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ABSTRACT

Terrorism is a phenomenon that brings danger in society, so, in addition to the direct impact felt by victims, terrorism also affects the well-being of the population as a whole. The fight against terrorism at the level of the European Union involves the identification and application of measures adopted at the level of international organizations such as the UN and the Council of Europe. In recent years, a number of major terrorist attacks in EU Member States have put the fight against domestic and international terrorism at the top of the agenda for combating terrorism at European level. This strategy has as main objective the elaboration of policies that, applied, to ensure the security at a high and uniform level throughout the Union. The application of these measures rests with the Member States that are directly responsible for the implementation of the policies. Another aspect that member countries must take into account is that they must comply with the context of the fundamental rights of the Union.

This article aims to highlighting the main purpose of terrorism, the costs that terrorist attacks incur in the territories under attack, and to discuss the appropriate counter-terrorism strategies adopted at EU level. Mainly, we will discover that not the direct costs of terrorism are the highest, but the indirect costs, which are largely a consequence of people's reactions to terrorism.

Secondly, we discuss the European Union's response to terrorism. Undoubtedly, responses to terrorist events are rational and EU policies well defined. Although the incidence of theoretic attacks has diminished, it cannot be completely eliminated due to circumstances that no longer pertain to the formulation or observance of EU policies. These circumstances are mainly related to the affiliation of people already in the EU territory to jihadist groups, xenophobia, racism, etc.

Key words: terrorism; European Union; counter-terrorism policies; the economic impact of terrorism; failure of coordination

JEL classification: A10, E60, F41, G01, H12, H56, Z31

1. Introduction

In recent years, "a series of major terrorist attacks in EU member states have put the fight against domestic and international terrorism at the top of the agenda" (Krieger T. M., 2019, p. 1) for combating terrorism at European level. A very important aspect is the fact that "the attacks took place not only in the European capitals" (Krieger T. M., 2019, p. 2) but also in the peripheral territories belonging to the EU Member States. According to the data provided by Global Terrorism (2017), the year 2016 was the most violent for Europe: 630 terrorist attacks took place, resulting in 826 victims (Krieger T. M., 2019). For terrorists, the most targeted countries in the European Union are France, Spain, the United Kingdom and Germany. However, if we refer to the whole of Europe, Turkey has experienced most of the attacks, which implies that the "European Union is still a relatively safe place" (Krieger T. M., 2019, p. 2). With regard to the fight against terrorism, the European Union has as main objectives the implementation of actions aimed at the cooperation and exchange of best and effective practices used in combating recruitment and radicalization between Member States, improving control measures regarding the acquisition and possession of weapons and explosives, the adoption of some measures with a stronger impact against terrorist financing, ensuring security at the Union's external borders, promoting operational cooperation between national law enforcement authorities and agencies, as well as improving and harmonizing the legislative and criminal procedural framework on terrorism. Adopting and applying such directives within EU Member States contributes to reducing jihadist incidences across the Union and improving the quality of life of the population. Although the implementation and adoption of anti-terrorism policies are, in fact, an "obligation" as a result of belonging to this community, EU actions are facing some shortcomings in the capacity of cooperation of the Member States, which are consequences, in their wake, finally, on the security of the citizens. A concrete example is the complexity of ensuring the exchange of information through databases within each state which, due to the technical and legal limitations, to which the reluctance of national authorities to share information is added, lead to poor communication. At the same time, despite the implementation of all these measures, even in an ideal setting, in which all Member States would be able to apply, without exception, the European Union's recommendations to ensure national security, the truth is that terrorist incidents cannot be fully avoided.

From the economic point of view, in the specialized literature many authors argue that the negative effects of terrorism are substantial, determining both direct and indirect costs, starting from psychological traumas up to the loss of human lives.

This article aims to highlighting the main purpose of terrorism, the costs that terrorist attacks incur in the territories under attack, and to discussing the appropriate counter-terrorism strategies adopted at EU level. Also, towards the end of the article we will find the answer to the question about the existence of terrorism, despite the security measures adopted both at national level and at European Union level. We shall mainly discover that not the direct costs of terrorism, that is, the immediate costs of destruction (of the human and physical capital), are the highest, but the indirect costs, which

are largely a consequence of people's reactions to terrorism (for example, consumers, tourists, foreign investors) and institutions (e.g. government, agencies, companies) (Krieger, 2014). More specifically, it has been observed that rational individuals typically choose to physically move away from potentially dangerous places and activities. For example, additional security measures and the closure of tourist attractions bring less interest in visiting places where terrorist attacks have taken place.

