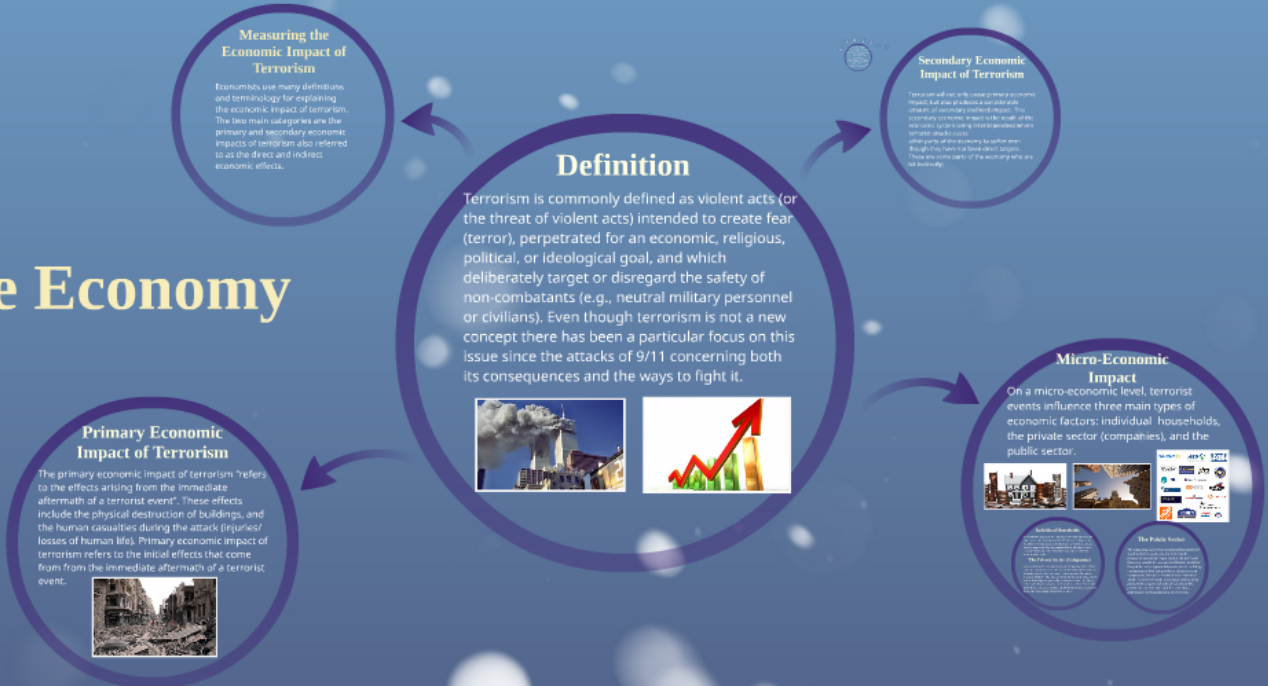
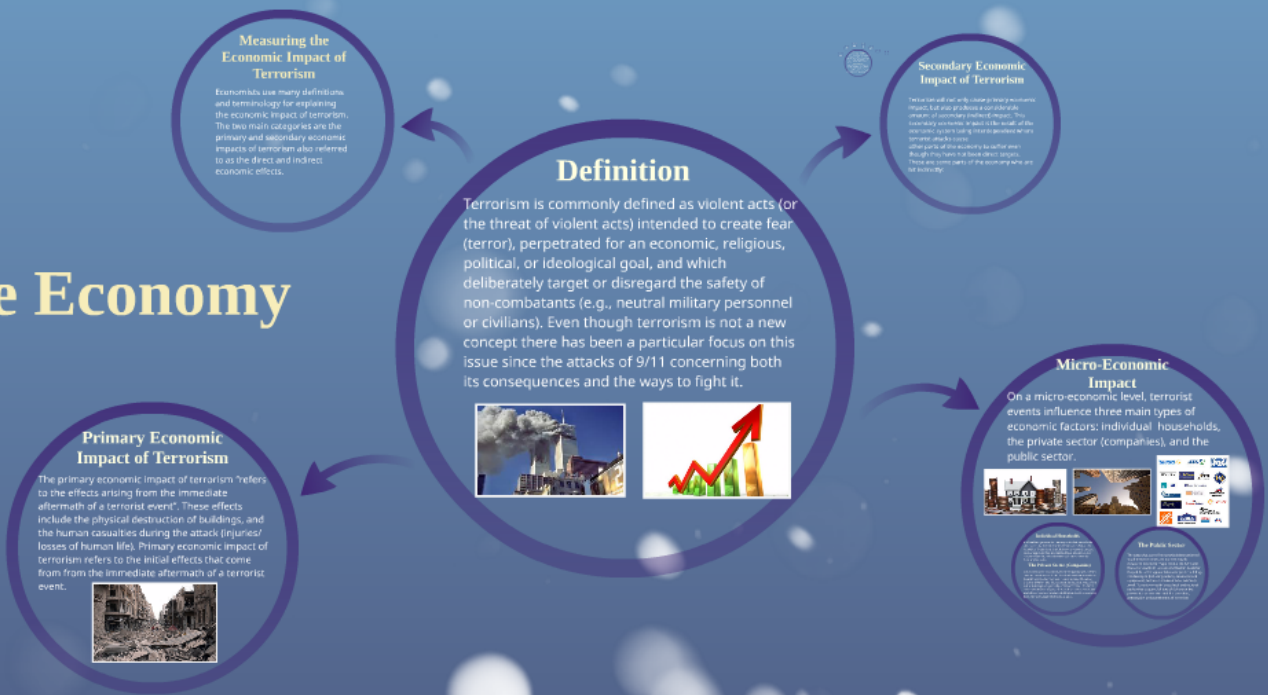


