 2011; Rogers and Weller 2013). Such public services raise social welfare, thus strengthening citizens' satisfaction.

Income tax revenues support defensive homeland security to reduce target vulnerabilities, limit terrorist-induced damage in an attack's aftermath, and speed postattack recovery (Enders and Sandler 2012). Those tax revenues also underwrite a wide range of proactive counterterrorism actions on home soil including measures that confront the resident terrorist groups and their resources directly, which when successful can curb the groups' domestic and transnational attacks. Income taxes also fund police and the military, which are prime means for confronting resident terrorists' operations.

Enhanced income taxation allows for income redistribution to reduce income inequality at home, which, in turn, can limit disparity-caused terrorism (Enders et al. 2016). With insufficient income tax revenues, a government is challenged to provide public infrastructure and services to underwrite human security. Insufficient income tax support for education, health care, and economic opportunities can limit government legitimacy, thereby fostering resident groups' domestic and transnational terrorist attacks at home (Coggins 2015, 464). The government's illegitimacy can also result in an inability to force compliance by citizens.

In summary, we have the following:

Hypothesis 2. *States with greater (smaller) income tax revenue extraction capacity are anticipated to exercise greater (smaller) governance and counterterrorism capability, leading to fewer (greater) attacks by resident terrorist groups.*

A different gauge of governance strength hinges on a state's relative power over its workers as measured by the percentage of the country's population in the workforce, which can be controlled and monitored. In contrast, informal and black market activities, not part of the government's political reach over labor, lie outside the purview of the government, allowing those participants more freedom to engage in illicit activities including the support of resident terrorist groups. The government's relative reach over the workforce not only fosters the collection of taxes but also permits the enforcement of labor practices. As indicated earlier, taxes finance counterterrorism operations that defend against domestic and transnational attacks from resident terrorist groups. A strong relative reach indicator can result in regulatory control that offers labor an even playing field, thereby curtailing some grievances that may attract recruits to resident terrorist groups. The government's political capacity over workers may promote bureaucratic institutional effectiveness, which can further limit terrorism by curbing grievances (Patrick 2011). By reducing informal and black markets, criminal activities are constrained, thus eliminating important revenue sources for resident terrorist groups (Lai 2007; Takeyh and Gvosdev 2002).

A large political reach over the workforce, like the share of income tax revenue, bolsters legibility, as the government gains essential information on its citizens and their employment, which augments the state's governing capacity (Lee and Zhang 2017). This reach aspect is critical because governments in countries with larger informal/black market workforces command less information about their citizens and their activities, impairing state security efforts and providing opportunities for terrorist actors.

In countries without an all-volunteer army, smaller relative political reach over the workforce can hamper the conscription of military manpower to confront resident terrorist groups. By contrast, states enhanced relative control over labor can limit the ability of individuals to operate off of the grid, which includes joining terrorist groups. Additionally, greater workforce control by the government results in better enforcement of regulations and the promotion of economic development, both of which can keep terrorism in check (Fisunoglu et al. 2020; George 2018).

Hence, enhanced political reach over workers results in greater restraint of indigenous terrorist groups, leading to Hypothesis 3.

Hypothesis 3. *States with greater relative political reach over their workforce restrain resident terrorist groups' attacks.*

Hypothesis 4 relies on a broad-based measure of a state's vulnerability to violence or collapse, namely, the SFI (Marshall and Elzinga-Marshall 2018). A rise in the SFI indicates reduced security cohesion as the state relinquishes its monopoly of force while being exposed to resident terrorist groups' attacks. A larger SFI reflects economic decline, unbalanced economic development, and economic-induced emigration, all of which reduce a state's legitimacy and economic control, thereby advantaging resident terrorist groups. As the state's legitimacy is challenged, social concerns create demographic pressures, displaced persons, and external actors (e.g., foreign fighters) who can join resident terrorist groups. Larger SFIs signal a state besieged by security, economic, political, and social legitimacy concerns, which can also lead to terrorist attacks against the country's interests abroad by its resident terrorist groups (e.g., George 2018).

A larger SFI means that the country faces governance challenges at every turn along with territorial control worries that constitute the hallmark of a weak state. By curtailing governance and territorial control, a larger SFI limits the government's ability to project its power to terrorist groups' bases in remote places. The government's ability to collect and act on the intelligence of such groups is also compromised, which then aids terrorist groups' campaigns.

In summary, we have the following:

Hypothesis 4. *A larger SFI is expected to augment resident terrorist groups' attack campaigns.*

Hypothesis 5 concerns how the four measures of states' weakness affect the incidence of kidnappings against residents. Clearly, losses in territorial control by the government favor kidnappings as resident terrorist groups can exploit uncontrolled territory to plan kidnappings and later to hide and maintain domestic or transnational hostages in locations inaccessible to government forces (Brandt and Sandler 2009; Brandt et al. 2016; Welsh 2024). Government's lack of territorial control compromises rescue efforts and allows the terrorist group to hold victims for long periods, illustrated by the many long-lived kidnappings in Colombia when its territorial sovereignty was under siege. Longer lived kidnappings tend to advantage the terrorist group as pressure builds on the government to consummate a deal (Brandt and Sandler 2009). Uncontrolled areas in failed states are ideal for lowering the terrorist groups' cost of risky kidnapping missions.

In ungoverned areas, Gilbert (2022), Liu and Eisner (2024), and Welsh (2024) indicated that terrorist kidnappings can induce compliance to the resident terrorist groups' extortion demands on the indigenous civilian population. So, kidnapping incidents may serve purposes beyond the raising of ransoms.