Secondly, we discuss the policy response to terrorism (counter-terrorism). Undoubtedly, responses to terrorist events are rational and EU policies well defined. Although the incidence of terrorist attacks has diminished, it cannot be completely eliminated due to circumstances that no longer pertain to the formulation or observance of EU policies. These circumstances are related to the belonging of people already in the EU territory to jihadist groups, xenophobia, racism, etc.

2. Economic destabilization - main objective of terrorism

Following the widely used definition of (Enders, 2011, p. 321), terrorism can be seen as "the premeditated use or threat of using violence by individuals or subnational groups against non-combatants to achieve a political or social goal by intimidating a wide public beyond that of the immediate victims". Broadly speaking, terrorism is a short-term plan implemented to achieve certain long-term political or social objectives, which could not be achieved in a non-violent way. (Schelling, 1991) argues that terrorist actions are means of also obtaining, in addition to media attention as a form of communication with the general public, economic and political destabilization. Given the purpose of terrorist organizations to economically destabilize the attacked state, the role of the attacked government is to assess and choose between the cost of accepting the demands of the terrorist attackers (i.e. the socio-political objectives put into play) compared to the cost of an extended terrorist campaign resulting from the continued resistance of the government (Sandler, 2008). The efficiency or inefficiency of terrorism is the result of the strategic interaction between terrorists and their enemies, that is, with governments and security forces.

2.1 Ways to destabilize the economy

The literature has identified five ways in which **the economy is affected by terrorism: by destruction, disturbance, deviation, waste and portfolio replacement.**

Destruction is a direct cost of terrorism; through terrorism, the capital is destroyed. Important models of economic growth, such as the Swan-Solow model, show that the output of an economy is a direct result of existing capital; the more capital an economy has, the more an economy will produce. As a result, when terrorism destroys this capital stock (for example, by killing people - human capital - or by destroying buildings or infrastructure), production will shrink.

The disturbance, diversion, waste and replacement of the portfolio represent indirect costs of terrorism, arising with the response of economic agents to terrorist events. The effect of the disturbance refers to the "negative effects of terrorism on a country's socio-economic life, i.e., the disruption of the socio-economic order" (Krieger T. M., 2019, p. 3). In general, this disruption of socio-economic life is expected to make economic transactions more difficult due to the fact that terrorism induces a decline in confidence in public institutions (Arvanitidis, 2016). In a non-violent environment, solid public institutions facilitate economic transactions through the costs of carrying out the activity (so-called transaction costs); if the confidence in the institutions decreases, the transaction costs increase, which leads to the non-completion of some economic transactions. For example, (Bird, G., Blomberg, B., Hess, G., 2008) concluded that the uncertainty generated by terrorism can lead to long-term investments postponement and, taking into account the Swan-Solow model mentioned above, a reduction in investments (or capital). causes the production to decrease.

Deviation refers to the mutations that occur in the allocation of public resources. Specifically, in the case of violent events, public resources are moved from the productive sectors, generating income to the non-productive sectors. The productive sectors affected can be the education and the infrastructure that are underprivileged, the resources that were destined to them being used to increase the security. Such a decision has a negative long-term impact because the diversion of resources from the productive to the non-productive sectors prevents economies from accumulating capital.

Waste (diseconomization) refers to a decrease in savings that affects the capital of an economy. Again, a lower capital stock (or lower capital accumulation rate) leads to lower production and, consequently, to slowing growth. Terrorism discourages saving by the psychological impact it has on people. For example, following a terrorist attack, people will analyze the decision regarding the available funds, choosing between saving or consumption; As terrorism reduces the likelihood of future savings, individuals may be less inclined to save and more inclined to consume.

Finally, regarding replacing / substitution of the portfolio (Abadie, A., Gardeazabal, J., 2008) argue that terrorism negatively affects the ability of an economy to absorb investments, because it presents risk and reduces the return on investments. A sudden withdrawal of capital adversely affects economic development, especially when foreign capital is the main drive of economic growth. This is often the case in developing economies.

3. The economic costs of terrorism

As mentioned above, terrorism can lead to direct and indirect costs (when the "latter is associated with the reaction of economic agents, consumers, foreign investors and governments" (Krieger T. M., 2019, p. 3)).

