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MEASURING THE POLITICAL SYSTEM STABILITY OF ARMENIA AND ISRAEL FROM 2008 TO 2023: A COMPARATIVE ANALYSIS USING THE SIPS MODEL

ARMEN MIRZOYAN[*] iD
Yerevan State University

Abstract

This article examines the political stability of Armenia and Israel from 2008 to 2023 using the Stability Index of Political Systems (SIPS) model in a comparative context. The article aims to identify the extent to which internal and external factors shape the stability of political systems in small and medium-sized states in the face of a number of regional and global challenges and risks. The comparative analysis reveals that the experiences of both Armenia and Israel reveal a broader pattern: in small and medium-sized states, particularly those located in geopolitically sensitive and security-challenged regions, political stability is primarily determined by the dynamics of external factors. The results indicate that in both countries, external influences, particularly those related to the national security environment, regional conflicts, and foreign policy pressures, had a dominant impact on domestic political processes and institutional stability. In this context, by highlighting the primacy of external factors, the article contributes to the academic debate on how small states ensure their political stability in the face of persistent regional and global vulnerability.

Introduction

In political science, approaches to measuring phenomena and processes, the methodology of empirical research, and the quantitative analysis of data constitute contemporary and important issues. These approaches enable more in-depth and precise analyses and assessments, thereby allowing scholars to identify trends in the development of various phenomena and processes. One of the effective tools for conducting measurement, comparison, and analysis in political science is the method of constructing indices. The first indices that made it possible, albeit to a limited extent, to study and evaluate the dynamics of the socio-political sphere emerged as early as the 1960s. Measurements, modelling, and forecasting of political stability make it possible

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[*] **Armen Mirzoyan** is a PhD candidate of the Chair of Political Science of the Faculty of International Relations at Yerevan State University. He is a Journalist for Hetq.am and Project Manager at "Investigative Journalists" NGO. Email: armen.mirzoyan@ysu.am. ORCID: https://orcid.org/0009-0008-2396-4933.

to assess risks and to adopt effective policy decisions and solutions. Moreover, quantitative methods for measuring political stability allow for comparisons both across different periods within a single country and between different countries according to their levels of political stability. This is essential for evaluating not only negative trends in stability but also patterns of sustainable development. In more comprehensive analyses of political stability, scholars often distinguish the political, economic, and social factors that condition a state's stability. Based on this premise, the present study employs the Stability Index of Political System developed by Arusyak Aleksanyan. This index is widely used in Armenian-language scientific papers examining the stability of political systems in Armenia and other countries of the region (Aleksanyan 2018, 16-27). The distinct feature of this index lies in its comprehensiveness: it conceptualises political stability through the lens of political, social, and economic factors. In other words, it represents the aggregate of three separate components-the Political Factors Index, the Social Factors Index, and the Economic Factors Index, drawing on other indices of political stability as its data sources (Aleksanyan and Aleksanyan 2021, 14). According to the logic of this approach, political, social, and economic factors exert varying degrees of influence on the political system, which determines the hierarchy assigned to these factors. Accordingly, the Stability Index of Political System is calculated on the basis of the weighted arithmetic mean of the Political Factors Index, the Social Factors Index, and the Economic Factors Index (Aleksanyan and Aleksanyan 2021, 25).

The choice of Armenia and Israel, as well as the comparison of the factors influencing the stability of their political systems, is grounded in several considerations. First, both countries share the same parliamentary system of governance. They are situated in complex geopolitical environments, maintain tense and non-amicable relations with certain neighbouring states, and face closed borders. Both countries also experience, at times, similar domestic political dynamics (protest actions, demonstrations, and pre- and post-electoral tensions) that affect political stability. Additionally, both states are shaped by the influence of a substantial diaspora and, finally, by exceptionally high levels of militarisation (Bayer 2023, 9). Moreover, Israel has never been included within the scope of studies applying the Stability Index of Political System, and the level of its political stability has not previously been measured using this model. Within the framework of this research, more than 1,100 data points have been collected and analyzed. These data were drawn not only from the databases of statistical services in both countries, but also from reputable international reports and the databases of international organizations.

Political Factors Index

The first component of the Stability Index of Political System, the Political Factors Index, is calculated based on six indicators: foreign direct investment (with data sourced from the World Bank database), the Index of Economic Freedom, political rights and civil liberties (both drawn from Freedom House's annual *Freedom in the World* reports), the Corruption Perceptions Index, and, finally, the conflict presence and civil disobedience, which are assessed according to events occurring in the country during the given year. The evaluation of the latter is carried out by the researcher. An

examination of data on foreign direct investment (FDI) inflows in Armenia and Israel reveals an interesting picture. The available data show that major global events exert significant, though not always uniform, effects on investment flows. For example, in 2008, the volume of FDI to Armenia amounted to 943,733,060 USD, while in Israel it reached 10,274,200,000 USD (World Bank, FDI net flows). The situation changed sharply in 2009, when this figure decreased to 760,040,746 USD in Armenia, whereas in Israel, the decline is much more substantial, resulting in an FDI volume of 4,606,900,000 USD (World Bank, FDI net flows). The primary reason for this decline was the Financial crisis, which affected the business and services sectors worldwide. Investors began to avoid risk, and uncertainty in global markets led to capital outflows (Needham and Needham 2023, 49). In 2014, due to the Russia-Ukraine conflict, the West imposed sanctions on Russia (Viktorov 2020, 488), which was Armenia's number one economic partner and the source of a significant share of its investments. These Western sanctions dealt a severe blow to the Russian economy, and the ruble fell by approximately 50% (BBC, 2014). This led in 2015 to a reduction in remittances to Armenia, a decline in consumption, and a decrease in investment inflows from Russian businesses. Moreover, in 2015, the Armenian economy was significantly affected by the continued decline in global copper prices. In January 2014, the international price per ton was 7,500 USD, whereas by January 2015 it had fallen to 5,500 USD (Hergnyan 2015). When international metal prices decline, mining and metallurgical companies tend to postpone the implementation of their investment projects, waiting for a more favourable period. This, in turn, affects both the flow of foreign investment and overall economic development. In Israel, a significant decline occurred in 2014 as well. One of the causes was the summer military operation "Protective Edge" conducted in the Gaza Strip, which generated economic uncertainty and heightened investor concerns. Such situations typically prompt caution among foreign investors due to security risks, political instability, and potential damage to infrastructure. An interesting and irregular pattern emerged in 2020, during the global COVID-19 pandemic. Since 2001, the volume of foreign direct investment in Armenia reached a historical low in 2020, amounting to 58,582,750 USD, a 41.59% decrease compared to 2019. The last time such a low level was recorded was in 1997, when it totaled 51,940,000 USD (World Bank, FDI net flows). In the case of Armenia, this decline was driven not only by the COVID-19 pandemic but also by the 44-Day War. In contrast, in Israel, foreign direct investment in 2020 not only did not decrease but increased by 17.22% compared to the previous year, reaching the highest level recorded since 1970 - 20,968,700,000 USD (World Bank, FDI net flows) (The World Bank Group 2025c). This growth was primarily due to investments in the high-tech and healthcare sectors. The peak in foreign direct investment for both countries was observed in 2022. In Armenia, this was largely driven by investments in the mining and energy sectors (Hergnyan 2022), as well as by capital and investment inflows resulting from the Russia–Ukraine war. And for Israel, this was not only related to the inflow of investments in cybersecurity, fintech, and biotechnology, but also to the implementation of the Abraham Accords, which facilitated the attraction of investments from Gulf countries, particularly the United Arab Emirates, into the Israeli economy (Abbas 2024).