Losses in a government's income tax authority not only limit defense against potential kidnapping victims but also weaken rescue operations once hostages are secured, thereby favoring kidnappings given their potentially large payoffs and media visibility (Brandt et al. 2016). Limited income tax revenues in weak states compromise funding for the training and deployment of rescue teams, thus again advantaging terrorist kidnappings. Reduced control over workers curtails a state's ability to screen potential terrorist recruits. Additionally, a greater illicit market means that more individuals are "off the grid" and able to join terrorist groups to bolster kidnapping operations. Because SFI reflects a state's security and bureaucratic capacity, a larger SFI is associated with losses in citizens' protection and the state's ability to project power, which may translate into more kidnapping victims and improved ability of the resident terrorist groups to gain demands that support future kidnappings. In all, we have the following:

Hypothesis 5. *The four measures of state failure are conducive to greater kidnappings by resident terrorists.*

4 | Methodology and Data

4.1 | Method

We apply the negative binomial estimator, a commonly used method for estimating terrorism count data, to evaluate the following regression equation:

$$Y_{it} = \alpha SF_{it} + \mathbf{x_{it}}\boldsymbol{\beta} + \delta_t + \varepsilon_{it},, \quad (1)$$

where Y_{it} is a measure of group i's productivity in terms of the number of terrorist incidents or kidnappings, SF_{it} is a measure of state failure, $\mathbf{x_{it}}$ is a vector of control variables, δ_t is a time fixed effect, and ε_{it} is the remaining error term. Given multicollinearity worries, alternative state weakness measures are employed separately in the empirical runs. The time fixed effects are added to account for time-specific and group-invariant global shocks that might impact resident terrorist groups' productivity, such as the end of the Cold War and the period of the global war against terrorism. In the robustness analysis, we also enter base country fixed effects to control the unobserved heterogeneities specific to each base country.

To further address the endogeneity issue, we implement the two-stage least square estimator using a base country's land area as an excluded instrument for state failure (lack of territorial control). Section 6 explains our identification strategy.

4.2 | Controls

Standard controls are derived, in part, from previous studies on the determinants of *resident terrorist groups' attack productivity* or their longevity or survivability. Base state features were shown to affect terrorist groups' longevity (e.g., Daxecker and Hess 2013; Gaibulloev and Sandler 2014; Phillips 2014, 2015). We control for resident terrorist groups' ideological orientation because past studies showed that religious (fundamentalist) terrorist groups engaged in relatively more attacks than other ideologies (nationalist, left wing, and right wing) after 1991 (e.g., Gaibulloev and Sandler 2014, 2019). Moreover, religious terrorist groups conducted attacks with more casualties than other ideologies throughout the sample period (Hou et al. 2020). Additionally, religious groups favored kidnappings as a tactic compared to other ideologies, especially after 2001. Religious terrorist groups displayed better survival prospects than other ideologies.

For base country features, we control the log of income per capita, log of population, and regime type. Rich-country residents can afford to engage in violent political protests unlike residents in poor countries, who are focused on subsistence (Enders et al. 2016; Jetter et al. 2024). Notable past studies found that population is a positive determinant of the number of terrorist attacks in a weak state because a larger population not only allows for more terrorist recruits but also for more potential targets (e.g., George 2018; Lai 2007; Piazza 2008). Based on *Polity2* (Marshall et al. 2021), the base country's political regime is controlled. *Polity2* varies between −10 for complete autocracies to +10 for full democracies, where values 6 and above represent democracies. Gaibulloev et al. (2017) made a case for a robust inverted U-shaped relationship between regime type and terrorist attacks, where anocracies with *Polity2* values between −5 and 5 sustained the most terrorist attacks. *Polity2 Squared* allows us to test for a nonlinear regime influence. Also, we control for the extent of ethnic fractionalization, where greater fractionalization may create ethnic frictions erupting in resident terrorist groups' attacks.

We control the natural log of average elevation, the share of tropical land area, and a dichotomous indicator for landlocked countries. High elevation or jungle cover can provide resident terrorist groups with good hiding places from which to conduct their operations. Additionally, we include dichotomous

indicators for base country location in one of the seven designated World Bank (2021) regions, because the regional focus of terrorism has changed over time (Gaibulloev and Sandler 2019).

In the robustness runs in the Supporting Information, we include some further controls involving the resident terrorist groups and the base country. The log of the peak size of the resident terrorist groups is added, with an anticipated positive influence on resident groups' attacks (see, e.g., Gaibulloev and Sandler 2014). The group's age, which reflects experience, may also improve groups' productivity (Hou et al. 2020). Additionally, the log of the number of competitor resident terrorist groups may negatively impact the attacks of other resident groups (Gaibulloev 2015; Phillips 2014, 2015). Base country *Civil Wars* may stimulate terrorism, thereby increasing resident terrorist groups' campaigns.[1] Similarly, grievances associated with high-income inequality within a society may lead to more attacks by terrorist groups. We also introduce the home government's spending share of GDP, because a larger share can bolster counterterrorism, thus curbing resident terrorist groups' activity. Finally, we include trade openness (i.e., trade share of GDP), which may bolster resident terrorist groups' survival by fostering the movement of terrorists and assets across borders, and we also include total natural resources rents, which may escalate terrorism by fostering conflict among armed groups over resources particularly in weak states.