Terrorism: Impact on the Economy



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Definition

Terrorism is commonly defined as violent acts (or the threat of violent acts) intended to create fear (terror), perpetrated for an economic, religious, political, or ideological goal, and which deliberately target or disregard the safety of non-combatants (e.g., neutral military personnel or civilians). Even though terrorism is not a new concept there has been a particular focus on this issue since the attacks of 9/11 concerning both its consequences and the ways to fight it.



Measuring the Economic Impact of Terrorism

Economists use many definitions and terminology for explaining the economic impact of terrorism. The two main categories are the primary and secondary economic impacts of terrorism also referred to as the direct and indirect economic effects.

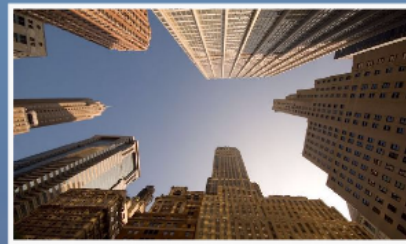
Primary Economic Impact of Terrorism

The primary economic impact of terrorism “refers to the effects arising from the immediate aftermath of a terrorist event”. These effects include the physical destruction of buildings, and the human casualties during the attack (injuries/ losses of human life). Primary economic impact of terrorism refers to the initial effects that come from from the immediate aftermath of a terrorist event.



Micro-Economic Impact

On a micro-economic level, terrorist events influence three main types of economic factors: individual households, the private sector (companies), and the public sector.



Individual Households

It is hard to figure out the primary costs that households experience due to terrorism itself. Surveys in France, the Republic of Ireland and the UK show that terrorist attacks have a negative effect on peoples life satisfaction. Other research found out that terrorism will cause more fear than anything else.

The Private Sector (Companies)

Businesses and firms, mostly the ones operating to or from insecure countries are hit the hardest from terrorist attacks. According to the German security economists Schneider, Brück and Meierrieiks, this is due to the fact that most of the public buildings are generally better protected. The direct losses of terrorism depend on the nature of the attack, but overall most sectors recover quickly given that the economy does not face sustained terrorist attacks.

The Public Sector

The costs that come from physical destruction of small terrorist events are not structurally measured except for major events like 9/11 and the terror events in London and Madrid. Costs for the public sector appear whenever public buildings are destroyed (including military structures and equipment), but are considered to be relatively small. Terrorism mostly forces local and national authorities to spend billions of dollars on the prevention of terrorism and the detection, prosecution and punishment of terrorists.

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