Regarding the Index of Economic Freedom, in the Stability Index of Political System, it is calculated based on the data from The Heritage Foundation's *Index of Economic Freedom*, taking into account the overall score of each country. During the period, the scores for Israel and Armenia fluctuated between 60 and 80 points (The Heritage Foundation 2025). Accordingly, in different years, both countries were classified either as "mostly free" or "moderately free." In the case of Armenia, the increase is much more noticeable. However, for both countries, there is no clear trend of consistent growth or decline.

The next two indicators of the Political Factors Index are Political Rights and Civil Liberties, for which the source is Freedom House's annual *Freedom in the World* reports. In preparing these reports, the authors utilize a variety of information sources, including analytical and news materials, as well as reports and data from international and local organizations. The resulting scores are then normalized on a 1-7 scale, where 1 represents the highest level of freedom ("free") and 7 the lowest ("not free") (1-2.5 = "free," 3–5 = "partly free," 5.5-7 = "not free"). Analysis of political rights data reveals that the situation in the two countries differs significantly. Israel has consistently been classified as "free" during the observed period, whereas Armenia has alternated between "not free" and "partly free." Moreover, in Israel, a decline in the score is observed between 2018 and 2023 (from 1 to 2), primarily due to issues related to the political rights of ethnic, religious, and other minority groups. In this context, the data mainly concern Israel's Arab-speaking minority. In contrast, analysis of Armenia's data shows an improvement over time: a score of 6 for 2008-2011, 5 for 2012–2017, and 4 for 2018-2023 (Freedom House). These periods correspond to changes in the country's ruling elite: 2008-2011 aligns with the end of President Robert Kocharyan's term and the first term of President Serzh Sargsyan; 2012-2017 corresponds to the conclusion of Sargsyan's first term and his second term; and 2018-2023 coincides with Prime Minister Nikol Pashinyan's tenure. Moreover, this improvement also coincides with Armenia's transition to a parliamentary form of governance. Regarding civil liberties, Armenia's score remained stable at 4 ("partly free") throughout the entire observed period.

In contrast, Israel experienced a decline. From 2008 to 2016, Israel was classified as "free" in terms of civil liberties, but beginning in 2017, it moved into the "partly free" category, with its score falling from 2 to 3 (Freedom House). This change was primarily due to amendments made in 2016 to Israeli legislation on the transparency and disclosure of foreign funding for civil society organizations. The amendments required organizations receiving 50% or more of their funding from foreign sources to disclose this information in all publications, communications with public officials, reports, public advertisements, and to list the names of donor organizations. These changes sparked a significant wave of protest across Israel.

The next indicator of the Political Factors Index is the Corruption Perceptions Index. Its source is the eponymous index maintained by Transparency International, which is published annually. In the index, country scores are derived from expert surveys and evaluated on a 0–100 scale, where 0 represents the highest level of corruption and 100 the lowest (Transparency International). Studying this indicator is important because the level of corruption and the associated scores can provide insight

into the quality of a country's governance system. A comparison of Armenia and Israel shows that Israel is in a considerably better position in terms of perceived corruption. Moreover, Israel's lowest score during this period, recorded in 2011 (5.8), is higher than Armenia's highest score during the same period, which was 4.9 (standardized) in 2021 and 2022. At the same time, it is evident that Armenia has experienced an improvement: its score increased from 2.9 in 2008 to 4.7 (standardized) in 2023, representing approximately a 62% increase.

In contrast, the trend in Israel has been much more modest, with scores of 6 and 6.2, respectively. Overall, the general trend for Armenia is positive. Although a decline was observed between 2008 and 2011, the score began to rise from 2012 onward, reaching its peak in 2020–2021. Regarding Israel, it would be inaccurate to claim a negative trend; rather, there is no clearly positive or negative trajectory. Certain factors have affected the situation, including corruption scandals involving high-ranking officials, notably Prime Minister Benjamin Netanyahu ("Netanyahu Cases"), and contentious reforms in the judicial system, which led to hundreds of thousands of citizens protesting in 2023. Researchers have noted that these changes may weaken the judicial system's checks and balances on government power, potentially fostering systemic corruption and undermining the stability of the political system (Ginsburg 2023, 395).

The next indicator of the Political Factors Index is the presence of conflicts. It is assessed by the researcher applying the index using a 0–2 scale, where 0 indicates the absence of conflict, 1 signifies the presence of a passive conflict-i.e., when a state is technically in conflict with another state but no active hostilities occur-and 2 represents an active conflict, in which the conflict involves ongoing military operations (Aleksanyan and Aleksanyan 2021, 24). During this period, both Armenia and Israel experienced active conflicts with neighbouring country or countries. This explains why, for both countries, no year within the observed period was assigned a score of 0. From the perspective of this indicator, the most problematic years for Armenia were 2016, 2020, 2022, and 2023. Among these, 2020 was the most critical, due to the 44-Day War, whereas in the other years, recorded military clashes were far smaller in intensity and scale. In Israel, the situation differs significantly. For this country, 2008 was among the most problematic years, primarily due to Operation *Cast Lead* and the Israeli invasion of Gaza. Other years in the same category include 2012, linked to Operation *Pillar of Defense*; 2014, associated with Operation *Protective Edge*, the intensive mutual rocket fire between Israel and Hamas, and the Israeli incursion into Gaza, which resulted in a high number of civilian casualties, particularly in Gaza; 2018, marked by mass protests at the Gaza border known as the "Great March of Return," as well as tensions arising from the U.S. recognition of Jerusalem as Israel's capital, which escalated clashes between Israeli and Palestinian populations; 2019, during Operation *Black Belt*; 2021, with intense clashes with Hamas; and 2023, which became the peak of Israel-Hamas confrontation. On October 7 of that year, following Hamas attacks on Israeli territory and the taking of hostages, Israel launched an air offensive against Gaza, later expanding to a ground operation (Abbas 2024).