4.3 | Data

We construct a panel dataset of 638 terrorist groups, based in 92 countries for 10 time periods: 1970–1974, 1975–1979, 1980–1984, 1985–1989, 1990–1994, 1995–1999, 2000–2004, 2005–2009, 2010–2014, and 2015–2016. The nine 5-year-interval grouping helps to increase within-sample variation for slowly changing variables, such as state failure.[2] The dataset is restricted to terrorist groups with a single country base of operations and the explanatory variables are averaged within each period, where the natural log transformation, if necessary, is performed after averaging. Only around 16% of the groups in our sample have multiple bases. We prefer not to include groups with multiple bases because of aggregation issues. Aggregating country variables across bases is challenging because the characteristics of the base country are crucial to our analysis. For example, a state failure measure may improve in one base and worsen in another, potentially leaving the average unchanged. However, this does not imply that the terrorist group's overall productivity will remain unaffected, as the two bases may differ significantly in terms of their importance to the group. We also show that our results essentially hold if we include groups with multiple bases in the set of runs in the Supporting Information.

Using the Extended Data on Terrorist Groups (EDTG) dataset (Hou et al. 2020),[3] we create four variables to measure terrorist group productivity, which are counts of total, domestic, transnational terrorist, and kidnapping incidents in 5-year periods. Total terrorist attacks consist of the sum of domestic, transnational, and uncertain (not classifiable as domestic or transnational) events (Enders et al. 2011). Our four measures of state weakness include the percentage of a country's territory under full government control (*Territorial Control*) (Coppedge et al. 2020), the percentage of government revenues generated from income taxation (*Tax Revenue*) (Prichard et al. 2014), the share of economically active workforce in the country's population (*Political Reach*) (Fisunoglu et al. 2020, 2023), and the SFI (*State Fragility*) (Marshall and Elzinga-Marshall 2018).

To control for terrorist groups' ideologies, we construct four dummy variables, *Left Wing*, *Nationalist*, *Right Wing*, and *Religious* fundamentalist. Additionally for robustness runs, we control the natural logarithm of a terrorist group's peak size, log (*Size*), the natural logarithm of the number of other resident terrorist groups, log (*Competitors*) (adding one to deal with zeros), and the number of years that the group was active during the sample period (*Group Age*). For the most extensive runs, we have these characteristics of the resident terrorist groups, which are obtained from the EDTG dataset. Indirectly, we incorporate the terrorist prime base country. In the literature, other characteristics of resident terrorist groups have not consistently influenced their attack productivity.

We collect numerous socioeconomic and geographical base country characteristics. Using the *World Development Indicators* database (World Bank 2018, 2021), we compute the natural logarithm of GDP per capita in constant 2015 US dollars, log (*GDP/POP*); the natural logarithm of population, log (*POP*); the volume of international trade as a share of GDP, *Open*; the share of government expenditure in GDP, *Gov. Spending*; the total natural resource rents as a percentage of GDP, *Nat. Resources Rents*; the Gini index of income inequality, *Gini Index*; and the natural logarithm of a base country's total land area in squared kilometers, log (*Area*). We enter the *Polity2* variable and its squared term (*Polity2 Squared*) to capture the base country political regime. The index of ethnic fractionalization (*Ethnic Frac.*), which is based on the probability that two randomly drawn individuals from the population belong to different ethnic groups, is derived from Alesina et al. (2003). The data for the natural logarithm of a country's elevation, log *(Elevation)*, the share of land area in the tropics (*Tropics*), and an indicator variable for a country's lack of direct access to international waters (*Landlock*) are taken from Central Intelligence Agency (2018), Gallup et al. (2001), and Gallup et al. (1999). The number of internal armed conflicts (*Civil War*), which involves the state and internal armed group(s), is computed using data from Gleditsch et al. (2002).

Finally, we include dichotomous indicators for base country location in one of the seven designated World Bank (2021) regions: East Asia and Pacific (*EAP*), Europe and Central Asia (*ECA*), Latin America and Caribbean (*LAC*), South Asia (*SAS*), sub-Saharan Africa (*SSA*), North America (*NA*), and Middle East and North Africa (*MENA*).

Descriptive statistics for our variables are given in Supporting Information Table A2.

5 | Results

Table 1 presents regression results for the impact of state failure on the number of attacks by resident terrorist groups. Columns 2–5 report the baseline regressions, with only time fixed effects and no controls, for four alternative measures of state failure. All else constant, terrorist groups residing in a state that exerts

TABLE 1 | Terrorist group productivity: Number of terrorist events (DV).

Variable	Territorial control	Tax revenue	Political reach	State fragility	Territorial control	Tax revenue	Political reach	State fragility
State Failure	−0.038***	−0.058**	−0.971**	0.084***	−0.053***	−0.085***	−2.518***	0.231***
	(0.008)	(0.026)	(0.493)	(0.020)	(0.012)	(0.026)	(0.576)	(0.039)
Left Wing					−0.772**	0.126	−0.550*	−0.469
					(0.307)	(0.332)	(0.309)	(0.339)
Nationalist					−0.974***	−0.113	−0.749***	−0.922***
					(0.246)	(0.266)	(0.245)	(0.261)
Right Wing					−2.664***	−2.370***	−2.603***	−1.701***
					(0.346)	(0.403)	(0.305)	(0.475)
log*(GDP/POP)*					0.579***	0.341***	0.617***	0.923***
					(0.127)	(0.127)	(0.127)	(0.171)
log*(POP)*					0.150	−0.020	0.136	0.164
					(0.097)	(0.106)	(0.099)	(0.100)
Polity2					0.045**	0.083***	0.053**	0.052**
					(0.021)	(0.025)	(0.022)	(0.023)
Polity2 Squared					−0.012***	−0.017***	−0.016***	−0.006
					(0.004)	(0.004)	(0.004)	(0.005)
Ethnic Frac.					−0.338	0.610	1.721***	1.257**
					(0.583)	(0.541)	(0.475)	(0.570)
log*(Elevation)*					0.345***	0.223*	0.193	−0.230
					(0.126)	(0.134)	(0.126)	(0.148)
Tropics					0.991***	1.619***	1.664***	1.527***
					(0.323)	(0.370)	(0.308)	(0.342)
Landlock					0.226	−0.650	1.337***	1.200***
					(0.432)	(0.443)	(0.473)	(0.442)
EAP					0.391	−0.984**	0.121	−0.191
					(0.448)	(0.426)	(0.496)	(0.436)
ECA					0.678	0.304	0.266	1.116**

