

Effects on septeber 11 2001



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Effects of September 11, 2001 On September 11, 2001, three airplanes were hijacked by terrorists to attack the two World Trade Centers in New York City and the Pentagon in Washington, D. C. The death toll was about 3, 000 people. The impact of the 9/11 events are very significant not only in the United States but all over the world. This essay aims to focus only on the major effects of the 9/11 tragedy on the US economy.

At the time of the 9/11 attack, the US economy was softening and the possibility of a recession loomed (Makinen, 6). Contrary to other reports, the 9/11 events did not put the economy over the edge though it had severe localized effects. The modest effect was due to the Federal Reserve's liquidity support to the financial community. One of the immediate effects of the attack though, is the downturn of the stock market.

One lasting effect of the 9/11 tragedy is the increase in government funding in making production, distribution, finance and communication more secure in the US. More resources will be used for security rather than enhancing productive capacity (Makinen, 7).

The 9/11 attack did not have any material effect on oil supply and prices in the US. After the event, there was a brief increase in oil prices but it normalized after a little over a week.

In the aspect of world economies, additional security layers were placed in transporting goods which made it more costly in terms of distribution. There were greater impediments to the free movement of goods, services and capital (Makinen, 8). This also resulted in a slowdown in the growth of productivity.

The effect of the terrorists' attack was greatly felt in the tourism, airline and aviation and insurance industries. Even before 9/11, the airline industry was

already experiencing financial troubles. The attack compounded the financial woes of several airline companies but the Federal government responded with an aid package (Makinen, 9). Air travel dropped tremendously as an aftermath of the attack; thus, there were several lay-offs in the industry. The insurance industry is one of the most affected industry by the 9/11 attack. “ The loss of life and property gave rise to the largest property/casualty claim in history, estimated at US\$40 billion” (Makinen, 9). Although the insurance companies were able to cover the claims, they became reluctant in providing coverage against future terrorists’ attack, not to mention that they do not have ample experience in deciding on the insurance rates and computing the reserves for it.

Before the attack, the agriculture and food sector were already recovering from low prices and slow exports. Days after the attack there were some setbacks in the economy because of a stop in the commodities futures trading and losses from distribution delays (Makinen, 40).

In conclusion, the 9/11 attack has a tremendous effect on the US economy, both immediate and in the long run. The Federal government’s timely actions however, cushioned the effect of the tragedy and helped sustain the US economy.

Outline

- I. September 11, 2001 Attack
- II. Major effects on the US economy
 - A. Economy-wide implications
 - B. Industries severely affected by 9/11
 1. Airline and aviation industry
 2. Tourism industry

3. Insurance industry

4. Agriculture and food sector

III. Conclusion

Work Cited

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