The final indicator of the Political Factors Index is civil disobedience. This encompasses the number of assemblies, demonstrations, strikes, political acts of disobedience, and socially motivated disturbances occurring within a given period in a

country (Aleksanyan and Aleksanyan 2021, 24). It is assessed using a 0–5 scale, where 5 represents the highest level of disobedience, including the presence of coups or revolutions, and 0 indicates their complete absence. Both Armenia and Israel, particularly in recent years, have consistently been characterized by the intensity of domestic political events, protest actions, and demonstrations. During the observed period, neither country received a score higher than 4 on this indicator. In Armenia, high levels of civil disobedience were recorded in 2008, 2016, 2018, 2020, and 2021, with the peak occurring in 2008. This was linked to protests following the presidential elections in February of that year, which culminated in the events of March 1. The high score in 2016 was associated with the seizure of the Police Patrol Regiment in Yerevan and the subsequent protests, during which clashes occurred between police and citizens, particularly in Yerevan's Sari Tagh district. In 2018, elevated civil disobedience was due to the Velvet Revolution, in 2020 to protests following the 44-Day War, and in 2021 to protests that began the previous year and partially resolved with the parliamentary elections in June 2021, which resulted in the re-election of the ruling authorities (Aleksanyan 2025). Notably, before 2018, protests in Armenia were both political and social in nature, whereas from 2020 onward, they have been primarily political, linked to foreign policy and security issues. For Israel, the highest scores were observed in 2011, 2018, 2019, and 2023. The historical peak occurred in 2011, when intense social protests took place from July to October in Tel Aviv and other Israeli cities, accompanied by clashes with the police and the use of tent-based protest methods. In 2018, mass protests emerged following the passage of the Basic Law declaring Israel as the "Nation-State of the Jewish People." Non-Jewish residents of Israel and inhabitants of Palestinian territories argued that the law was discriminatory, despite its declarative nature Jabareen and Bishara 2019; Hostovsky Brandes 2018; Medina and Bloch 2023). Additionally, protests along the Gaza border began that year, resulting in 223 deaths and more than 9,000 injuries in Gaza (Cumming-Bruce, 2019), most victims being targeted by live fire. These events also sparked protests within Israel itself. In 2019, protests at the Gaza border continued, and Israel held three parliamentary elections within one year, each preceded and followed by protests, primarily criticizing Prime Minister Benjamin Netanyahu. In 2023, the situation intensified not only in terms of military operations but also in civil disobedience. Months-long protests took place in Tel Aviv, Haifa, and other major cities, with hundreds of thousands participating to oppose controversial judicial reforms (Tsujita 2025; Navot 2023). These demonstrations were frequently accompanied by clashes with police. Tensions escalated to the extent that numerous soldiers in the Israel Defence Forces (IDF) threatened to leave military service, prompting intervention by Defence Minister Yoav Galant and calls to Netanyahu to halt the reforms (Al Jazeera 2023). As in Armenia, Israel does not exhibit a clear trend in this indicator over the observed period. The intensity of civil disobedience fluctuates, rising and falling temporarily. However, unlike Armenia, where recent protests are mainly political in nature, protests in Israel also retain significant social and economic dimensions.
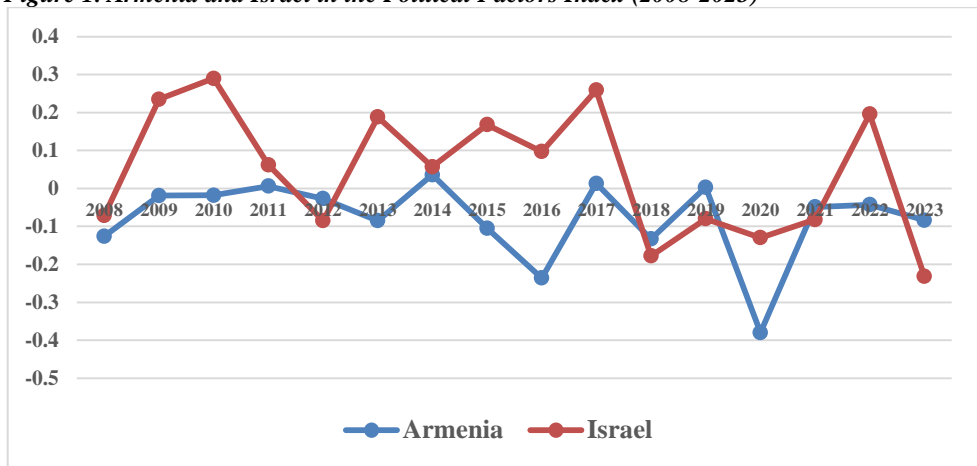
Figure 1. Armenia and Israel in the Political Factors Index (2008-2023)[1]

Figure 1 illustrates the fluctuations of the Political Factors Index, which is the composite indicator of the measures discussed above. During the observed period, Armenia's Political Factors Index was predominantly negative, showing positive stability only in 2011, 2014, 2017, and 2019, when no large-scale political events occurred that could have caused systemic instability. As shown in the figure, the lowest score was recorded in 2020, surpassing the previous major low in 2016. From 2021 through 2023, the index remained consistently negative. In Israel, the Political Factors Index was mainly positive throughout the period, exhibiting negative stability scores only in 2012, 2018, 2019, 2021, and 2023, during which large-scale political events occurred that triggered systemic instability. The lowest score for Israel was recorded in 2023, exceeding the 2019 level. For both countries, there is no clear trend in stability. The index fluctuates continuously depending on internal and external factors.

Social Factors Index

The Social Factors Index, which is a part of the Stability Index of Political System, is also calculated based on six indicators: the Human Development Index, sourced from the annual *Human Development Reports* published by the United Nations Development Programme (UNDP 2025); real wages, obtained from the respective national statistical services; the employment rate, sourced from the International Labour Organization (ILO) database; the poverty rate; the Gini coefficient, with data for Armenia taken from the National Statistical Committee of the Republic of Armenia and for Israel from the World Bank database; and the number of crimes per 1,000 inhabitants.