(Continues)

TABLE 1 | (Continued)

Variable	Territorial control	Tax revenue	Political reach	State fragility	Territorial control	Tax revenue	Political reach	State fragility
					(0.472)	(0.520)	(0.542)	(0.461)
LAC					0.643	−0.489	0.171	−0.638
					(0.487)	(0.535)	(0.540)	(0.525)
NA					−0.990	−3.314***	−1.594**	−2.224***
					(0.603)	(0.509)	(0.621)	(0.747)
SAS					0.448	−0.921*	−0.478	−0.044
					(0.470)	(0.485)	(0.552)	(0.504)
SSA					−0.038	−2.256***	−1.280**	−2.055***
					(0.542)	(0.545)	(0.550)	(0.525)
Time Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
NT	1916	1410	1838	1392	1688	1334	1653	1202

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. DV denotes dependent variable. East Asia and Pacific (*EAP*), Europe and Central Asia (*ECA*), Latin America and Caribbean (*LAC*), South Asia (*SAS*), sub-Saharan Africa (*SSA*), North America (*NA*), and Middle East and North Africa (*MENA*).

control over a larger percentage of its territory produce fewer terrorist attacks than those residing in a state with weaker territorial control, thus supporting Hypothesis 1. Terrorist groups, based in a state with greater capacity to extract income tax revenue compared to other states, perpetrate fewer terrorist attacks, which is consistent with Hypothesis 2. When a larger percentage of the country's population is in the workforce, there are fewer terrorist attacks by resident terrorist groups, in agreement with Hypothesis 3. Finally, in support of Hypothesis 4, a rise in a state's vulnerability to violence or collapse, its SFI, is associated with a greater number of terrorist attacks by resident terrorist groups.

We extend the baseline models by adding control variables in Columns 6–9. All four measures of state failure remain statistically significant, suggesting that terrorist groups residing in weak states engage in more productive terrorist campaigns than groups based in stronger states, again consistent with our first four hypotheses. Relative to the baseline results, the magnitude of the effects is larger, which could be because the sample size decreases in fully specified models. Thus, we rerun the baseline regressions with the number of observations remaining the same as in fully specified models and reach similar conclusions. Hence, the differences in the size of the effect are driven by the inclusion of relevant control variables that are correlated with both state failure and resident terrorist groups' productivity.

Regarding control variables, left-wing, nationalist, and right-wing terrorist groups engage in relatively fewer attacks than religious fundamentalist groups. The effects of a state's income per capita,[4] tropical climate, and elevation on resident terrorist groups' attack productivity are positive, though the impact of elevation is not robust. The coefficients for *Polity2* and its squared term are positive and negative, respectively, indicating an inverted U-shaped relationship between a country's level of democracy and the number of terrorist attacks by resident terrorist groups. Ethnic fractionalization exerts a positive influence on resident terrorist groups' productivity when smaller political reach over the workforce and a larger SFI are the measures of state weakness. Terrorist groups residing in the Middle East and North Africa are engaged in more terrorist attacks than groups based in North America or sub-Saharan Africa, consistent with the literature.

As a robustness check, we reestimate Table 1 with annual panel data in Supporting Information Table A3, and our results hold with respect to the state weakness measures and most controls. We also replace the count of terrorist attacks with the number of casualties (deaths and injuries) as the dependent variable, which substantially reduce the sample size. Nonetheless, all four state failure measures are statistically significantly correlated with resident group–caused casualties in the hypothesized direction in Supporting Information Table A4. Moreover, most of the previously significant controls remain significant in the casualty-based estimates. Next, we aggregate the resident terrorist groups' attacks within the base country and perform a country-level analysis—see Supporting Information Table A5. The dependent variable is the annual number of terrorist attacks by resident terrorist groups in our sample, irrespective of the attack locations. The coefficient for state failure is mostly statistically significant with the expected sign across all models.

In addition, many country-level variables such as Polity or per capita GDP can very well be outcomes of state failure. Hence, their inclusion raises the bad control concern. In Table 1, it is encouraging that our results are not sensitive to the inclusion or exclusion of control variables. As an additional check, we run a set of regressions by restricting control variables to those that are not likely to suffer from the bad control problem: group ideology, country's geographical characteristics (elevation, landlock, and tropics), and regional and time dummies. The results, which are reported in Supporting Information Table A6, are statistically significant across all models and our conclusion remains intact when we cluster the standard errors by country. Finally, we include terrorist groups with multiple base countries, and the results, which are reported in Supporting Information Table A7, are broadly consistent with the findings in Table 1.[5]

To examine whether the impact of state failure on terrorism depends on the types of terrorist incidents, we split our dependent variable into domestic and transnational terrorist events. Tables 2 and 3 report the regression outputs for domestic and transnational attacks, respectively. The effect of state weakness is statistically significant with the anticipated sign across the four operational measures of weakness, for both domestic and transnational terrorist incidents. Hence, state governance challenges lead to an increase in both types of terrorist events by resident groups, consistent with the hypotheses being tailored to just domestic and transnational terrorist attacks. Notably, many of the controls display the same influence on resident terrorist groups' productivity as in the case of total terrorism, especially domestic terrorism, which constitutes a great proportion of total terrorist incidents.

In Table 4, we test the impact of state failure on the number of kidnappings. Gains in government control of territory, an increase in a state's income tax revenue, and an enhancement of a government's relative power over its workers limit the number of kidnappings, whereas a rise in SFI results in more kidnappings by resident terrorist groups. Those findings are consistent with Hypothesis 5.