3.1 Direct costs

In the European context, the direct costs of terrorism refer to the costs incurred in caring for the wounded and the costs incurred by the loss of human lives, but also to the suffering caused to the relatives and friends of the injured or deceased. Also, the direct costs also relate to the loss of physical capital through the damage resulting from a terrorist attack. The destruction of some buildings of national heritage, symbols of the affected cities can have aggravating consequences both from a psychological and economic point of view. We can consider the Eiffel tower in Paris, this symbol of the capital of France is a real "economic engine" and not only for the capital but for the whole country. Millions of tourists choose Paris as a destination due to the Eiffel tower. Due to its popularity, this symbol can generate billions of euros in the city treasury. However, the popularity of the Eiffel tower also has negative effects, the crowded places and tourist attractions being preferred by the attackers. In addition to the economic losses generated by both the reconstruction of the attacked site and the losses generated by the decrease in the number of tourists, attacks directed at critical infrastructures can generate panic among the population.

Given the European Council's definition of critical infrastructure, a direct economic cost may result from an attack on the drinking water supply systems of the population, either by destroying it or by infecting viruses and bacteria that can cause the death of thousands of people. At the same time, from an economic point of view, direct attacks on road or even naval infrastructures such as, for example, the port of Rotterdam which represents the largest port in Europe would bring the European Union economy to a major standstill, as the main goods transport coming from outside the European area arrive through the port of Rotterdam. Unauthorized access to intersection traffic lights can result in material and human damage. Usually these infrastructures are considered critical due to the effects they can produce when they are facing disruptions or inactivity even for a short period of time. This is why **critical infrastructures** are those elements that ensure the **proper functioning of a city**.

Regarding the estimation of the direct costs, it should be mentioned that this is a difficult mission, because, besides the material costs that are easy to estimate, the individual suffering of the victims, survivors and friends is difficult to understand in economic point of view.

3.2 Indirect costs

It should be mentioned from the very beginning that the indirect costs of terrorism, mentioned in point 2.1, also affect the long-term economic performance of a country. With the intensification of terrorist actions, security requirements have increased, which generate additional costs for both companies and governments. Indirect costs arise, first of all, from the disturbance of the socio-economic order caused by terrorism. For example, insurance "against losses due to terrorist activity may become more expensive" (Krieger T. M., 2019, p. 6). Also, victims of terrorist attacks can incur indirect costs such as loss of productivity, loss of sources of income for both themselves and the state. Another indirect cost, impossible to overlook, is the psychological trauma that people experience in relation to terrorist attacks. Being an inherent effect resulting from terrorist actions, the fear tends to divert public resources from the productive, revenue-generating sectors to the non-productive sectors, respectively to security and defense. It is no surprise that the share of government spending increases when terrorist attacks occur. This is determined by the fact that the total public expenditure on defense and security increases. In order to be able to spend more on security, countries either increase taxes or redirect their budgetary spending scheduled to support revenue-generating sectors to defense and security spending that not only does not directly generate revenue but damages economic growth in the long run. For example, as a result of the events after September 11, 2001, an increase in the additional costs was observed with the assurance of security as follows: the costs of conducting terrorism and information activities in the New York Police Department (NYPD) for one year were \$ 192 million, the cost of operating the Department of Homeland Security in 2002 (date of establishment) was estimated at \$ 408 billion, the costs of collecting both civilian and military information in 2010 totaled \$ 80.1 billion, and the costs related to airport security were about \$ 43 billion. Similar trends in post-terrorist government spending can also be seen in European countries. The migration of human capital represents another indirect cost generated by the fear resulting from terrorist incidents. For example, because of the escalation of civil conflicts in the underdeveloped states of the Middle East such as (Syria, Iraq, Afghanistan or Iran) and the intensification of the actions of the terrorist groups, the "refugee crisis" reached on the border of Europe by states such as Cyprus, Greece or Italy.

Another negative effect of terrorism, which generates indirect costs, which results from the terrorist events is manifested on tourism. Major terrorist attacks, such as those of Paris 2015, may hurt tourists, which is also the desired result and pursued by terrorist entities since, a situation in which following a terrorist attack, result victims of several nationalities, tends to amplify the impact of terrorism with the help of media channels. and social networks. Purely theoretical, from an economic point of view, a calamity, a civil war or one or more terrorist attacks would have negative effects on tourism, but if we talk about the EU, we can expect the effect of terrorism on tourism to be a minor one, this is because member countries represent developed economies, capable of rapidly diminishing the shocks resulting from terrorist attacks. Such effects are "eliminated" by themselves after a certain period of time, and when the attacks are of small magnitude (often performed by lone wolves) and are carried out in powerful states such as France, Germany or the United Kingdom, tourists consider that such states can face such a challenge.