The Human Development Index, a key indicator of societal well-being, is measured on a scale from 0 to 1, where 0 represents the lowest level of human development and 1 the highest. Analysis of the available data confirms that Armenia exhibits a consistently positive trend in human development, with the 2023 value showing an 8.38% increase compared to 2008. Israel also demonstrates a stable positive trajectory,

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[1] The indicators are comparable in terms of trends and the specific years for each country.

with its Human Development Index rising by 4.46% since 2008 (UNDP 2025). Overall, both countries display very high levels of human development.

The real wages indicator reflects the purchasing power of nominal wages during the observed period. That is, the quantity of goods and services that can be acquired with a given wage at the prevailing prices (Aleksanyan 2018, 22). Real wages are calculated as the ratio of the average monthly nominal wage to the consumer price index. Both of these measures must correspond to the specific period under consideration. Since the comparison is made between Armenia and Israel, the average monthly wages in both countries were converted into U.S. dollar purchasing power equivalents. During this period, real wages in both Armenia and Israel experienced fluctuations, though the overall trend is positive. Analysis of the data shows that Israel's real wage levels exceed those of Armenia several times, reflecting the higher level of economic development in Israel. At the beginning of the period, Israel's real wages were more than eight times higher than Armenia's, but by 2023, this gap had narrowed to 4.8 times. In Armenia, the growth of real wages has been gradual, with significant increases observed in 2022 and 2023. In Israel, real wages grew very slowly between 2008 and 2014, and occasionally declined, due to global economic shocks and changes in local productivity. From 2015 to 2019, moderate growth in real wages was observed, driven by rising employment and the steady expansion of the high-tech sector. Between 2020 and 2023, although average monthly nominal wages increased, inflation offset these gains, resulting in little visible improvement in real wages and even some declines in purchasing power.

The employment rate is another key indicator of societal well-being in a given country. Since employment is measured as the percentage of the population that is employed, the Social Factors Index sets its minimum value at 0% and its maximum at 100%. During this period, Armenia's employment rate fluctuated between approximately 49.4% and 53.9%, whereas Israel's rate was significantly higher, ranging from 57.9% to 62.9%. The highest employment level in Armenia was recorded in 2022 at 53.85%, and in Israel in 2018 at 62.86%. Regarding growth trends, 50.02% of Armenia's population was employed in 2008, increasing to 53.81% in 2023. In Israel, the employment rate rose from 57.97% in 2008 to 62.61% in 2023 (The World Bank Group 2025a). Overall, the data indicate a general upward trend in both countries, although temporary declines were observed during the period.

The next indicator reflecting societal well-being is the poverty rate. For normalization purposes within the index, the minimum value is set at 0% and the maximum at 100%. Contemporary definitions of poverty are based on the concept of poverty as a multidimensional phenomenon. According to the report of the Statistical Committee of the RA, *"The Social Snapshot and Poverty in Armenia 2024"*, which covers the period 1996–2023, the assessment of poverty in Armenia is based on the "basic needs cost" method. This method expresses the monetary value of the consumption basket required for households to satisfy their essential food and non-food needs (The Statistical Committee of the RA 2025, 126). Accordingly, households whose consumption or income is insufficient to meet the cost of this basket are classified as poor. According to the Statistical Committee of Armenia, by the end of the observed period (2023), the monthly average poverty line was 53,590 AMD (The
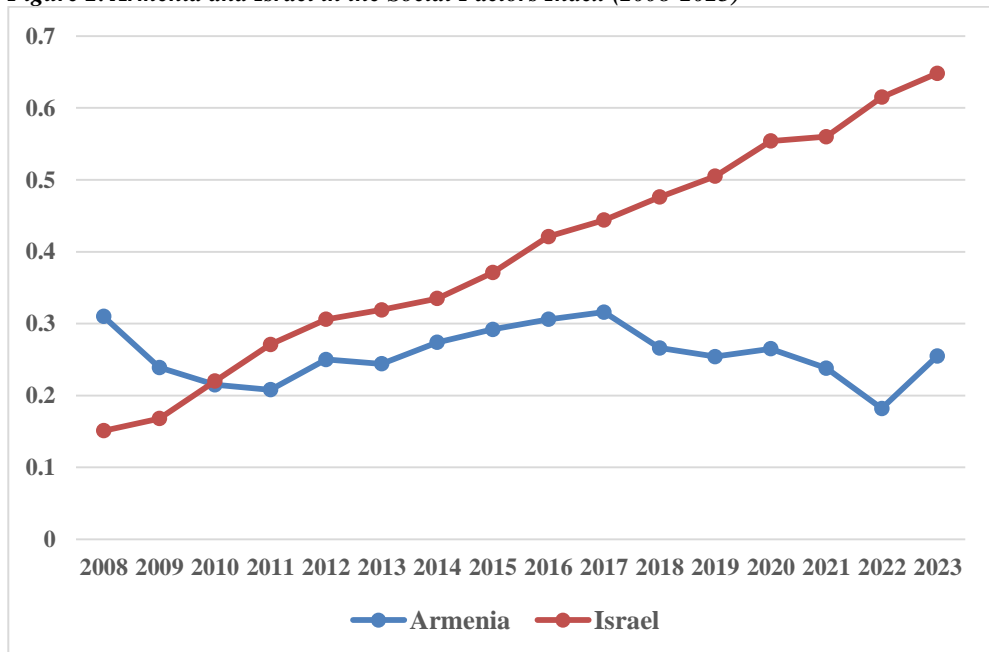
Statistical Committee of the RA 2025, 31). Analysis of the available data shows that Armenia's poverty rate exhibited a generally declining trend, although it increased by 19.06% in 2009, rising from 27.6% in 2008 to 34.1% in 2009, due to the impact of the global financial crisis. From 2011 to 2018, the poverty rate demonstrated a steady decline. A slight increase was recorded over the following two years, attributable to various objective and subjective factors. The Statistical Committee's report *"The Social Snapshot and Poverty in Armenia 2019"*, published in November 2020, noted a methodological change in the calculation of poverty. Accordingly, the 2019 poverty rate (26.4%) is not directly comparable with the 2018 figure of 23.5%, due to changes in the poverty threshold as well as in the methods for measuring consumption and poverty. In 2020, the deepening of poverty was driven by the COVID-19 pandemic, which led to the closure of many workplaces, and by the 44-Day War. From 2021 to 2023, the poverty rate in Armenia decreased. The methodologies for calculating poverty in Armenia and Israel differ and are not directly comparable. Nevertheless, other internationally comparable measures indicate that Israel is in a more favourable position. During this period, Israel's poverty rate generally showed a stable decline, although minor increases were recorded in certain years. The only major exception was 2009, when, due to the global financial crisis, Israel's poverty rate rose by 7.55% compared with the previous year. Despite this, Israel, compared with many other OECD countries, still experiences a relatively high poverty rate. Among the contributing factors is the religious aspect: many ultra-Orthodox Jews refuse not only to serve in the military but also to work at all, which exacerbates poverty levels. Additionally, poverty is primarily concentrated among the Arabic-speaking population.

