On Terrorism and Electoral Outcomes: 
Theory and Evidence from the Israeli-Palestinian Conflict

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Abstract
This paper investigates the interaction between terror attacks and electoral outcomes in Israel. We analyze a dynamic model of reputation that captures the salient characteristics of this conflict. The equilibrium of the theoretical model generates two precise empirical predictions about the interaction between terrorism and electoral outcomes. First, we expect the relative support for the right-wing party to increase after periods with high levels of terrorism and to decrease after periods of relative calm. Second, the expected level of terrorism is higher when the left-wing party is in office than it is during the term of the right-wing party. We test these hypotheses by using a newly created data set on terrorist attacks in Israel between 1990 and 2003. The first hypothesis is strongly supported by data culled from public opinion polls about the Israeli electorate's political preferences. We use event study methods and likelihood ratio tests to evaluate the second hypothesis, since electoral outcomes are endogenous to the level of terror attacks. The results support our theoretical prediction for three of the four Israeli governments that served during the studied time period, i.e., terror attacks escalated when left-wing governments served and decreased during the terms in office of right-wing governments.

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