

Comments on:

***Economic Impacts of Global Terrorism:
From Munich to Bali***

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AEA Meetings

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Research Question

◆ What are the economic impacts of terrorism?

– Language: “Economic jihad”

– Outcome_{c,t} = Terrorism_{c,t}
+ Controls_{c,t} + Country_c + Year_t

◆ Outcome variables:

- Growth in real GDP per capita (%ΔY/n)
- Capital formation to GDP (I/Y)
- Stock market capitalization to GDP
- Stock traded value to GDP

◆ Terrorism variables:

- Incidents per capita
- Incidents per GDP
- Fatalities & injuries per capita
- Fatalities & injuries per GDP
- Terrorist incidents per capita (Business targets)

◆ Which of these variables are:

- Interesting?
- Welfare-relevant?
- Sensible?

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Author's Answers

*Effects of a 1
standard deviation
shock to terrorism
on:*

*Effects of September
11 on:*

	$\Delta(Y/n)$	I/Y	$\Delta(Y/n)$	I/Y
Incidents per capita	-0.11% (p=.06)	-.0126 (p=.011)	-0.0003% (p=.06)	-.000006 (p=.011)
Fatalities & injuries per capita	-0.002% (p=.89)	-0.005 (p=.49)	-0.023% (p=.89)	-0.009 (p=.49)

Questions about statistical significance

Correlation and Causation

- ◆ “Poverty, Political Freedom and the Roots of Terrorism”
 - Alberto Abadie
 - Presented at Economics of National Security; 1/7/2005
 - Asks: What is the effect of GDP on terrorism?

What Drives These Results?

- ◆ Terrorism incidents per million people
 - Mean: 0.26
 - Median: 0
 - Maximum: 47
 - Standard deviation: 1.3

- ◆ Three crucial datapoints:
 - Israel (particularly in late 2000s)
 - Columbia
 - Iraq (2005)