The Economic Effects of Insurrectionary Activity

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Abstract

There is a historical tendency in institutions of power to discredit insurrectionary activity's possible contributions to social formation and class structure. I apply a market view of political violence to insurrectionary activity and use insider outsider theory to develop a mechanism that understands its potential redistributive effects in labor markets through the defiance of the state's monopoly on violence. Using geographic data from bombings claimed by the Fuerzas Armadas de Liberación Nacional that took place in the 1970's, I find empirical evidence to support the hypothesis that insurrectionary activity has redistributive effects. These effects are most evident in employment practices. Proximity to the bombings is associated with a significant decrease in Hispanic unemployment for census tracts that have a Puerto Rican population concentration of at least 20%. The results on possible income effects are inconclusive but suggestive of differential impacts on income per capita that depend on the concentration of Puerto Ricans in the census tract. In general, census tracts with higher concentrations of Puerto Ricans were positively affected by proximity to insurrectionary activity. These census tracts show a decrease in unemployment and in poverty associated with insurrectionary activity. The results demonstrate reduced form effects that do not differentiate between effects in social capital formation and increases in bargaining power.

Keywords: Institutions, Economics of Regulation, Government Policy, Insurrectionary Activity, Imperialism, Terrorism

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El que tenga una canción tendrá tormenta
El que tenga compañía, soledad.
El que siga un buen camino tendrá sillas
Peligrosas que lo inviten a parar.
Pero vale la canción buena tormenta
Y la compañía vale soledad
Siempre vale la agonía de la prisa
Aunque se llene de sillas la verdad.

-Silvio Rodríguez, "Historia de la silla"

The year 1972 saw at least 1900 domestic bombings on United States soil, according to retired FBI agent Max Noel (Burrough, 2015). This statistic accurately encompasses the political environment of the ‘70s and ‘80s, which was marked by waves of bombings, shootouts and robberies undertaken by groups such as the Weatherman Underground, the Black Liberation Army and the Symbionese Liberation Army. Amongst the most determined of these organizations was a Puerto Rican, Marxist, socialist group known as the Fuerzas Armadas de Liberación Nacional. They would be responsible for approximately 120 suspected attacks across the United States and Puerto Rico, resulting in their categorization as domestic terrorists by the United States government. The attacks counted five casualties and hundreds of injuries. These bombing campaigns captured the attention of politicians and law enforcement alike, as well as dozens of newspapers across the country, emphasizing the subject of Puerto Rican independence.

In this paper, I measure the effects of the FALN bombings and armed propaganda on census tract population characteristics. Specifically, I look at the effect on the change in the Hispanic unemployment rate, the change in Hispanic income per capita, and the change in number of persons under the poverty line. In Section I, I present a general overview of how economic studies understand insurrectionary activity and colonial institutions. Section II introduces the theoretical framework that operates in this paper. Section III provides historical background for the FALN bombings and provides a historical justification for the theoretical framework that focuses U.S. oppression in Puerto Rico and against Puerto Ricans. Section IV and V present the data and

corresponding empirical results respectively. In section VI, I interpret the results and conclude.

I. Literature Review

A. Colonial Institutions and Human Capital

In nearly all of the bombing attacks claimed by the FALN, somewhere in the vicinity, there was a political communiqué that articulated grievances on behalf of marginalized communities against private corporations or the U.S. government. These manuscripts often demanded the immediate halt of oppressive practices on Puerto Rico or marginalized communities in the U.S. In their communiqués, the FALN rejected United States authority over Puerto Rico and asserted that the objective of the organization was to revolt against the U.S. and U.S.-linked corporate and political interests in Puerto Rico. Their bombs and occasional raids targeted what they determined were U.S. imperialistic institutions including but not limited to large department stores, police headquarters, political events, large banks, government buildings and army recruiting centers.

While some of these institutions have been linked to economic growth (North, 1989), Dell (2010) demonstrates that colonial institutions can also have a significant detrimental effect on the economy, notably through a severe negative effect on human capital. An example of such an effect can be seen in extractivist institutions such as Peru's mining Mitas, an extensive forced labor system that ended in 1812 and has large negative effects on household consumption and growth to this day (Dell, 2010). The historical narrative and economic literature support the idea that similar institutions in the

United States have also been depressing domestic economic growth in marginalized communities.

