

Abstract

Terrorism and Economy

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This article highlights recent studies on (i) the linkages between terrorism and economic deprivation, and (ii) the macroeconomic consequences of terrorism. Despite the popular notion that poverty is the root cause of terrorism, recent findings by economists indicate otherwise. Statistical analyses of Islamic terrorists show little connection between poverty and participation in terrorism. Cross-country studies suggest no significant association between terrorism and economic variables such as GDP per capita, Human Development Index, and Gini Index. Large and diversified economies of developed nations are surprisingly resilient against terror attacks. Although the September 11 attacks devastated lower Manhattan and certain industries including airline, their macroeconomic influences were rather limited. On the other hand, protracted terrorism can cause great loss to small economies such as the Basque Country and Israel.

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