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## Political Instability Index: Vulnerability to social and political unrest

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Our index draws on recent insights of the political science literature that seeks to identify and quantify the main social, economic and political factors and traits that are causally associated with, or that can predict, political instability. In particular, it draws on the work of the so-called Political Instability Task Force (PITF) based at George Mason University in the US. The PITF has created a simple model that has a rate of success of over 80% in identifying, ex post, outbreaks of serious instability for a data set that stretches back to 1955.

These attempts to predict the occurrence of unrest on the basis of quantitative models was borne of a dissatisfaction with the experience of traditional, qualitative analysis and assessments, which have had a poor record in predicting outbreaks of social and political turmoil. Some recent analyses have pointed to the need to combine quantitative models with traditional qualitative assessment by country experts. Although quantitative models have greater predictive success, they can miss out possibly pertinent specific features in countries that are not captured by the general model and the data that the model uses may also contain errors or may not always be up to date.

The final PITF model that had the greatest predictive power is a simple model that is based on only four factors: the level of development as measured by the infant mortality rate; extreme cases of economic or political discrimination against minorities (according to assessments and codings by the Minorities at Risk Project); "a bad neighbourhood" (if a country has at least four neighbours that suffered violent conflicts); and regime type (intermediate regimes that are neither consolidated democracies nor autocratic regimes combined with the existence in these regimes of intense factionalism in domestic politics, as coded by the Polity Project on democracy). Although over 80% of outbreaks of instability could be predicted (a very high "hit rate"), the model cannot predict the intensity or duration of the instability, or its exact timing.

We also look and measure other factors associated with instability that have been identified in the literature, such as inequality, a prior history of instability, ethnic fragmentation, poor governance, a proclivity to labour unrest, the level of provision of public services and state strength.

Economic distress and dislocation tend to be associated causally with instability, that is they precede, not only accompany, instability. Indeed, of the 50 cases of instability (instances of "adverse regime change") identified since 1980 by the PITF (about one-half of these were in Africa), in the vast majority of cases (46) the country that had an outbreak of instability had suffered a decline in GDP per head in at least one of the two years prior to the occurrence of instability.

Economic distress appears to be almost a necessary condition for serious instability, but it is not a sufficient one. There are many instances of declines in GDP per head that have not been followed by political instability. It is only when economic distress is accompanied by other, underlying or structural features of vulnerability that there is a high vulnerability to or risk of serious outbreaks of political and social unrest.

### Defining political unrest

We define social and political unrest or upheaval as those events or developments that pose a serious extra-parliamentary or extra-institutional threat to governments or the existing political order. The events will almost invariably be accompanied by some violence as well as public disorder. These need not necessarily be successful in the sense that they end up toppling a government or regime. Even unsuccessful episodes result in turmoil and serious disruption. The assessment of what constitutes a "serious threat" still requires judgment and can be arbitrary, but this is a step forward from having no definition at all.

### Political Instability Index

The overall index on a scale of 0 (no vulnerability) to 10 (highest vulnerability) has two component indexes—an index of underlying vulnerability and an economic distress index. The overall index is a simple average of the two component indexes. There are 15 indicators in all—12 for the underlying and 3 for the economic distress index.

## **I. Underlying vulnerability**

### **1. Inequality**

Measured by Gini coefficient

- 0 if lower than 40
- 1 if 40-50
- 2 if higher than 50

Sources: World Bank, *World Development Indicators 2008*; Economist Intelligence Unit estimates.

### **2. State history**

Measured according to date of independence

- 0 if before 1900
- 1 if between 1900 and 1950
- 2 if after 1950

Source: CIA, *Factbook*.

### **3. Corruption**

Economist Intelligence Unit ratings

- 0 for low
- 1 for moderate
- 2 for high

Source: Economist Intelligence Unit.

### **4. Ethnic fragmentation**

Ethnic fractionalisation index (0 to 100 scale)

- 0 if lower than 30
- 1 if 30 to 50
- 2 if higher than 50

Source: Alesina Alberto et al, "Fractionalization", *NBER Working Paper 9411*, 2003.