Messer, Shriver and Adams (2018) argue through an interdisciplinary approach with economic history and sociology, that local government in the United States, along with racialized violence on behalf of the white dominating class, has drastically affected economic development in marginalized communities, notably black communities. The political equilibrium in the United States has repeatedly disfavored marginalized groups. Institutional barriers have not just affected political rights, but in doing so, the government has been complicit in the systematic economic depression of marginalized communities. Tulsa, Oklahoma's race riots of 1921 exposed unwillingness to enforce safety and property rights for people of color on behalf of the government (Messer, Shriver and Adams, 2018).

The political and economic reality of the United States is intrinsically tied to its legacy of oppression of marginalized peoples to this day, just like it was then in the early 20th century or later on in the 1970's and 1980's. The redlining practices of the 1930's continue to economically disadvantage minority communities showing associated declines in home ownership, credit score, house values and rents (Hartley and Aaronson, 2018). Segregation continues to increase poverty rates in black neighborhoods and black-white income disparities (Ananat, 2011). In addition, the urbanization processes that characterized the second half of the 20th century demolished black and Hispanic communities at drastically higher rates than the white population (Sánchez Korrol, 2004). These economic and political circumstances are intricately related to the civil

disobedience, insurrectionary activity and resistance that took place in the United States in the 20th century.

B. Overview of the Effects of Terrorism

The U.S. government treated the FALN uprisings as terrorist attacks, investing large amounts of resources on FBI investigations and court proceedings designed to incarcerate and punish the insurrectionaries. Because this categorization has been used by academia to describe the FALN and groups similar to the FALN, I draw from the literature on the economic effects of terrorism to situate the economic effects of insurrectionary activity.

Terrorism is the premeditated use, or threat of use, of extranormal violence to obtain a political objective through intimidation or fear directed at a large audience (Sandler and Enders, 2004). The agents responsible for the categorization are often the government and the media. As such, there is an incentive to overstate terrorism and understate state or corporate terror that benefits the ruling class. Since this study focuses on terrorism, it should recognize the controversy surrounding the categorizations of each agent involved and aptly contextualize irregular intimidation and violence by providing an understanding of what is considered regular intimidation and violence, and thus escapes the definition of terrorism but nevertheless interacts with economic factors all the same.

The wide variety of strategies employed by groups uniformly categorized under terrorism is acknowledged to produce vastly different effects in the economy. Abadie and Gardeazabal (2003) conclude that the terrorist organization ETA caused a significant decrease in the Basque country's GDP. The causality can be tied to very specific ETA

strategies, such as targeted attacks on entrepreneurs in the shape of kidnappings for ransom, extortion, and robberies. These expectedly led to a migration wave of firms that would have otherwise stimulated the regional economy. Enders and Sandler (2012) emphasize circumstances in which terrorism has adversely affected output to a large degree. Terrorist attacks can decrease demand for tourism or for certain modes of transportation. Immediately after the attacks on the Twin Towers on 9/11, income from passenger fares plummeted by $1.5 billion and the hotel industry suffered losses estimated at $700 million. This risk aversion can also plague entrepreneurs and firms that would have to insure their investment in capital at higher premiums, rendering their product or service more costly. Counter terrorism measures taken by the government require an increase in expenditure for security that entails a cost on individuals through an increase in taxes or the loss of another public service. Terrorist activity has the capacity to implement heavy costs on the economy.

Insurrectionaries likely took up arms fully understanding the odds were against them. A cursory glance may lead observers to believe that terrorists behave irrationally, engaging in activities that are detrimental to them while yielding no visible benefits. Yet, economic research has effectively demonstrated that terrorist organizations respond to incentives and engage in cost-benefit analyses largely corresponding to homo economicus (Caplan, 2006). Members of the FALN that have spoken out have placed emphasis in bringing to the forefront the injustices taking place in Puerto Rico and Puerto Rican communities. The corresponding cost-benefit analyses led FALN members to rationally sacrifice their private livelihoods for the benefit of raising international awareness to the injustices taking place in Puerto Rico.

Terrorists that choose armed propaganda as a tool for change in public policy recognize that voter preferences and civic participation are subject to influences that include perception and diffusion of information. Barsbai et al. (2014) show that when Moldovan emigrées were exposed to Western customs and politics, their communities back home experienced significant changes in revealed voter preferences. Barsbai et al. (2014) build on the notion that people have the potential to absorb new political attitudes, ultimately spreading political ideas across borders and effectively changing political constituencies, especially when asymmetrical information is key to state hegemony. Migration to highly democratic, Western countries had a strong negative effect on the Communist Party's support. Yet, that translation of voter preferences from migrants to local communities in Moldova seems to be highly contingent on the capacity to maintain communication between the two. When looking at the effects of FALN bombings on economic determinants, communication technology, peer effects and perception should all inform the mechanisms of causality.