We next implement a series of robustness checks for standard errors, omitted variables bias, and reverse causation. First, in Supporting Information Tables A8–A11, we reestimate the main tables using standard errors clustered at the country level, and our main conclusions hold across all four measures of state weakness. Second, to control for additional terrorist group and base country characteristics that may correlate with both state weakness and resident terrorist groups' productivity, we add to our fully specified models the following variables: resident terrorist group peak size, the number of competitive terrorist groups, group age, base country's total national resources rent, Gini index, civil war, government spending, and trade openness. Supporting Information Tables A12–A15 display the results. Across models, the sample size declines by more than 65% compared to the baseline models due to missing observations particularly with respect to groups' peak size. Nonetheless, the results broadly support our findings that state weakness increases resident terrorist groups' productivity. Third, we control for both time fixed effects and base country fixed effects[6] to account for any time-specific common shocks and time-invariant country unobserved heterogeneities that may lead to endogeneity bias. Given that state weakness indicators change slowly over time, the fixed effects approach is restrictive. Nevertheless, our main conclusion is overall supported—see Supporting Information Tables A16–A19. Fourth, we restrict the sample to positive terrorist attacks and examine the relationship between state weakness and the number of kidnappings by resident terrorist groups (Supporting Information Table A20). The hypothesized relationships between the four measures of state weakness and resident groups' kidnappings hold in Columns 2–5; however, for fixed country effects, the hypothesized relationships only hold for three measures of state weakness and resident groups' kidnappings. Fifth, to mitigate the reverse causality issue, we reestimate the fully specified models in Table 1 using the lagged value of state failure (Supporting Information Table A21). The results are robust across the four state failure measures and are mostly unaffected by clustering standard errors at the country level.

6 | Instrumental Variable Approach

As shown in the results section, the hypothesized correlations between state weakness and resident terrorist groups' productivity are robust to the inclusion of numerous control variables and (base country and time) fixed effects. In this section, we test for the causal relationship by applying the instrumental variable (IV) approach to further account for the potential endogeneity of state weakness with resident terrorist groups' productivity. We use a base country's land area as an exogenous source for the identification of the effect of state weakness in terms of a lack of territorial control on resident groups' terrorism; an absence of instruments does not allow us to consider the other measures of state weakness.

The IV method requires that an instrument satisfies relevance, independence, and exclusion conditions (see, e.g., Meierrieks and Renner 2023). These requirements imply that the instrumental variable has an impact on the treatment variable, is not correlated with the error term, and influences the variable of interest only through the instrumented variable. We maintain that the land area of a country is negatively correlated with the government's control of territory and other things (e.g., the country's income per capita, population size, and geographic terrain) are constant. Skocpol (1985) argued for a strong relationship between a country's administrative and military capabilities and its control over domestic territory. Geographically larger states were characterized as a challenge to control their population and territory owing to greater distances between the government's power centers and the hinterlands (Buhaug and Rød 2006; Collier and Hoeffler 2004; Fearon and Laitin 2003). Such enhanced distances stemming from a country's geographical size restrict not only intelligence about remote areas but also local population support, both of which further weaken the government's territorial control (Fearon 2004; Raleigh 2010). We also empirically demonstrate a robust negative correlation between land area and territorial control.

Historically, geopolitical and colonial factors that determined the boundary of countries may be responsible for the emergence or demise of terrorist groups. Within a relatively short time span, we assume that the variation in land area is exogenous to the differences in resident terrorist groups' productivity across

TABLE 2 | Terrorist group productivity: Number of domestic terrorist events (DV).

Variable	Territorial control	Tax revenue	Political reach	State fragility
State Failure	−0.048***	−0.071**	−3.466***	0.235***
	(0.013)	(0.028)	(0.526)	(0.040)
Left Wing	−0.660**	0.237	−0.317	−0.476
	(0.325)	(0.334)	(0.316)	(0.342)
Nationalist	−1.070***	−0.114	−0.753***	−1.006***
	(0.254)	(0.266)	(0.248)	(0.260)
Right Wing	−2.696***	−2.416***	−2.529***	−1.724***
	(0.412)	(0.498)	(0.360)	(0.524)
log*(GDP/POP)*	0.611***	0.279**	0.610***	0.917***
	(0.131)	(0.135)	(0.128)	(0.188)
log*(POP)*	0.124	−0.048	0.105	0.189*
	(0.104)	(0.112)	(0.106)	(0.107)
Polity2	0.048**	0.084***	0.048**	0.056**
	(0.022)	(0.026)	(0.023)	(0.025)
Polity2 Squared	−0.015***	−0.016***	−0.019***	−0.006
	(0.004)	(0.004)	(0.004)	(0.005)
Ethnic Frac.	−0.250	0.585	1.586***	1.302**
	(0.647)	(0.575)	(0.515)	(0.598)
log*(Elevation)*	0.480***	0.273*	0.310**	−0.156
	(0.135)	(0.139)	(0.132)	(0.154)
Tropics	1.100***	1.607***	1.806***	1.679***
	(0.336)	(0.376)	(0.308)	(0.353)
Landlock	−0.293	−1.400***	0.791*	0.854*
	(0.454)	(0.386)	(0.458)	(0.462)
EAP	0.372	−1.137**	0.444	−0.299
	(0.472)	(0.448)	(0.512)	(0.448)
ECA	0.616	0.056	0.379	1.172**
	(0.503)	(0.558)	(0.546)	(0.469)
LAC	0.505	−0.522	0.379	−0.806
	(0.545)	(0.567)	(0.570)	(0.539)
NA	−0.592	−2.997***	−0.630	−2.083**
	(0.746)	(0.541)	(0.710)	(0.815)
SAS	0.621	−0.989*	−0.264	−0.013
	(0.512)	(0.512)	(0.583)	(0.516)
SSA	−0.023	−2.265***	−1.035*	−2.191***
	(0.610)	(0.557)	(0.588)	(0.550)
Time Fixed Effects	Yes	Yes	Yes	Yes
NT	1670	1317	1635	1184

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. DV denotes dependent variable. East Asia and Pacific (*EAP*), Europe and Central Asia (*ECA*), Latin America and Caribbean (*LAC*), South Asia (*SAS*), sub-Saharan Africa (*SSA*), North America (*NA*), and Middle East and North Africa (*MENA*).

