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Economic Impact of Terrorist Incidents on the Hospitality Industry in Italy



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Acts of terror are intended to incite fear and intimidation. As such, they receive a great deal of attention from the media and policy-makers. It is debatable whether such attention is warranted based on the economic damage that terrorism causes. For this reason, it is important to accurately measure the economic impact of terrorism

Terrorism inflicts direct economic damage through destruction of physical property, injuries and deaths, and law enforcement expenditures. But it also inflicts indirect damage by raising the cost of doing business and making it harder for companies to attract customers and employees. Business and leisure travel is also deterred.

This project examined the indirect costs of terrorism on the hospitality industry - thought most vulnerable to terrorist attacks - in Italy from 1994 to 1997. The data came from two main sources. Data on terrorist incidents at the city level in Italy came from Pinkerton's Global Intelligence Services, while data on hotel utilization came from the Tourism Council of the National Association of Italian Municipalities (ANCI).

The study found that lodgings used by foreign visitors are most sensitive to terrorist attacks, and that the impact was felt most during the first year after the attack.

Greenbaum presented this study at several conferences including the Regional Science Association International meeting in 2005, and the National Consortium for the Study of Terrorism and Responses to Terrorism (START) meeting in 2006.

An article by Greenbaum and Hultquist, "The Economic Impact of Terrorist Incidents on the Italian Hospitality Industry," was published in *Urban Affairs Review* in September 2006. Greenbaum has also applied for additional funding from the Department of Homeland Security to study the impact of both international and domestic terrorism in the United States.

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