

Friday timing plus social media multipliers may mean Paris attacks have more impacts on markets

blogs.lse.ac.uk/businessreview/2015/11/17/friday-timing-plus-social-media-multipliers-may-mean-paris-attacks-have-more-impacts-on-markets/

11/17/2015

Until recently, the lamentations (right, wrong or simply irrational) of the world's discontent were only a nuisance to the status-quo. The proliferation of social media, however, has facilitated the dissemination of irrational ideas. A notion which required generations to gain traction is now instantaneously impressed on the minds of numerous, ready and willing subjects throughout distant lands. As a consequence, the irrational fringe of the discontent presently holds a firm and a historically unprecedented grasp on the peace of mind and economic stability of the world. As we all know, the *raison d'être* of terrorism is just that.

Our [conclusions](#) after 9/11 were that terrorism's disruption to business, although not insignificant, was temporary and manageable in the long-run. We believe these conclusions remain correct, as markets begin to indicate (see equities market data below). However, it is worth noting, as explained below, that (1) the timing of the Paris attacks may be crucial (they occurred on a Friday) and (2) that nature of the Paris attacks was drastically different than those of 9/11.

Firstly, as a result of their timing, decision makers, investors and populaces in general had time to better digest the news before taking drastic measures. Accordingly, as reported by [CNN Money](#), European markets opened slightly lower on Monday, but soon thereafter reversed the trend and were trading higher by afternoon. While, at this time, in the U.S. the FTSE 100 was up 28.10 pts and the Dow was up 61.43 pts. Unsurprisingly, French airline and tourism stocks were impacted to a greater degree, but we believe only temporarily. Seemingly, the trend is also the same in markets around globe.

Secondly, as a result of their, arguably, relative ease of execution (as compared to hijacking planes) the Paris attacks are more effective in creating a *chronic* fear of unpredictable future attacks. A reoccurrence does not seem logistically difficult to execute, as a result, the populace can more easily envisage the same (as opposed to the hijacking of planes, etc.). Furthermore, the perpetual worry is also augmented by the fact that the Paris targets were not historic or symbolic targets, which would be easier to protect given their obvious appeal. Rather they were "ordinary" targets, rendering predictability and protection almost inconceivable. Accordingly, the true consequence to business, especially local business, remains to be seen.

Given the illusive identity and nature of the enemy, we have seen and continue to learn that any conventional military victory would only create new combatants. Rarely are leaders afforded the luxury of learning the outcome of a path they chose not to take. But it is the stuff of Greek tragedies when the failings of the other path are verified by your own offspring (see Gulf War II). An attempt at a post-cold war world order based on Wilsonian collective security ideas was shattered by the second Gulf war. We may need to look to that type of order again.



Notes:

- The authors wrote [The Impacts of Terrorism on Business](#), published in *The Journal of Global Business Issues* 3.1 (2009): 147-156 – on which this blog post is partly based.
- This post gives the views of the authors, and not the position of LSE Business Review or the London School of Economics.
- Featured image credit: demonstration in Paris in January 2015, after the attacks on the Charlie Hebdo magazine. [Eric Salard](#)

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