TABLE 3 | Terrorist group productivity: Number of transnational terrorist events (DV).

Variable	Territorial control	Tax revenue	Political reach	State fragility
State Failure	−0.050***	−0.092***	−2.274***	0.200***
	(0.010)	(0.023)	(0.532)	(0.040)
Left Wing	−1.625***	−1.217***	−1.574***	−1.576***
	(0.306)	(0.349)	(0.325)	(0.385)
Nationalist	−1.454***	−1.081***	−1.431***	−1.692***
	(0.246)	(0.306)	(0.259)	(0.285)
Right Wing	−3.159***	−3.110***	−3.291***	−2.510***
	(0.441)	(0.548)	(0.398)	(0.618)
log*(GDP/POP)*	0.436***	0.377***	0.520***	0.714***
	(0.129)	(0.143)	(0.145)	(0.186)
log*(POP)*	0.147	0.028	0.076	−0.025
	(0.090)	(0.095)	(0.089)	(0.107)
Polity2	0.007	0.077***	0.014	0.016
	(0.020)	(0.024)	(0.020)	(0.026)
Polity2 Squared	−0.008**	−0.014***	−0.011***	−0.003
	(0.004)	(0.004)	(0.003)	(0.005)
Ethnic Frac.	−0.841	−0.167	0.460	−0.384
	(0.512)	(0.513)	(0.469)	(0.655)
log*(Elevation)*	0.109	0.030	0.048	−0.366**
	(0.134)	(0.145)	(0.135)	(0.161)
Tropics	1.033***	1.986***	1.692***	1.432***
	(0.322)	(0.388)	(0.344)	(0.475)
Landlock	1.134**	−0.113	1.848***	1.363***
	(0.453)	(0.394)	(0.519)	(0.503)
EAP	0.419	−0.397	0.327	0.348
	(0.415)	(0.460)	(0.419)	(0.515)
ECA	1.693***	1.971***	1.582***	2.401***
	(0.396)	(0.450)	(0.421)	(0.489)
LAC	1.332***	0.494	1.376***	1.017
	(0.405)	(0.469)	(0.409)	(0.680)
NA	0.340	−19.836***	0.191	−22.422***
	(0.590)	(0.521)	(0.600)	(0.567)
SAS	0.009	−0.726	−0.314	0.401
	(0.418)	(0.477)	(0.471)	(0.517)
SSA	0.128	−0.518	−0.278	−0.658
	(0.420)	(0.520)	(0.418)	(0.621)
Time Fixed Effects	Yes	Yes	Yes	Yes
NT	1670	1317	1635	1184

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. DV denotes dependent variable. East Asia and Pacific (*EAP*), Europe and Central Asia (*ECA*), Latin America and Caribbean (*LAC*), South Asia (*SAS*), sub-Saharan Africa (*SSA*), North America (*NA*), and Middle East and North Africa (*MENA*).

TABLE 4 | Terrorist group productivity: Number of kidnappings (DV).

Variable	Territorial control	Tax revenue	Political reach	State fragility
State Failure	−0.071***	−0.219***	−2.209***	0.302***
	(0.012)	(0.029)	(0.781)	(0.052)
Left Wing	−0.864**	−0.103	−0.556	−0.596
	(0.338)	(0.397)	(0.357)	(0.416)
Nationalist	−0.913***	−0.358	−0.821***	−1.014***
	(0.275)	(0.319)	(0.266)	(0.319)
Right Wing	−2.213***	−20.059***	−1.945***	−2.804***
	(0.669)	(0.433)	(0.622)	(0.851)
log*(GDP/POP)*	0.022	−0.059	0.109	0.330
	(0.157)	(0.192)	(0.172)	(0.221)
log*(POP)*	0.357***	0.066	0.231**	0.114
	(0.106)	(0.119)	(0.108)	(0.126)
Polity2	0.023	0.142***	0.045*	0.053*
	(0.024)	(0.029)	(0.025)	(0.027)
Polity2 Squared	−0.005	−0.014***	−0.014***	0.004
	(0.004)	(0.005)	(0.004)	(0.006)
Ethnic Frac.	0.388	1.915**	2.622***	1.812*
	(0.724)	(0.834)	(0.714)	(0.954)
log*(Elevation)*	0.198	0.160	0.116	−0.273
	(0.191)	(0.217)	(0.196)	(0.225)
Tropics	1.833***	3.333***	2.528***	2.800***
	(0.381)	(0.415)	(0.392)	(0.512)
Landlock	0.808	0.354	1.884***	1.338**
	(0.500)	(0.592)	(0.556)	(0.565)
EAP	−0.459	−1.629***	−1.061**	−1.320***
	(0.417)	(0.423)	(0.472)	(0.479)
ECA	0.786	1.277**	−0.110	1.556**
	(0.502)	(0.572)	(0.613)	(0.626)
LAC	0.296	−2.213***	−0.353	−0.200
	(0.501)	(0.624)	(0.609)	(0.691)
NA	−2.338***	−18.999***	−2.973***	−1.753*
	(0.842)	(0.617)	(0.933)	(0.975)
SAS	−1.129**	−2.059***	−1.999***	−1.278**
	(0.442)	(0.505)	(0.573)	(0.534)
SSA	−2.315***	−4.527***	−3.649***	−4.596***
	(0.572)	(0.762)	(0.642)	(0.748)
Time Fixed Effects	Yes	Yes	Yes	Yes
NT	1688	1334	1653	1202