Economic research has demonstrated that terrorist activity can shift the political equilibrium, effectively changing policy and advancing aligned parties through the ballot box (Criado, 2011). The historical evidence found in the FALN Bulletin and communiqués demonstrates that this was one of the primary goals of the organization. There are an increasing number of studies that demonstrate different ways that terrorism can affect public opinion (Bali, 2007; Criado, 2011). Sandler and Enders (2004) show that suicide terrorism is associated with success through its effect on public opinion at a fairly high rate, about half of the time, but that more moderate bargaining claims have higher probabilities of success. The literature also holds that terrorism can have an effect

on the terrorist group's own constituency. Criado (2011) finds that ETA violent strategies significantly increased public support for the terrorist organization. Lapan and Sandler (1993) hold that violence on behalf of the group can demonstrate conviction, and therefore increase support among their constituents. By expanding this notion of constituency to the electorate that supports the party associated to the ETA, he demonstrates that the terrorist strategy of using violence to force the government to negotiate does affect the public support for the organization. In the case of the ETA, it ultimately increased the terrorist group's bargaining power. Violence here can be seen as a way of organizing the electorate into the support of political goals that go against the will of the more resourceful nation-state.

The capacity of insurrectionary groups to shift public attitudes entails the ability to shift the political equilibrium and common perceptions surrounding punishment and violence, especially through sustained activity. Yet, they also hint at the capacity to shift a wide array of different economic determinants. These include informal networks of association and support as well as consumer preferences.

Andreasen (1984) shows that consumer preferences are particularly vulnerable to change when consumers are undergoing a status change as well. Despite adverse economic conditions, Puerto Ricans managed to build grass roots organizations, such as La Casita, that ameliorated daily life in the United States. This contributed to rising wages and economic activity that implied material shifts for many families. In addition to these conditions of instability, the Latino civil rights movement, which included notable victories such as the Equal Educational Opportunity Act of 1974 and the expansion of the U.S. Voting Rights Act in 1975, represented a nontrivial shift in social and political status

of Hispanics in the United States and also coincided with FALN activity (Song-Ha Lee, 2014). The status fluctuations that resulted from these challenges to the formal and informal structures that maintained the status quo could have made the FALN armed propaganda campaign especially effective in changing bargaining behavior.

Armed propaganda aims to shift discrimination in favor of the community the organization claims to represent. Part of that shift arises from the demonization of the firm being attacked for expressing certain characteristics. These characteristics can include an overrepresentation of insider employers (firms with all white employees), investments that produce negative public externalities (such as fossil fuels), a close relationship with the state's monopoly on violence (such as firms associated with labor from private prisons), and so on. When armed propaganda targets these firms, local media and public eye inevitably take notice of the characteristics of the attack. Thus, the context in which the attack takes place entails higher regional risk premiums for exhibiting the firm characteristics that have been targeted and explicitly condemned by the insurrectionary forces.

There are no similar quantitative studies that center the effects of the FALN bombings. In addition, to my knowledge, no study has previously sought to analyze possible insurrectionary activity effects on employment and earning through insider outsider theory. Perhaps most importantly, no study has sought to quantify the economic effect of insurrectionary activity on the marginalized community they claimed to represent.

II. Theory

In this section, I discuss a market interpretation of political violence with the intention of shedding light on possible effects on outsider bargaining power as a result of the attacks. Zingales (2017) in Towards a Political Theory of the Firm discusses how economic prosperity for certain private corporations has transpired into political power. As a result, large companies often wield private security comparable to national secret services and, through lobbyists and proxy power, are able to directly and indirectly change legislation both domestically and abroad. Drawing on Zingales' theory, I assume violence to be a good through which a group can exercise credible threats and thus, protect private property and human capital. The historical background that discusses Puerto Rican colonial circumstance in Section III provides evidence for the assumption that governing institutions, which include powerful firms and the United States government, have a monopoly on such violence. This monopoly is enforced by a judicial process which is particularly forgiving to domestic state sponsored violence by local policing institutions, the FBI or the CIA, and very costly to people of color and colonized peoples.

