

The New Global Economic Reality: How North Korea and Terrorism Play Key Roles
Featuring
Christopher Cox

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Distinguished former Congressman and finance/security official, Christopher Cox, stated that the costs of terrorist strikes are usually measured in terms of fairly direct losses to lives and property. But he pointed out that such strikes may potentially cause a vastly more costly loss in equity markets, such as the U.S. stock exchanges.

Mr. Cox cited a 2008 book by Barton Biggs entitled “Wealth, War and Wisdom” which correlates war and violence with potential market movements.

- Markets, reflecting the perspectives and expertise of numerous participants, are good at anticipating current events’ full range of longer-term impacts.

Mr. Cox then went into an in-depth historical analysis of how previous terrorist strikes have affected financial markets. He examined numerous notorious terrorist episodes, including lethal bombings in Beirut in 1982, on flight Pan Am 103 in 1988, Khobar Towers in 1996, London in 2005, and other attacks such as Mumbai in 2008, and Brussels in 2016.

- Despite some perturbations, these strikes did not really bend market trends. Other macro-economic factors seem to have been dominant.

Mr. Cox cautioned, however, that the past pattern of mild market reactions to destructive attacks may not hold in the future. The main reason for this is that terrorists and unconventional actors increasingly have an expanded range of modes for inflicting harm.

- These include conventional strikes, chemical/biological/radiological/nuclear weapons, cyber tools, poison, and pulse weapons.

Americans’ vulnerability is magnified because the targets these weapons are capable of impairing or crippling are ones upon which we ourselves are vitally dependent.

- Almost all aspects of our modern society are enabled by electricity – for example banking, critical infrastructure such as water distribution, transportation, food supplies, etc.
 - After a successful attack on the U.S.’s electrical power grid, the country would enter a new *dark ages* in more ways than one.

Mr. Cox highlighted North Korea as a prime example of the changed threat environment. North Korea is an unconventional actor – at the same time a nation-state, a rogue, and a criminal syndicate. And despite relative socio-economic backwardness, it has formidable modes of attack.

- Pyongyang fields the world’s fourth largest army, and is projected to acquire some 100 nuclear warheads over the next 3 years.

Whereas many assume that North Korea is not courting regime destruction via a war with the United States, Mr. Cox, citing Winston Churchill, said that history is replete with instances of seeming government irrationality.

Analysts may understand the big picture, but uncovering the exact time and place of an impending attack is exceedingly difficult. Americans should therefore learn to expect catastrophe. This could prompt them to diversify away from concentrated vulnerabilities (such as digital records), and to begin developing resilience for coping with such potential catastrophes.

Paul F. Herman, Jr.