### **5. Trust in institutions**

Percentage of population that trusts/has confidence in parliament

- 0 if more than 50%
- 1 30-50%
- 2 if less than 30%

Sources: The Euro, Latino, Africa and Asia Barometer polls; World Values Survey.

### **6. Status of minorities**

High rates of economic or political discrimination against minorities. Based on latest available assessment and scoring on 0 (no discrimination) to 4 (extreme discrimination) scale by Minorities at Risk Project (MRP). The MRP defines extreme discrimination (score of 4) if any minority group is subject to public policies that constitute formal exclusion and/or recurring repression, and that substantially restrict the groups' economic opportunities or political participation. There is significant discrimination (score of 3) if minority group suffers from significant poverty and under-representation owing to prevailing social practices by dominant group.

- 0 if low or no discrimination (MRP scores lower than 3)
- 1 if significant discrimination (if score of 3 by for any minority by MRP)
- 2 if extreme discrimination (if score of 4 for any minority by MRP)

### **7. History of political instability**

Significant episodes or events of political instability (regime change) as recorded by Political Instability Task Force (PITF)

- 0 if no recorded episode
- 1 if one major episode
- 2 if two or more episodes

Source: PITF database.

## 8. Proclivity to labour unrest

Risk of labour unrest

- 0 if low
- 1 if moderate
- 2 if high

Source: Economist Intelligence Unit, Risk Briefing.

## 9. Level of social provision

Measured on the basis of the "expected" infant mortality rate; based on residuals from a regression of the natural logarithm of the infant mortality rate on the logarithm of GPP per head US\$ at purchasing power parity (PPP) for 2006.

- 0 if the actual infant mortality rate is lower than predicted, or if the actual rate does not exceed the predicted rate by a significant margin
- 1 if ratio between actual and predicted infant mortality rate is greater than 1.1 but less than 1.5
- 2 if ratio between actual and predicted infant mortality rate is greater than 1.5

Sources: Economist Intelligence Unit; World Bank, *World Development Indicators 2008*.

## 10. A country's neighbourhood

Based on the average vulnerability index (calculated on the basis of all indicators except the neighbourhood indicator) for all of the country's geographic neighbours.

- 0 if index is less than 5.8
- 1 if index is 5.8 to 6.3
- 2 if index is higher than 6.3

Source: Economist Intelligence Unit.

## 11. Regime type

Based on classification of political regimes, according to the Economist Intelligence Unit's Index of Democracy

- 0 if either a full democracy or authoritarian regime
- 2 if either a non-consolidated, "flawed" democracy or a hybrid regime (neither a democracy nor an autocracy)

Source: Economist Intelligence Unit.

## 12. Regime type and factionalism

The interaction of regime type with the existence of political factionalism (according to Polity IV database). According to Polity, factionalism is defined as polities with parochial (possibly, but not necessarily, ethnic-based) political factions that regularly compete for political influence to promote particularist agendas and favour heavily group members to the detriment of a common agenda.

- 4 if a country is both an intermediate regime and suffers from factionalism
- 0 if not

# II. Economic distress

## 1. Growth in incomes

Growth in real GDP per head in 2009

- 0 if forecast growth in real GDP per head is positive, with minimal risks that it could be negative
- 1 if a fall in GDP per head is forecast or there is a significant risk of that occurring, but the decline is less than by 4%
- 2 if a forecast decline in GDP per head is greater than by 4% or there is a significant risk that this could occur

Source: Economist Intelligence Unit.

## 2. Unemployment

Unemployment rate, %.

- 0 if forecast unemployment rate is less than 6% and there are only minimal risks that it could be higher than 6%
- 1 if a forecast unemployment rate is higher than 6% or there is a significant risk of that occurring, but the rate does not surpass 10%
- 2 if a forecast unemployment rate is higher than 10% or there is a significant risk that this could occur

Sources: Economist Intelligence Unit; International Labour Organisation.

### 3. Level of income per head

Measured by GDP per head at PPP, US\$ in 2007, on the assumption that richer countries can more easily withstand economic distress

- 0 if more than US\$12,000
- 1 if between US\$3,000 and US\$12,000
- 2 if less than US\$3,000

Notes: In the compilation of the economic distress sub-index, growth in GDP per head and unemployment have weights of 40% each, and GDP per head has a weight of 20%.

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