This monopoly is protected by high entry costs and, I assume in the historical circumstance of the United States, necessarily implies the systemic selective protection of white citizens' property rights over others. I will argue insider-outsider theory of incomplete contracts within the firm can help explain the potential effects of insurrectionary activity. Furthermore, this bargaining model and its testable implications can help us answer whether entry into the violence market by organizations of people of color can help ameliorate the effects of the original inefficient allocation.

Insider-outsider theory indicates that structurally different labor turnover costs can affect employers and that, as a result, incumbent employees have a share of market power in the labor market (Lindbeck and Snower, 2002). Thus, labor turnover costs protect a portion of employees but leave others with no such protection.

There are two sets of distinctions that are especially relevant to my paper:

1. The insider-outsider relationships of those who have a voice in the wage bargaining process and those who do not and,

2. The insider-outsider relationships imposed by "social exclusion". The term social exclusion refers to those "individuals, families and other social groups that are excluded from the mainstream of networks" (Lindbeck and Snower, 2002).

Some of the labor turnover costs that particularly affect minorities include language instruction, cultural competency and rent-costs from white insider rent-seeking processes. The last example of costs can be seen in racial colluding practices and racially motivated conflict in the workplace between entrants and insiders as entrants (minorities) seek equal treatment with their white counterparts. These transaction costs can also give insiders bargaining power over employers and enforce workplace rules that sustain the status quo and disincentivize minorities from entering. White insider market power predicts that white employees will have a demonstrably higher wage and be hired at higher rates for better quality jobs. This necessarily implies lower wages for minority communities, worse quality jobs and higher rates of involuntary unemployment.

The aforementioned conditions suggest that white employees are overrepresented in good jobs and underrepresented in bad jobs, as well as employment and unemployment figures and income brackets. Similarly, insider-outsider theory outlines reasoning that can

help explain overrepresentation in the government of the United States, since it too responds to labor turnover costs when hiring.

Let us assume minorities face more health hazards and higher poverty rates and that therefore, firms should also invest additionally in minority employees to ensure comparable safety, mental health and general wellbeing. In addition, let us assume that bargaining relies on violence to enforce contracts and give credibility to threats from respective parties, bargaining between outsiders and employees would be structurally less effective than their insider counterparts. Then, it follows that the structural violence that minorities endure raises the labor turnover costs that protect white dominated firms and white insiders. The monopoly on violence on behalf of the insider class, thus, does not just enforce the existing segmented labor markets but expands the differential gap between the two. I provide evidence for these important assumptions in the Historical Background section.

Insider power has a direct effect on outsider's opportunities (Gollier, 1991). Insiders with job market power are incentivized to push wages for entrants upwards in order to restrict further employment and ensure their insider status. Following this analysis, theoretically, insiders could impose a large, binding floor on their wages. If they advocate for flexible entrant wages, entrant employment would not be affected.

Alternatively, insiders and employers can conspire to raise output prices in non-competitive markets. Gollier (1991) demonstrates that any strategy that reduces aggregate output will have the desired effect. Insiders and employers can then share the rent increases through distribution of wages along seniority. Thus, insider market power can be exercised in the following extreme ways,

1. An equal, non discriminatory wage level for both insiders and outsiders which induces involuntary unemployment for outsiders, or

2. An unequal wage distribution ratio from insiders to outsiders, with relatively minor effects on outsider employment.

It is most reasonable to expect that, in reality, insider market power would be expressed to some degree in a combination of higher involuntary unemployment and lower wages for outsiders conditional on industry.

Thus, we have that a negative shift in insider market power could cause a positive shift in both employment for outsiders and insider-outsider wage ratios along similar productivity lines. If these happen simultaneously, it is consistent with an exogenous shock shifting labor turnover costs in favor of outsiders.

Given a series of insurrectionary attacks that target white-dominated firms and the institutions of power that monopolize violence, employees must now consider additional risk premiums associated with hiring insiders. This additional risk diminishes the differential ratio between insider-outsider labor turnover costs. This shift in costs makes hiring outsiders comparatively more attractive than before. Thus, from this reasoning I derive several empirically testable hypotheses for the short-medium run.