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. DV denotes dependent variable. East Asia and Pacific (*EAP*), Europe and Central Asia (*ECA*), Latin America and Caribbean (*LAC*), South Asia (*SAS*), sub-Saharan Africa (*SSA*), North America (*NA*), and Middle East and North Africa (*MENA*).

countries, after controlling for a host of potential confounders of the link between state weakness and resident groups' terrorism. The impact of a country's geographical size on its resident groups' attack productivity may depend on the country's capabilities, population size, and terrain. By controlling for those factors, we contend that a country's size affects resident terrorist groups' productivity only through the government's territorial control. Furthermore, in the empirical part, we relax the exclusion restriction on the country's land area and still show that our IV results generally hold.

We take natural logs of each measure of resident terrorist groups' productivity (again adding one to deal with zeros)—the number of (total, transnational, or domestic) attacks and kidnappings—and implement the two-stage least squares regression. Table 5 displays the regression output for the main variables of interest, whereas Supporting Information Table A22 reports the full results. The first-stage outcomes indicate that a country's geographical size is negatively and significantly correlated with government territorial control, thus supporting our prediction. Furthermore, relatively large values of the first-stage *F* statistics suggest that the land area instrument is strong.

Consistent with our main conclusion, the IV estimates reveal that resident terrorist groups' attack productivity falls as the host government controls a larger share of its territory. The results are robust across the four alternative measures of resident terrorist groups' productivity. An increase of territorial control by 1 % reduces those groups' number of (total, transnational, and domestic) terrorist incidents and kidnappings by about 5–6 percentage points and 3 percentage points, respectively. Those effects are large considering that one standard deviation of territorial control is about 14%.

We implement the following sensitivity checks. First, we construct a placebo instrument by randomly rearranging the values of our instrument across base countries and terrorist groups so that the land area of one observation is falsely assigned to another observation for a given year (Supporting Information Table A23). The first-stage results show no evidence of any systematic relationship between an arbitrarily assigned area size to a base country and the government's extent of territorial control in that country. Predictably, the impact of state weakness on the productivity of resident terrorist groups is statistically not significant in the second stage, which bolsters our confidence that the findings are not due to spurious correlations. Second, we control civil wars, which could be a possible confounding variable correlated with land area, but our main conclusion holds (Supporting Information Table A24). We also use the average value of territorial control in a base country's region as an alternative instrument, but the effect of state failure is not statistically significant. Supporting Information Table A25 presents the results.

Finally, we examine the robustness of the IV results to the violation of the exclusion restriction, which implies that the direct impact of a country's land size on resident terrorist groups' productivity is not 0. To do so, we follow the two-step procedure proposed by van Kippersluis and Rietveld (2018), whose methodological details are provided in Supporting Information Appendix B. First, we identify a zero-first-stage group for which the instrumental variable (land area) is not correlated with the treatment (territorial control) variable. For the zero-first-stage group, we choose a subsample of countries, whose territory either did not change during the sample period or changed just slightly (by less than 1.5%) so that we have enough observations. Given that the territory is (almost) constant over the sample period for this group, the land area should not correlate with the size, which is shown empirically in Supporting Information Table B1. For the zero-first-stage group, we estimate the direct impact of the country's geographical size on the terrorist activities of resident groups. The zero-first-stage estimate serves as a plausible priori for the direct impact of the country's land area on resident terrorist groups' productivity. In the second step, we implement the plausibly exogenous regression developed by Conley et al. (2012), which requires the user to specify a plausible value for the direct impact of the instrumental variable on the outcome. We use the zero-first-stage estimate from the first step, assuming no uncertainty, as an input for the plausibly exogenous method. We also allow for uncertainty around the zero-first-stage estimate.[7]

Table 6 shows that the effect of territorial control is a statistically significant negative determinant of resident terrorist groups' attack productivity for total and domestic terrorist attacks. For

TABLE 5 | The 2SLS regressions of the number of terrorist attacks and kidnappings.

Variable	Total attacks	Domestic	Transnational	Kidnappings
Territorial Control	−0.060**	−0.054**	−0.062***	−0.029**
	(0.027)	(0.025)	(0.017)	(0.013)
	First-stage results			
log(*Land Area*)	−1.811***	−1.842***	−1.842***	−1.811***
	(0.352)	(0.354)	(0.354)	(0.352)
First-stage F statistic	26.43	27.05	27.05	26.43
Time Fixed Effects	Yes	Yes	Yes	Yes
NT	1688	1670	1670	1688

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. Dependent variable is the log of the number of (total, domestic, and transnational) attacks or kidnappings. We add 1 before computing the log to keep zero values. Total attacks are the sum of transnational, domestic, and uncertain terrorist attacks. The results for control variables are suppressed to save space.

TABLE 6 | The plausibly exogenous regressions.