However, a devastating effect for the economy, together with the "diversion" of capital from the productive sectors to the non-productive sectors, is given by the decrease of foreign direct investments, thus creating an interdependence between the poorly developed states that need companies to provide workplaces for the inhabitants and fees and taxes to the local budgets. On the other side, there are the western companies that need the labor force at the

lowest cost. However, the lack of security as well as economic, political and social instability can divert such investments that may be beneficial to a poorly developed economy.

4. The EU's vision on fighting terrorism

The European Union's vision for fighting terrorism aims to: cooperation actions and exchanges on best and most effective practices used in combating recruitment and radicalization between Member States, improving control measures on the acquisition and possession of weapons and explosives and taking measures with a stronger impact against terrorist financing and security at the Union's external borders. At the same time, the European Union also promotes operational cooperation between national law enforcement authorities and agencies, common databases, as well as improving and harmonizing the legal and criminal procedural framework on terrorism.

The European Union also aims to reduce terrorist activities not only by greater control at the borders of the EU states, but also by limiting the propaganda and radicalization actions of new followers inside the Union which to form cells for terrorist attacks. Thus, at European level measures have been established to monitor the activities in the online environment, both the visible and the hidden part bearing the name of Dark Web. The identification and closure of jihadist propaganda platforms of ideologies as well as those related to the collection of finances needed to carry out attacks is desired through these measures. At the same time, monitoring the persons coming or traveling in the conflict zones, as well as the tightening of the banking financial measures originating or directed to the states affected by the terrorism, are the priorities of the EU member states. Also, at EU level Member States are responsible for ensuring border security by complying with the directives offered by the Community bodies. However, states have an obligation to come up with additional internal measures to complement EU directives. Thus, at EU level it is pursued, through the Community conventions, the exchange of information regarding the persons present at EU level or who are transiting the community, the creation of a common database with people who may be in danger, as well as the introduction of biometric identity documents. With the help of Frontex (The European Borders Agency), the EU is committed to providing information to the Member States in order to strengthen controls and surveillance of the EU's external borders. Access to common databases such as "Visa Information System" or "Schengen Information System", correlated with the actions mentioned above, have the role of enhancing security at EU borders.

The fact that air transport has become one of the most widely used means of transport worldwide has made it a potential target for terrorist organizations both from the fact that the population present at an airport is composed of several nationalities, as well as from the perspective that the aircraft can become for the terrorists, a weapon aimed at society. Such an example is found in recent history, the attack of September 11, 2001. Thus, the tightening of the security control measures by XR devices with the help of which it is possible to identify the possible elements of an improvised explosive device, correlated with the application of permanent measures. monitoring and surveillance of the present passengers, may result in discouraging the attackers.

5. The European Union's weaknesses in fighting terrorism

Taking a look back at the terrorist events in the European Union during the past 10 years, we see that both organizations and adherents of terrorist ideologies are turning their attention to the states most involved in the fight against this phenomenon, meaning mainly the countries involved, together with the West, in areas such as Syria, Afghanistan, Iraq or Iran. In the case of the aforementioned regions, they are known as a hub of terrorism and the place where numerous terrorist organizations such as Al-Qaeda or ISIS are headquartered. Therefore, once Western states are directly involved in the eradication of this phenomenon in conflict areas, they in turn become a target and a priority for terrorist organizations. Thus, as we can see during the last 10 years, policies and security level at EU level have increased. Today in cities such as Paris or London we have security controls (such as those on airports) within the tourist objectives (museums, art galleries, etc.), within public institutions, subways, etc. Also, the existence of military patrols in areas intensely circulated by tourists, are intended to intimidate terrorist attacks. At the same time, security control over people from at-risk areas, security and monitoring of banking transactions from and to conflict zones, as well as information from secret services are measures that have led to the reduction and diversion of numerous terrorist attacks.

