

Title: Conflicts and Education Expenditure

Abstract: Terrorism has become one of the major national security concerns in many western democracies. In response to this increasing threat, governments in both developed and developing countries choose to increase the spending on military and policing to combat this threat. This paper uses a linear dynamic panel data model to study the impact of terrorism on a country's education expenditure based on a data set with 93 countries from 1992 to 2010. We find that terrorism has a statistically significant impact on a country's education expenditure as a percentage of GDP. The dynamic nature of the model also indicates that this negative effect will accumulate over time. We also discuss several policy implications of our results.