Closely related to the poverty rate is another indicator: the Gini coefficient. This measures income distribution inequality within a country or group. In the case of perfectly equal distribution, the coefficient equals 0, while under absolute inequality it reaches 1. Analysis of the available data for the 2008-2023 period, provided by the Statistical Committee of the RA and the World Bank, shows that income polarization in Armenia is much lower than in Israel. Moreover, no clear trend in polarization is observed in Armenia. Over the period, it has both gradually increased and decreased at different times. In 2008, Armenia's Gini coefficient was 0.339, rising to 0.348 by 2023 (an increase of 2.65%). In Israel, despite a comparatively higher level of income inequality, the Gini coefficient shows a generally decreasing trend. In 2008, the coefficient was 0.416, declining to 0.379 in 2023, representing a reduction of 8.91% (World Bank, Gini index) (The World Bank Group 2025d).

The final indicator used in calculating the Social Factors Index is the number of crimes per 1,000 inhabitants. Social problems often contribute to an increase in crime rates. For this indicator, data for Armenia were drawn from the RA Statistical Committee's database, while for Israel, data were sourced from the Central Bureau of Statistics' annual *Israel in Figures* reports. Analysis shows that at the beginning of the observed period, in 2008, Armenia had 3.19 crimes per 1,000 inhabitants, rising to 13.60 by 2023. This sharp increase (approximately 326%) is partly methodological. Specifically, from 2022, a revised version of the Criminal Procedure Code came into effect. Before this revision, a criminal case in Armenia was initiated only when factual evidence was available. Starting July 1, 2022, a criminal case can be initiated for nearly

any incident, which has greatly increased the recorded number of crimes. For instance, before the revision, sudden deaths were not registered as criminal cases. Nevertheless, certain types of crimes have increased since 2018. For example, over 4,000 serious crimes were recorded in 2019, while by 2023 this number exceeded 6,000, driven in part by large-scale drug trafficking and illegal arms circulation (Stepanyan 2024). In Israel, although there is a clear decreasing trend in crime rates, the number of crimes per 1,000 inhabitants remains relatively high. In 2008, this figure was 57.44, declining to 30.77 in 2023. This means that in 2023, Israel recorded 17 more crimes per 1,000 inhabitants than Armenia. However, unlike Armenia, Israel faces significant challenges in ensuring internal security, which continues to strongly influence the overall crime rate.

Figure 2. Armenia and Israel in the Social Factors Index (2008-2023)[2]

As shown in Figure 2, which is based on the analysis of six indicators, the Social Factors Index for both countries remained entirely positive throughout the observed period. In Israel, the trend has been generally positive, with slight setbacks in recent years, whereas in Armenia, the trend has been negative.

Economic Factors Index

The third and final index that comprises the Stability Index of Political System is the Economic Factors Index, which is also calculated based on six indicators: GDP per capita (PPP), external trade turnover, domestic credit, inflation, the size of the shadow economy, and the budget deficit. The first indicator of the Economic Factors Index,

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[2] The indicators are comparable in terms of trends and the sp PPPecific years for each country.

which is part of the measurement of the Stability Index of the Political System, is GDP per capita (PPP). This indicator also serves as an important measure of societal well-being and economic growth. For the analysis of the observed period, data from the World Bank database were used for both countries. The analysis shows that, in terms of GDP per capita, Armenia recorded its highest value in 2023 at USD 21,343, representing the highest level since the country's independence. The lowest value during the observed period was in 2008, at USD 7,827. Consequently, GDP per capita in Armenia increased more than 2.7 times over this period.

Furthermore, the trend of GDP per capita growth in Armenia has been generally steadily positive, with the exceptions of 2009 and 2020, when it decreased by 12.97% and 1.8%, respectively, compared to the previous years. These declines were primarily due to the global financial crisis, the economic impacts of the COVID-19 pandemic, and, to some extent, the 44-Day War. In the case of Israel, the dynamics were also predominantly positive. Minor decreases in GDP per capita occurred in 2014, 2020, and 2023, compared to the previous year, amounting to 0.03%, 0.9%, and 0.3%, respectively. As in Armenia, these declines were short-term, followed by renewed growth in subsequent years. In both countries, the main contribution to GDP growth was driven by trade and services. The data indicate that, while GDP in Armenia had been growing at an average rate of 5.6% before 2022, in 2022 it surged by 20.3% compared to 2021, and in 2023 it grew by 11.4%. This increase was partly due to a significant expansion in exports resulting from the Russia-Ukraine war (Ktoyan, Shirinyan and Khachatryan 2023, 31). In Israel, GDP growth was also recorded in 2022, but at a more moderate rate of 13.74%, mainly due to post-COVID recovery and the expansion of the high-tech industrial sector (Eckstein 2023, 3; Scheer 2023; Alagha and Hussein 2024).

The second indicator within the Economic Factors Index is the volume of external trade turnover. The data were obtained from the Statistical Committee of the RA and the World Bank databases. In analyzing these data, the study considered the annual volumes of imports and exports of goods and services. Compared to the previous year, Armenia recorded a decline in trade turnover in 2009, 2015, and 2020. These decreases were mainly attributed, respectively, to the global financial crisis; Western sanctions imposed on Russia, which led to a depreciation of the ruble and a reduction in Armenia's trade turnover with that country; and the COVID-19 pandemic, which significantly impacted global trade. The analysis shows that by the end of the observed period, Armenia's foreign trade turnover had increased approximately 3.88 times compared to its initial level. Notably, a sharp rise in external trade turnover was recorded starting in 2022, when it increased by 59% compared to the previous year. This increase was even more pronounced in 2023, when trade turnover grew by a record 66.65% relative to 2022. In both cases, the growth was driven primarily by an increase in export volumes. One reason for this sharp rise was the expansion of re-export volumes to Russia as a consequence of the Russia–Ukraine war. Armenian companies took advantage of Western sanctions imposed on Russia and began re-exporting goods to that country (Financial Times 2023). Moreover, as a result of this process, one Armenian company was placed under U.S. sanctions (Hergnyan 2023). This change is also reflected in the list of major taxpayers: for example, according to