However, in the period 2010 - 2019 numerous attacks were committed on the states that are fighting fiercely in the fight against terrorism, among the most resounding being the Oslo 2011 attacks committed by Andres Behring Breivik, the Norwegian right-wing extremist attacks on the capital of France in 2015, the first attack committed was on January 7, 2015 by Cherif Kouachi and Said Kouachi, after those on November 13 and 14, 2015 claimed by the Islamic State. Other violent attacks were: the one at the airport in Brussels claimed by the Islamic State, the attack on July 14, 2016 in Nice - attack by Mohamed Lahouaiej - Bouhlel, ISIS affiliate, the attack on July 22, 2016 in Munich by David Sonboly, a supporter of jihadist ideologies, the Berlin attack in December 2016 - an attack by Anis Amri, an Islamic State affiliate, the attack in Manchester in 2017 and the attack in London in 2017, being attacks claimed by the Islamic State. The ones listed above are just a few of the many attacks aimed at Europe, leading us to the fact that security measures are ineffective, but one aspect neglected in the literature is that it does not render the number of attacks prevented by the security services. So, the question is: how have such organizations managed to carry out attacks within the Union and more so, to direct these attacks to well-secured cities? The answer is a relatively simple one. All the attacks carried out are covered by cells of the terrorist organizations already present in the territory of the European Union. Such cells are either present in less vocal states such as Romania, Bulgaria or Greece (states bordering the Union with the Middle East) or in the attacked countries, in the form of students, businessmen or citizens with roots in the conflict areas. Moreover, the propaganda

carried out by terrorist organizations in the online environment has the expected effect, we see attacks carried out by people who self-radicalize (lone wolves) here we have examples such as those from Nice or Munich, where simple individuals have accessed propaganda and promotion platforms. jihadist ideologies self-radicalizing and making contact through the online environment (more precisely Dark Web, that side of the internet that ensures anonymity and the place where the demand and supply for illicit activities are met) with representatives of terrorist organizations that guide them in carrying out terrorist attacks. Such persons are difficult to identify in a short time by government organizations, they can be used by any means to commit an attack, either with the help of a truck or rented cars (for example Nice), or the making of an improvised explosive device with the help of some domestic solutions whose route is not tracked by the secret services as is the case with explosives, as well as the use of a weapon legally or illegally held (if the person is self-radicalized).

The adoption and application of anti-terrorist directives within EU member states contributes to reducing jihadist incidences across the Union and improving the quality of life of the population. Although the implementation and adoption of anti-terrorism policies are, in fact, an "obligation" as a result of belonging to this community, EU actions are facing some shortcomings in the capacity of cooperation of the Member States, which are consequences finally reverberating, on the security of the citizens. A concrete example is the complexity of ensuring the exchange of information through databases within each state which, due to the technical and legal limitations, to which the reluctance of national authorities to share information is added, leads to poor communication.

At the same time, despite the implementation of all these measures, even in an ideal setting, where all Member States would be able to apply, without exception, the European Union's recommendations to ensure national security, the truth is that terrorist incidents cannot be fully avoided.

6. Conclusions

Coordination of international policies, such as setting the same legal standards and implementing the same measures to combat terrorism within the EU, are measures applied to reduce terrorist incidents within the European Community.

We have found that terrorism generates economic costs. In addition to "the direct costs caused by a terrorist attack itself, the indirect costs resulting from the behavioral changes of individuals and institutions (i.e. the government) are particularly relevant to the affected countries" (Krieger T. M., 2019, p. 12). The psychological effects generated by terrorism tend to amplify its negative effects. For example, as public demand and democratic governments provide "excessive" spending to combat terrorism, it has been found that economic funds are diverted from the productive sectors to the non-productive sectors, affecting economic growth.

We can expect terrorism to cause the greatest economic damage when it is directed against vulnerable economic sectors (tourism), targeting economies with weak markets, unstable "institutions and low levels of economic diversification, which is not generally the case for EU members" (Krieger T. M., 2019, p. 12). However, if terrorism is channeled into critical infrastructure, its effect can prove devastating to the population. Thus, although terrorism generates economic costs, within the European Union these costs tend to be relatively small and short-term, mainly coming from public and political responses to terrorism rather than its direct costs.

The perception of the population on terrorism generates a too high demand for measures to combat terrorism in relation to what the objective probability of terrorist events suggests. The consequence of this perception is the tendency to favor repressive and preventive measures against terrorism. The problem of the European Union in the fight against terrorism is represented by the poor communication between the Member States, but the biggest problem is the limitation faced by the states in identifying and eliminating the terrorist cells and the self-radicalizing persons, already present in the territory of the Community space.

In general, terrorism is clearly a challenge for the European Union and the rest of Europe. However, it must be very clear that terrorist attacks themselves are only part of this challenge; the other major challenge results from the individual and institutional problematic responses in the Member States and in Brussels" (Krieger T. M., 2019, p. 13). It should be noted that the problems facing the European Union at the level of policy uniformity and communication between Member States are far outweighed by the problems faced by the presence of potentially dangerous individuals and groups in the European Community, whether students, doctors, workers, or even immigrants.

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