The Impact of Terrorism Across Industries: An Empirical Study

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Abstract

This paper uses scoring matching techniques and event study analysis to elucidate the impact of terrorism across different economic sectors. Using the Israeli-Palestinian conflict as a case study, we differentiate between Israeli companies that belong to the defense, security or anti-terrorism related industries and other companies. The findings show that whereas terrorism has a significant negative impact on non defense-related companies, the overall effect of terrorism on defense and security-related companies is significantly positive. Similarly, using panel data on countries' defense expenditures and imports from Israel, we find that terror fatalities in Israel have a positive effect on Israeli exports of defense products. These results suggest that the expectation of future high levels of terrorism has important implications for resource allocation across industries.