data for January–December 2023, companies engaged in the sale of electronic equipment appeared in the top five, whereas in the first quarter of 2022, one of them ranked 36th and another 109th. An even more significant factor, however, was Armenia's use as a transit country during this period, particularly for precious metals, which substantially increased trade turnover in U.S. dollar terms (Armenpress 2024). In the case of Israel, the country's trade turnover with other states generally followed a stable upward trend, with slight decreases registered only in 2020 and 2023. The decline in 2020 has a logical explanation: the global situation caused by the COVID-19 pandemic. Regarding 2023, the analysis showed that the decrease occurred mainly in the fourth quarter (The Times of India 2024), coinciding with the outbreak of hostilities between Israel and Hamas. The study indicates that by the end of the observed period, Israel's foreign trade turnover had increased approximately 1.8 times compared to its initial level, reaching 297,017,514,802 USD in 2023. However, this figure is not the highest of the period: the peak was recorded in 2022, when Israel's foreign trade turnover reached 318,495,248,590 USD. This means that wartime conditions contributed to a 6.75% decline in trade turnover in 2023 compared to 2022.

The third significant indicator within the Economic Factors Index is the volume of credit allocated to the economy. This indicator reflects what percentage of GDP is constituted by financing provided by the financial sector to the economy. According to the World Bank methodology, this includes exclusively domestic gross credit issued to all sectors except the government, for which only the net value is calculated. An examination of Armenia's data shows that between 2008 and 2020, the volume of credit to the economy increased from 18.59% of GDP to 83.40%, rising by approximately 65 percentage points. After 2020, however, this indicator began to decline somewhat, reaching 64.99% of GDP in 2022, before rising again to 68.80% in 2023 (World Bank, Domestic credit provided by financial sector) (The World Bank Group 2025b). Considering the performance of other economic factors during this period, including GDP growth and the expansion of external trade turnover, this increase indicates a steady annual expansion of economic activity. Growth in credit volumes can stimulate investment and consumption. However, if the increase is excessively rapid, it may signal rising credit risks or over-indebtedness (Prochniak and Wasiak 2017, 308). In Israel's case, this indicator is considerably higher. Yet, whereas Armenia experienced overall growth followed by a decline between 2021 and 2023, Israel's indicator demonstrates a predominantly downward trend throughout the observed period, decreasing by approximately 11.93 percentage points of GDP. However, unlike Armenia, Israel did not exhibit sharp year-to-year fluctuations. Changes remained within the range of 1%-4%. Between 2008 and 2011, credit to the economy remained very high, fluctuating between 89.92% and 91.99% of GDP. Notably, in 2009, when the world was struggling with the global financial crisis, Israel's credit-to-economy indicator declined by 4.31%. This suggests that the financial sector, acting cautiously in response to heightened risks, adopted a more selective approach to lending. From 2012 to 2017, the decline continued, reaching 79.12% of GDP overall reduction of about 10.8%. Nevertheless, during this period, the volume of credit extended to large enterprises and households remained high (Shemesh and Abir 2024, 187). In subsequent years, the indicator stabilized at around 80% of GDP.

Importantly, in a highly developed economy such as Israel, a decline in this indicator does not necessarily imply economic weakening. It may instead be associated with factors such as economic diversification, whereby firms reduce their reliance on borrowing and shift toward capital markets or foreign investment (Jammeh 2022, 43).
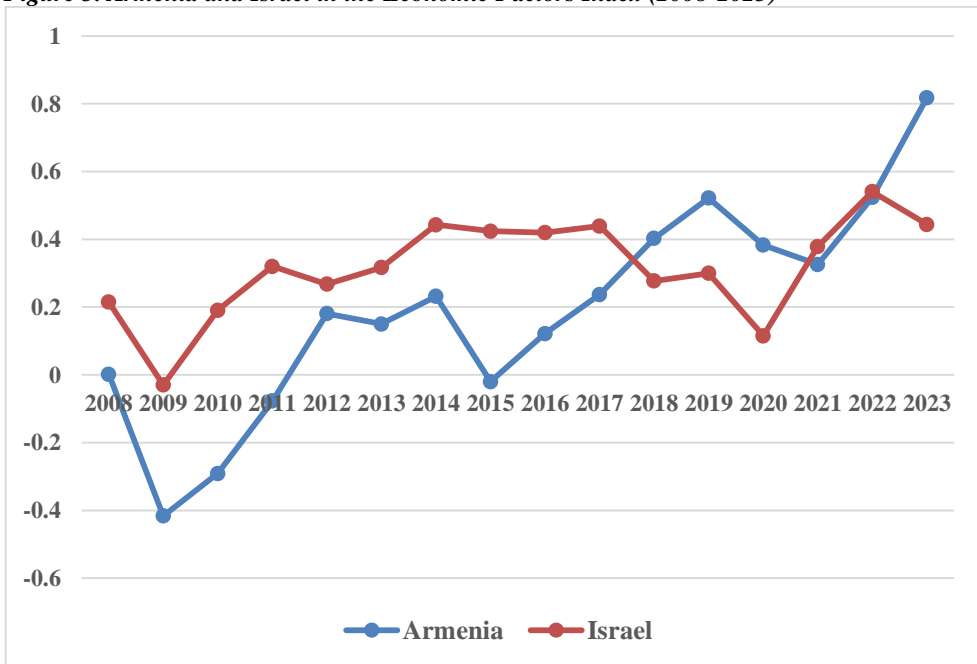
The next indicator, inflation, captures the overall increase in the prices of goods and services in the economy over time. During the observed period, Armenia exhibited no clear pattern of consistently rising or declining inflation. Some years recorded rapid increases in inflation, while in at least one year the inflation rate was negative. The highest inflation rate in this period was recorded in 2008, at 8.9%, whereas the preceding year (2007) had been nearly half that level, at 4.4%. In contrast, in 2016, Armenia registered a 1.6% deflation compared to the previous year. High inflation rates were also recorded in 2010 (8.2%), 2011 (7.7%), 2021 (7.2%), and 2022 (8.6%). In 2022, food prices increased by 10%, restaurant and hotel services by roughly 9%, clothing by 7.2%, and utility prices by more than 8% (Zargaryan 2023). From the perspective of political stability, high inflation can contribute to the destabilization of the political system. Sharp increases in inflation undermine public trust in incumbent authorities, potentially leading to political instability and widespread public discontent. Conversely, political instability, such as frequent cabinet reshuffles, weak institutions, or limited independence of the central financial authority, can hamper inflation control and disrupt policy implementation. In Israel's case, inflation rates were significantly lower and exhibited a generally downward trend between 2008 and 2021. In some years, including 2015, 2016, and 2020, the indicator was even negative. The highest inflation rate in the observed period was recorded in 2008 at 4.55%. Inflation exceeded the 4% threshold again in 2022 and 2023, reaching 4.39% and 4.23%, respectively. In 2022, price increases were particularly notable in real estate, transportation, communications, and food. Furthermore, some researchers argued that the composition of Israeli consumers' expenditure baskets changed after the COVID-19 pandemic, a factor that should be taken into account when assessing short-term inflation dynamics (Benchimol, Caspi and Levin 2022, 11).