The short-medium run is characterized by stickiness in previous contracts and wages. Therefore, a sudden increase in market power for outsiders would be primarily seen in an employment increase for outsiders, driven by new outsider hires in this period. Since previous wages and employment are fixed, firms would resort to new contracts for outsiders in order to prepare for the new labor turnover cycle. Additionally, changes in labor turnover costs have the capacity to introduce outsiders to networks of association

that could foment new job opportunities by expanding the available resources to outsider entrepreneurs. I would expect no impact on income per capita in the short-medium run.

Therefore, the following hypotheses follow for the medium-run,

H_a: I expect members of the outsider group to have a higher rate of employment in areas affected by FALN bombings relative to less affected areas. (Due to stickiness in previous contracts and upward wage pressures from insider coalitions).

H_b: I expect there to be no change in outsider income per capita.

In the long run, I would expect both outsider employment rates and income per capita to increase as a result of sustained insurrectionary activity. This would be a direct result of increased labor market power for outsiders.

Ideally, there would be identical tracts with a random distribution of concentration of outsiders in the general population. Then, an exogenous minority of insurrectionaries would randomly bomb the census tracts. The effect of the insurrectionary activity on insider outsider relationships would be measured by the general effect of insurrectionary activity and the additional differential effect of insurrectionary activity at different levels of outsider population concentration in different census tracts. I approach this experiment using an empirical approach that exploits the spatial variation in FALN bombings, the particular historical characterization of Puerto Ricans as outsiders and the contemporaneous Puerto Rican diaspora in order to measure these effects.

III. Historical Background

The purpose of this section is to demonstrate as clearly as possible the extent of the state's monopoly on violence and the tangible effects this violence has over the lives

of those affected as documented by historical evidence. I use historical evidence to justify the important assumptions previously stated in the Theory Section.

In one of the infamous Insular Cases, the U.S. Supreme Court stated in Balzac vs. the People of Puerto Rico that Puerto Rico belongs to but is not a part of the United States (C.D. Burnett 2005; Rivera Ramos 2001; Venator 2006).

Puerto Ricans have long been second-class citizens as a result of belonging to an unincorporated territory of the United States. The Commonwealth status of the island is recognized by a majority of mainstream academics and politicians as a misnomer for the political reality in Puerto Rico: colonialism (Falcón, Haslip-Viera and Matos, 2004).

The United States took control of Puerto Rico, the Philippines, Cuba and Guam in 1898 as a result of their intervention in the Cuban War of Independence, known as the Spanish American War. From 1868 to 1898 revolutionary struggles had dominated Cuba and Puerto Rico, whose revolutionary leaders articulated a joint revolution against Spanish colonialist forces and the *hacendados* they had empowered. These revolutionary struggles led many expatriated Puerto Ricans to establish communities in places such as New York City, escaping from Spanish colonial persecution at home in the late 19th century. After Puerto Ricans were forced to accept U.S. citizenship under the 1917 Jones-Shafroth Act, these initial migratory patterns developed into Puerto Rican settlements during the interwar period of 1918 to 1939 (Sánchez Korrol, 2004).

Despite Puerto Rico occupying a privileged place in the international sugar market, the majority of Puerto Ricans did not enjoy the corresponding benefits. Although only a quarter of Puerto Ricans lived in urban areas at the beginning of the 20th century, the majority of land still belonged to the chosen few that had begun to accumulate them

under Spanish rule. That colonial economic order only intensified under U.S. control upon the creation of the oligopolistic Aguirre Sugar Company, the South Porto Rico Sugar Company and the Fajardo Sugar Company (Ayala and Bergad, 2002). In addition, Puerto Rico was consistently the poorest region in the United States in the 20th century, with income levels 50% less than average (Godoy et al., 2007). Although, the economic transformation from an agrarian economy to an industrial one initially accelerated growth at the turn of the century, when growth stagnated again in 1974 (Rodriguez, 2006), poverty and unemployment rates were still at alarming levels and showed no signs of decreasing (Sotomayor, 1996). In addition, Puerto Rican movements in favor of independence, which include worker movements, legal political candidacies and armed insurrectionary activity, were all systematically persecuted by the colonial government and/or U.S. forces (Atiles-Osoria, 2016). These economic and political conditions of displacement are strongly tied to the Puerto Rican diaspora.