	Total attacks	Domestic	Transnational	Kidnappings
Without uncertainty	−0.132***	−0.137***	−0.010	−0.008
	(0.027)	(0.025)	(0.017)	(0.013)
With uncertainty	−0.132***	−0.137***	−0.010	−0.008
	(0.029)	(0.029)	(0.018)	(0.014)
NT	1688	1670	1670	1688

Note: Significance levels: ***$p < 0.01$, **$p < 0.05$, and *$p < 0.10$. Robust standard errors are in parentheses. Dependent variable is the log of the number of (total, domestic, and transnational) attacks or kidnappings. We add 1 before computing the log to keep zero values. Total attacks are the sum of transnational, domestic, and uncertain terrorist attacks. The models include a full set of control variables used in the IV regressions (Supporting Information Table A14).

transnational terrorist attacks and kidnappings, the effect is not statistically significant though remains negative. These results are also robust to the violation of exclusion restriction when we allow for uncertainty, which is reassuring.

7 | Concluding Remarks

Since the 9/11 skyjackings, conventional wisdom tied weak states to domestic and transnational terrorism from resident groups (e.g., National Intelligence Strategy 2005; Patrick 2011). The academic literature has been incomplete in its support of that wisdom as indicated in Section 2.2. Earlier studies were hindered by no clear metric of state weakness and the absence of a dataset of terrorist groups' campaigns and base country locations. To address those two challenges, we relate four alternative measures of state weakness (based on territorial control losses, income tax revenue challenges, bureaucratic weaknesses, and violence vulnerabilities) to the countries' resident terrorist groups' attacks. We are aided by the EDTG dataset for 1970–2016 that identifies terrorist groups' base countries and their terrorist attack profiles.

Based on all four state weakness measures, we find that resident terrorist groups in weak states are more productive than their counterparts in stronger states. The hypothesized relationship between measures of state weakness and resident terrorist groups' productivity applies to total, domestic, and transnational terrorist attacks as well as to terrorist kidnappings. Our findings are robust to the exclusion of controls, as well as to the inclusion of standard controls, nonstandard controls, country fixed effects, and other considerations, used in past studies of terrorist groups' productivity. We support the causal relationship by applying an IV approach to address the potential endogeneity of state weakness in terms of a lack of territorial control, arguably the key weakness measure. The base country's land area serves as an exogenous source for the influence of state failure on resident terrorist groups' attacks. Our causal case is bolstered by the application of placebo instruments and the plausibly exogenous method.

Because our study is comprehensive (looks at a wide range of indicators of state weakness and resident terrorist activity), our findings help to settle the debate on the effect of state weakness on terrorism. Moreover, the study is well-positioned to resolve the debate because it focuses on terrorist organizations, the perpetrators of the attacks. Consequently, we examine how state weakness affects the strategic behavior of terrorist actors rather than simply illustrating that wider environmental factors are associated with terrorism. We present robust evidence that weak states bolster resident terrorist groups' productivity by offering low operating costs, reinforced by the host country's weak territorial control, poor bureaucracy, and revenue-challenged government. In weak states, factors favoring terrorist groups are shown to overcome those factors inhibiting such groups (e.g., hostile armed actors or undeveloped infrastructure), leaving little doubt that state weakness influences resident terrorist group activity.

Over the last few decades, key states ranking high on two to three of our state failure measures included Somalia, South Sudan, Sudan, Yemen, Afghanistan, Angola, Iraq, and Nigeria, all of which remain terrorism concerns today. The international community must coordinate their counterterrorism actions regarding those countries' terrorist groups. Also, our results underscore the importance of closely monitoring such weak states by counterterrorism officials in the United States and abroad. Officials should prioritize gathering intelligence on terrorist organizations based in weak states, given that such organizations pose a greater threat to security than those in other states. Moreover, dynamic forecasting tools using various indicators of state weakness mentioned here should be utilized to create early-warning systems for global terrorist threats. Weak states should also be prioritized for foreign aid that builds recipient governments' capacities in controlling territory, bolstering domestic policing, cracking down on illicit markets, addressing official corruption, and fostering economic development. The latter reduces popular grievances likely to promote terrorist group support.[8] Finally, our study suggests that enhanced multinational cooperation is needed to better monitor terrorist threats emanating from weak states and to assist with policing. In particular, fostering multilateral collective security efforts among states in regions containing weak states may help to ameliorate the threats posed by terrorist organizations operating in weak states.

Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

Endnotes

[1] Civil wars are also correlated with state weakness raising the potential multicollinearity concern. Nevertheless, we show that our results are robust to the inclusion of this variable.

[2] However, we will show that the baseline runs provide qualitatively the same results if we use annual data.

[3] In EDTG, a terrorist group is a subnational collective whose members try to obtain a political goal by intimidating an audience (or constituency) through violence or its threat. EDTG is linked to terrorist groups and incidents listed in GTD. The authors apply strict inclusion criteria to identify groups engaging in terrorism, while excluding rebel groups. The dataset contains a host of variables used in this study, including the classification of incidents into domestic and transnational.

[4] GDP per capita is a standard control for studies concerned with the determinants of terrorist attacks. In a recent subnational study, Jetter et al. (2024) found that regional measures of GDP per capita exerted an inverted U-shape influence on regional terrorist attacks, reminiscent of the findings of Enders et al. (2016) at the national level.

[5] For the control variables, we average across the bases, while for the state failure measures, we use the minimum (weakest) value across the bases.

[6] Because state failure is measured at the country level, we cannot control for group fixed effects.

[7] We assume there is no uncertainty by setting the variance equal to 0. We incorporate uncertainty by setting the variance to $\left(0.125\sqrt{SE_f^2+SE_r^2}\right)^2$, where SE_f^2 and SE_r^2 are the standard errors of the direct effect of instrumental variable on the outcome in the zero-first-stage-group and the remaining sample, respectively (van Kippersluis and Rietveld 2018).

[8] In a much different study, Belmonte (2022) investigated how the intensity and targets of terrorist attacks influenced election outcomes and the constituent's support for the terrorists.

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Supporting Information

Additional supporting information can be found online in the Supporting Information section.