The next indicator is the shadow economy, which reflects the portion of economic activity that remains outside state regulation and oversight. Moreover, this segment is not captured in official government statistics (Schneider and Enste 2000, 4). For measurement purposes, both countries rely on the study by International Monetary Fund researchers Leandro Medina and Friedrich Schneider, *"Shedding Light on the Shadow Economy: A Global Database and the Interaction with the Official One"*, which provides a global database and examines the interaction between shadow economic activity and official data. According to the study, as of 2017, the global average level of the shadow economy was 30.9% of GDP. The available data show that although Armenia recorded an increase in the size of the shadow economy in 2009 compared to 2008 (reaching 41.8%), the indicator exhibited a downward trend until 2014 inclusive. In 2015, it increased slightly, before declining again through 2017, when it reached 34.5% (Medina and Schneider 2019, 44). Compared with Armenia, Israel's level of shadow economic activity is significantly lower. Despite increases in 2008-2009 and in 2012, the shadow economy in Israel demonstrated a downward trend during 2010-2011 and 2013-2017 (Medina and Schneider 2019, 46). The highest level

recorded during the observed period was in 2009, at 20.5%, while by 2017 it had fallen to 17%, well below the global average. Overall, comparatively low levels of shadow economic activity are common among OECD member states, of which Israel is one.

Finally, the last indicator within the Economic Factors Index is the budget deficit, which arises when government expenditures exceed revenues, and the budget balance is the difference between these revenues and expenditures. The analysis shows that neither country exhibits a clear upward or downward trend, as periods of deficit and relative balance alternate over time. In Armenia, the largest budget deficit during the observed period was recorded in 2009, reaching 7.6% of GDP, while the smallest deficit was registered in the previous year, at 0.7% of GDP. Significant deficits were also recorded in 2016 and 2020, driven, among other factors, by war-related expenditures and subsequent efforts to restore and modernize the armed forces. In the case of 2020, a substantial reduction in government revenues due to the COVID-19 pandemic was also highly relevant (Hergnyan 2021). In Israel, the highest budget deficit was recorded in 2020 at 11.4% of GDP, while the lowest deficits-1.9% of GDP, were observed in 2015 and 2022 (see Figure 3).

Figure 3. Armenia and Israel in the Economic Factors Index (2008-2023)[3]
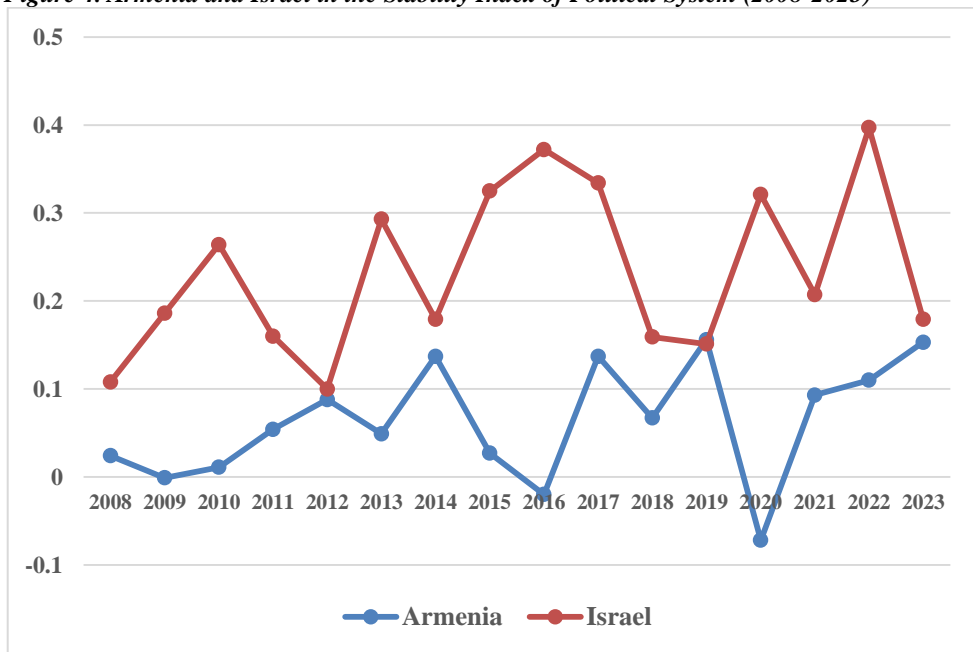

As shown in Figure 3, Armenia's Economic Factors Index was predominantly positive throughout the observed period, displaying sharp declines only in 2009, 2015, and 2019–2021. These downturns were largely driven by challenges in international markets and the Global Financial Crisis. As the figure illustrates, the lowest value was recorded in 2009, and the highest in 2023. Armenia experienced notable increases in

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[3] The indicators are comparable in terms of trends and the specific years for each country.

2010-2012, 2016-2019, and again in 2022-2023. In the case of Israel, the Economic Factors Index was also largely positive during the observed period, exhibiting a negative stability indicator only in 2009, which was likewise associated with the Global Financial Crisis. As the figure demonstrates, the lowest value was recorded in 2009 and the highest in 2022. Israel also saw sharp increases in 2010-2011 and 2021-2022 (see Figure 4).

