

Abstract

The negative market atmosphere resulting from terrorism may potentially affect key macroeconomic variables and be reflected in economic growth both immediately and with time lags. This thesis utilizes quarterly data on variables related to terrorism and key macroeconomic metrics for the time period 1970–2017 and establishes the effect of terrorism on economic growth. Furthermore, it elaborates on the change of general perception of terrorism after the 9/11 2001 attack and assesses the difference of its effect before and after this key violent act. In general, it has been found that the deaths and wounds resulting from terrorism affect economic growth with lags. Furthermore, following the 9/11 2001 terrorist attack, the time layout of the effect of deaths resulting from terrorism has changed.

Keywords

terrorism, economic growth, panel data analysis, fixed effects model, macroeconomic metrics