

**THE ECONOMIC IMPACTS OF THE SEPTEMBER 11, 2001, TERRORIST ATTACKS  
ON THE WORLD TRADE CENTER:  
A CONSENSUS ESTIMATE**

Press Release

11/18/08

A comprehensive study of the economic impacts of the Sept. 11, 2001, terrorist attacks has determined that the events did not drastically destabilize the United States economy – or even the New York Metro economy – to the extent that the attack planners may have intended.

Instead, economic resilience, such as business relocations, prevented even larger losses, according to the study, which will be the subject of a discussion Nov. 20 (Thursday) in New York City during two sessions at the 55<sup>th</sup> Annual North American Meetings of the Regional Science Association International, 2008. The conference will be held at the New York Marriott at the Brooklyn Bridge.

Eight research teams, using distinct analytical approaches, will present the results of the year-long inquiry that was spearheaded by the University of Southern California-based Center for Risk and Economic Analysis of Terrorism Events (CREATE). The report is scheduled for formal release in December.

CREATE, located in Los Angeles, is the first of more than a dozen University Centers of Excellence on Research and Education that were established by the U.S. Department of Homeland Security (DHS) in the aftermath of 9/11 to conduct research on the topic of terrorism and natural disasters. CREATE has affiliates at more than a dozen other institutions, mainly universities, throughout the U.S., as well as partner institutions overseas.

The November 20 presentation will detail how the national economic loss estimates from the attacks range, on average, from \$30 billion to \$110 billion reductions of gross domestic product (GDP). Using these markers, the study finds that the attacks didn't affect economic behavior in most sectors.

The study does not include several categories of impacts that may have major economic ramifications. It does not include the value of nearly 3,000 lives lost in the event, or the cost of post-traumatic stress syndrome, nor sociological or environmental impacts. It also does not include the cost of steps taken to mitigate future events, such as increased airport and border crossing screening and military action in Afghanistan.

The findings should be useful to policy-makers as part of their assessment of spending to deter future terrorist attacks and in recovering from those that may take place in the future.

The analysis consists of studies that measure the extent of impacts on individual businesses and their responses, and then calculates how these effects ripple throughout the economy, as well studies that examine the macro economy as a whole, and which adjust for general trends in the economy such as the U.S. recession in effect before 9/11. Some portions of the studies examine the impacts on the New York City Metropolitan Area, as well as the U.S. as a whole.

The studies incorporate two other factors that are often omitted in impact analyses. The first is resilience, or the inherent and adaptive activities that mute losses. Major examples are the fact that 98 percent of the businesses in the WTC area did not fail, but instead relocated elsewhere, primarily in the New York Metro Area. In addition, the market system, working through price signals to help efficiently reallocate

resources in the aftermath of the attacks, represents another source of resilience. The second important extension of impact analysis is behavioral linkages--reactions to a crisis that exacerbate losses. The prime example in this case is the almost 2-year decline in U.S. domestic airline travel after 9/11 stemming from fear of a similar attack.

The estimates of economic impacts of 9/11 on the order of \$110 billion in lost GDP rank this event among the largest disasters to befall the U.S. It exceeds current estimates of GDP losses from Hurricane Katrina and far exceeds previous large disasters, such as the Northridge Earthquake of 1994 and Hurricane Andrew in 1992.

The eight teams involved in the project comprised the CREATE Economic Modeling Forum (EIMF), which is patterned after a similar approach used successfully for the past twenty-five years by the Stanford Energy Modeling Forum. A topic is chosen as the subject of inquiry and agreement is reached on its scope, underlying assumptions, and data by a set of diverse research teams. Initial results are presented to the group for a reassessment of basic considerations and exchange of ideas on improving each team's model. The process is repeated two or three more times, and each successive stage narrows the range of estimates.

The leaders of the research teams in this study are affiliated with the Federal Reserve Bank of New York (Andrew Haughwout), Regional Economic Models, Inc. (Fred Treyz), University of Maryland's INFORUM (Jeff Werling), Claremont University (Brock Blomberg), DHS (Bryan Roberts), RMS, Inc. (Patricia Grossi), and the University of Southern California (two teams, led by Peter Gordon and by Adam Rose). The modeling approaches include macro econometric forecasting, economic simulation, time series analysis, integrated input-output and macroeconomic modeling, computable general equilibrium, financial analysis, and regional economic analysis. The presentation is being made at the NARSC Conference because this is the leading professional organization in the area of economic impact, or consequence, analysis.

#### ADDITIONAL INFORMATION:

The conference, which is being held at the New York Marriott at the Brooklyn Bridge. Experts will be discussing the 9/11 report during session 6 (10:30 a.m. -12:10 p.m.) and session 24 (1:30-3:10).

See this conference schedule for more details: <http://narsc.org/Program%201113.htm>

For information and interviews during the New York City presentation, contact Adam Rose, CREATE's Coordinator for Economics and a Research Professor with USC's School of Policy, Planning, and Development. He can be reached at [adam.rose@usc.edu](mailto:adam.rose@usc.edu) and (814) 777-6789.

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