After the Second World War, migratory patterns into the United States intensified as poverty-stricken Puerto Ricans sought opportunities in a booming post-war economy. Despite these long standing traditions, and the Puerto Rican diaspora migrating at a higher rate still into places like New York City, there was but one Puerto Rican restaurant and one such barbershop in all of New York City in 1958 (Cruz, 2004). In addition, "urban renewal" characterized the second half of the 20th century. Title 1 of the Housing Act, a Federal Urban Redevelopment Program, enabled local governments to purchase or condemn land for government-sponsored projects. As a result of this "urban renewal", many poor, minority dominated neighborhoods were demolished in their entirety, forcing local businesses to shut down or relocate. Puerto Rican communities were affected at

drastically higher rates and their displacement included the dissolution of many *bodegas*, *farmacias* and *botánicas* that were key components of Puerto Rican communities (Cruz, 2004).

This displacement of Puerto Ricans both from Puerto Rico and in "urban renewal" purposes within the United States has enabled Puerto Rican communities to develop a sense of cultural identity and community that transcends borders and fosters "revolving door" migratory patterns (Duany, 2002). Simultaneously, this displacement has long represented economic hardships, lack of institutional support and repeated setbacks to capacity to retain wealth in Puerto Rican communities.

On November 2, 1947, Puerto Rico held its first local elections. (Bayrón Toro, 1989). The following year, the "Gag Law", which made it illegal to show support for Puerto Rican independence including ownership of a Puerto Rican flag, was ratified by this administration (Acosta, 1998). Simultaneously in the 1940's, the U.S. navy expropriated large amounts of land in Vieques as an expansion of the military complex that would be instrumental for U.S. defense measures during the 20th century. These military practices would have drastic consequences for Puerto Ricans that lived near bases such as the one in the "island under siege". There are, for example, stark correlations that relate adverse health conditions to bombardment in Vieques to this day (Wilcox, 2001). High poverty rates led many U.S. based economists to prescribe population control measures for economic woes, and as a result, sterilization campaigns impinged further on human rights in Puerto Rico. By 1968 roughly one third of Puerto Rican women were sterilized amidst forced sterilization programs (Mass, 1977; Collins, 1998).

Although Puerto Ricans have U.S. citizenship, they cannot vote in Federal Elections. The Jones Shafroth Act, passed in 1917 and still active, forces all imported goods to be transported by the U.S. Merchant Marine, the most expensive in the world, which inevitably constraints local businesses and heightens prices (Grennes, 2018). Federal legislature such as the Industrial Incentives Law of 1947 and Section 936 benefitted foreign industry settlement in Puerto Rico through tax breaks (Rodríguez, 2006). Yet, housing these industries came at a cost, as the rapid shift from a primarily agrarian economy to light industry under the sponsorship of a colonial regime relegated human rights to a secondary role.

These frustrations and righteous indignation at the injustices committed by the United States government against Puerto Ricans led many to take up arms. In the late 20th century, insurrectionary activity was felt in the United States mainland as well. In March 1st, 1954, four Puerto Rican nationalists broke into the House of Representatives and sprayed bullets across the chamber, injuring five congressmen. From the 1970s to 1990, Puerto Rican groups such as the Independent Armed Revolutionary Movement (MIRA), the Boricua Popular Army, Los Comandos Armados de Liberación, the Organización de Voluntarios por la Revolución Puertorriqueña and the FALN attacked U.S. interests both abroad and in Puerto Rico. The FALN was the most effective of the groups in achieving spatial variation and successfully conducting operations for nearly a decade. For this reason, I focus on the period of time that was dominated by FALN bombing activity, which is from 1976-1979, even though the organization conducted attacks well into the 1980s.

It was in this historical context that Puerto Ricans left their homes in distinct migration waves. I am primarily concerned with the blue-collar migration wave that characterized the 1970s, as poor Puerto Ricans left to the U.S. in search of opportunities, following the "American Dream" through the "guagua aerea" [1](Aramburu, 2012).

In the early 1970s, hundreds of U.S. citizens became a part of an underground resistance. The history of the Student Nonviolent Coordination Committee demonstrates how the radical violence of the '70s is an extension of the activist onslaught that characterized preceding decades, notably so, intrinsically linked to the Civil Rights Movement of the '50s and '60s. By the end of the 1960s, the SNCC, which originally espoused non-violence, began advocating for black power, under the leadership of Kwame Ture. An American Underground answered the revolutionary call throughout the following 20 years. Thus, the FALN and other Puerto Rican insurrectionary movements cooperated with other insurrectionary groups, to the extent of seeking the Sam-Melville unit's cooperation when they helped fellow FALN prisoner William Morales escape from prison (Kroessler, 2014).