Figure 4. Armenia and Israel in the Stability Index of Political System (2008-2023)[4]

As noted earlier, each of the social, economic, and political factors exerted varying degrees of influence on the Stability Index of the Political System. As shown in Figure 4, the Stability Index of the Political System (SIPS) in both countries does not exhibit a clear trend of consistent increase or decrease. Moreover, while Israel's Stability Index of the Political System remained positive throughout the observed period, Armenia's index was negative in 2016 and 2020. In addition, Armenia recorded its highest SIPS value in 2023, whereas Israel reached its peak in 2022. The lowest values were registered for Armenia in 2020 and for Israel in 2012. Unlike Israel, which experienced an increase in its Stability Index of Political System between 2008 and 2010, Armenia saw a decline in 2009, followed by only a slight increase in 2010. The decline in 2009 was primarily driven by a sharp drop in the Economic Factors Index, itself a consequence of the global financial crisis. By contrast, the Political Factors Index showed growth, having declined in 2008 compared with 2007 due to the post-electoral protests and the events of March 1. This suggests that the weakening of Armenia's political system stability during that period was largely the result of internal factors. In

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[4] The indicators are comparable in terms of trends and the specific years for each country.

Israel's case, the increase observed up to 2010 was attributable to the simultaneous rise of all three components. The period from 2010 to 2012 was one of increasing stability for Armenia's political system. Following the global financial crisis, economic indicators began to improve, directly contributing to the rise of the Economic Factors Index. The Social and Political Factors Indices also began to increase, although the latter experienced a decline in 2012. Nevertheless, the growth of the Social and Economic Factors Indices offset the downturn in the Political Factors Index, resulting in an overall upward trend in the Stability Index for 2012. By contrast, this same period marked a decline in Israel's SIPS. Despite an increase in the Social Factors Index, the Political Factors Index fell sharply, and the Economic Factors Index experienced a moderate decline in 2012. The drop in the Political Factors Index was mainly associated with the protest movement that took place in major Israeli cities between July and October 2011, as well as the Israel Defence Forces' *Pillar of Defence* operation in Gaza in 2012. These developments demonstrate that both domestic and external factors played a significant role in weakening the stability of Israel's political system during this period.

The years 2013–2016 represent a period of fluctuations in the Stability Index of the Political System for both Armenia and Israel, albeit with opposing trends. It is during this period that Armenia recorded its highest value for the Political Factors Index, in 2014, yet the declines in the preceding and subsequent years were linked to the post-election protests following the 2013 presidential elections, the socially driven "Electric Yerevan" protests, the 4-Day War, and the demonstrations following the seizure of the Police Patrol Regiment headquarters. In 2015, the decline in Armenia's Stability Index was also driven by a decrease in the Economic Factors Index. After Israel registered its lowest Stability Index value in 2012, the country experienced an increase in 2013, driven by simultaneous growth across all three components, and particularly by a sharp rise in the Political Factors Index. By 2014, however, the Political Factors Index declined again, reflecting the impact of the "Protective Edge" military operation and subsequent anti-war protests, which were concentrated mainly in Palestinian-populated areas. The growth recorded in 2015–2016 occurred despite a decline in the Economic Factors Index and was primarily due to a significant rise in the Political Factors Index and a moderate increase in the Social Factors Index. The period 2016–2023 was one of turbulence for Armenia: periods of increase and decrease in the Stability Index alternated frequently. The entire period was turbulent for Israel as well. Among the contributing factors were the mass protests in Gaza along the Israeli border, which resulted in the deaths of 223 Palestinians, as well as heightened domestic political tensions in Israel, accompanied by demonstrations against the Knesset's passage of the Basic Law "Israel as the Nation-State of the Jewish People." Between 2016 and 2023, Armenia experienced two major declines in the Stability Index, driven by the 4-Day War of 2016, the 44-Day War of 2020, and the economic restrictions imposed during the COVID-19 pandemic. In 2020, declines occurred simultaneously across the Political, Social, and Economic Factors Indices. As a result, Armenia recorded its lowest level of foreign direct investment during that year, along with reductions in GDP and trade turnover, and sharp increases in credit activity in the economy and in the budget deficit.

Conclusion and discussion

In contrast, during 2021-2023, Armenia's political system and economy began to recover, and by 2023, the Stability Index reached its highest observed value. This improvement was primarily driven by a sharp increase in the Economic Factors Index, itself a result of rising trade turnover, capital inflows linked to the Russia–Ukraine war, and tourism indicators. In Israel, within the broader turbulence beginning in 2018, an upward trend in the Stability Index was recorded only in 2020 and 2022. One of the lowest values of the observed period occurred in 2023, when both the Political and Economic Factors Indices declined. This was largely attributable to the outbreak of hostilities with Hamas in the final quarter of the year and the mass protests that preceded these events, triggered by controversial reforms in the judicial system. Declines had also been recorded in 2019 and 2021, driven by the continued protests by Gaza residents along the Israeli border and the May 2021 armed confrontation with Hamas.

It follows that in both countries, political stability has been predominantly shaped by external factors linked to their security environments and foreign policy contexts. These factors have directly influenced the formation of the domestic political agenda, the government-opposition discourse, and the overall logic of internal political processes. In Armenia's case, the impact of external factors has been particularly pronounced due to the country's dependence on its security architecture, its conflict-prone relations with neighboring countries, and the constraints imposed by its international alliances. The major turning points in Armenia's political developments, such as the 2018 change of power, the 2020 44-Day War, and the subsequent post-war crises, were also indirectly shaped by shifts in regional and global power balances. In Israel, external factors manifested primarily through the dynamics of confrontation with Hamas and the process of normalizing relations with Arab states. Even with well-established state institutions and significant military capabilities, Israel's internal political stability has often been contingent upon fluctuations in the external environment, which have also influenced public attitudes. Thus, the experiences of both Armenia and Israel indicate that in small and medium-sized states, especially those located in security-sensitive regions, political stability is largely dependent on the dynamics of external factors. Ensuring stability, therefore, must be viewed not only in terms of internal institutional strengthening but also through the lens of foreign policy flexibility and the maintenance of strategic equilibrium. This, however, does not imply that the significance of internal factors shaping political stability should be overlooked, particularly in the case of Israel, where any controversial socio-economic policy change can trigger resistance from hundreds of thousands of citizens. Whereas before 2018, political instability in Armenia was driven mostly by domestic factors, including socio-economic conditions, since 2020, external factors have become dominant in shaping political stability. These factors directly influence public cohesion and dialogue among political forces, both of which are essential for maintaining stability. Ensuring political stability requires a balanced combination of domestic and foreign policy. This entails not only mitigating external threats and expanding regional cooperation but also strengthening internal political cohesion, enhancing public trust,

and modernizing institutions. When internal factors affecting stability become manageable, maintaining control over external influences becomes significantly easier.

Conflict of interests
The author declares no ethical issues or conflicts of interest in this research.

Ethical standards
The author affirms this research did not involve human subjects.

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