

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Jakub Siegl
Advisor:	RNDr. Michal Červinka Ph.D.
Title of the thesis:	Impact of Terrorism on Economic Growth

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

In this thesis, Jakub examines how terrorism may affect economic growth (via negative market atmosphere, etc.). He finds a lagged negative effect of the number of deaths and wounds resulting from a terrorist attack on economic growth. He also elaborates on the potential change in perception of terrorism after September 2001. One of the main contributions of the thesis lies in utilizing the long time span of data (1970-2017) on quarterly basis, which is probably the longest one in the existing literature. This enables to examine the newest period as well (we may assume both the motivation and effects of terrorist attacks are different in times of globalization and vast media coverage than they were before). The author finds that after the 2001 attacks (including), the effect is smaller than before.

Methods

Jakub applies panel data model with rich lag structure. He uses fixed effects model with both time and unit fixed effects. All of the regressions and additional tests (for serial correlation, heteroskedasticity, including time FE,...) are carefully run.

Minor comment: I would suggest to keep section 4.3 (p. 18-19) as a description of channels through which terrorism may affect economic growth. Probaby I do not understand inclusion of variables *population growth* and *unemployment*. While other two variables (FDI, R&D) are included as potential channels of the effect of terrorism on economic growth, with the latter two the relationship is opposite (higher population growth -> higher terrorism; higher unemployment -> higher terrorism...).

Literature

I find the work with the literature satisfactory. All literature is properly cited.

Minor comment: for future work, I would suggest to compare the model definition, variables included etc. with those in existing literature (do not limit references to Literature Review section only).

Manuscript form

The thesis is beautifully typeset in LaTeX, is written in very good English and does not contain any typos. It is written clearly and thus reading is pleasant.

Only thing here is that I would suggest to write Conclusion more aptly (and to move two figures to Section 8 Results). Currently, Conclusion looks more like Results section, not like a summary, e.g. it misses any summary of contribution, potential future research, etc.

(Minor comment regarding the form: if you need to report six decimal points in regression tables with 26 variables for both coefficients and SEs, I would suggest to include p-values graphically as star symbols, third column with other six decimal points is neither necessary nor legible.)

Summary and suggested questions for the discussion during the defense

In summary, I find the thesis to be of outstanding quality. All of my comments/questions are only minor. Given the evaluation above and given that the student presents the thesis and is able to comment on questions, I suggest the thesis for defense with grade „A“ (excellent).

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During the defense, the author could elaborate more on the following issues:

Regarding methodology:

- Have you considered a more parsimonious model with respect to the number of variables? I.e., have you considered estimating three versions of the model – one with the number of attacks, second one with the number of deaths and third one with the number of wounds? Why is it better to estimate it with all three variables together (each with 10 lags) instead of three versions with three separate terrorism proxies and then comparing results? Based on the Fig. 5, there is correlation between the two series, especially when we exclude year 2001. What is the correlation between number of wounds and deaths? I would assume it might be quite high.
- Also, have you considered more parsimonious model with respect to the number of lags included?

Regarding results:

- In Introduction you note: „...as a consequence of **increased** sensitivity to the occurrence of terrorism after the 9/11/2001 attack, the potential of those acts to affect economics have increased“.
However, in Results section (p.38-39) you note: „...after the 2001, the effect is estimated to be negative, however, before the 2001 attack, the negative impact was even worse“.
Could you elaborate more on this inconsistency between a prior assumption and the results? What could be the reason for that? Could it be an omitted variable? In the thesis, you explain this by **decreased** sensitivity to any attack after 2001, however, at first, 2001 is included in the sample in which you find a smaller effect, at second, there is still inconsistency about increased/decreased sensitivity after 2001.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	30
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	19
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	95
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Mgr. Dominika Kolcunová

DATE OF EVALUATION: 29. 5. 2019



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong	Average	Weak
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong	Average	Weak
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	Average	Weak
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F