Puerto Ricans were (and are) political, linguistic and economic outsiders both in the United States and in Puerto Rico. This relationship has been repeatedly enforced through political violence and repressive legal and economic structures.

[1] Loosely translated the term means "flying bus" and was featured in a film by Luis Rafael Sánchez that centered the Puerto Rican Diaspora and the circular notions of migration that are encapsulated in the colloquial implications of public transit.

IV. Data

The data on terrorist attacks for the time period, provided by the University of Maryland, strongly support Power's (2013) historical narrative that conceptualizes FALN activity as armed propaganda conducted by activists in an anticolonial struggle. The majority of terrorist activities between the 1970s and 1990 were characterized by racial motivations and assaults on institutions that reflected the power structure. These were police headquarters, military recruitment centers, universities, government buildings, powerful banks and general electric centers or power lines. When the attacks were perpetrated on institutions of power, economic or political, disadvantaged groups largely undertook them. It must be acknowledged that there are a nontrivial number of terrorist attacks within the specified time period that reflect violence from white supremacist groups on minorities and anti-abortion groups. These were undertaken by white organizations and are not included in this analysis. Their activity, as understood by insider outsider theory, is fundamentally different from the insurrectionary activity this paper looks to understand.

In order to pinpoint the frequency and spatial characteristics of insurrectionary activity in the United States I use data from the Global Terrorism Database produced by START in the University of Maryland. I supplement this dataset with data from historical newspapers in order to more precisely locate the bombings. There is a possibility of measurement error in both processes. The FALN were an insurrectionary group persecuted by the FBI and, as such, the majority of their operations have remained hidden to this day. It is unclear whether START or myself have captured FALN activity in its totality or misattributed insurrectionary attacks from other groups to the FALN. Yet, all

of the documented attacks in this study have been claimed by the FALN through communiqués or phone calls or have been attributed to the FALN through government investigative procedures. From these sources, I take into account a subset of attacks that occurred from 1976 to just before 1979 in New York, New Jersey, Washington D.C. and Illinois. There were additional attacks that took place well into the 1980's but, due to multicollinearity concerns, I do not place their spatial characteristics as a control. The attacks that are not included could be affecting the estimates.

I complement the FALN insurrectionary activity dataset with decennial census tract data. The data are limited to census tracts in states that were reasonably close to the FALN bombings that took place from 1976-1979. Due to data limitations, I apply the insider outsider framework to effects on the Hispanic population in the United States, whose main demographic categories in the census include Puerto Rican, Cuban, Mexican, and Hispanic of other origin. I construct the measure of the change in Hispanic income per capita for 1980 to 1990 by dividing the aggregate Hispanic household income by the number of Hispanics in the census tract for each respective year. This choice for the dependent variable carries several dimensions of insider outsider dynamics. At the most basic level, it can serve as a proxy for Puerto Rican income per capita, since Puerto Ricans are a subset of the Hispanic population. This interpretation requires the assumption that there is no hierarchy in institutional dynamics within the Hispanic categorizations. Identifying which insider outsider relationship is being measured, Hispanic to White, Puerto Rican to White or Puerto Rican to Hispanic, is a non-trivial exercise that requires strong assumptions. In addition, this relationship can be further blurred by the anti-racist discourse often employed by Hispanic communities as a

relationship between colorism and concentration of Puerto Ricans could be driving results in one direction or another. Therefore, this categorization measures analogous shifts for Puerto Ricans if one assumes that, in general, Hispanics relate to insiders in a similar way. This assumption operates throughout the empirical analysis and appears to hold for the Hispanic unemployment rate. The validity of this proxy categorization is called into question by the results for the analysis that relates insurrectionary activity to income per capita.

The explanatory variable consists of the full continuous spatial component for all FALN activity from 1976 to 1979, excluding the bombings that took place in Puerto Rico and those that occurred after 1979. I use spatial analyst tools in ArcGIS to create a continuous spatial variable in kilometers. This variable stretches for a 30-mile radius from each of the bombing sites as observed in Figure 1. Since I also take into account the census tracts that lie outside of these 30-mile radii, there are two dimensions to the spatial component, the binary component captures whether the tract was within the specified radius and the continuous distance variable relates census tracts to the bombing site more precisely. This spatial variable is then transformed by subtracting the maximum and taking the absolute value in order to more appropriately associate an increase in kilometers with an increase in proximity and uniformly associate low values in both variables with a large distance from the bombing site. In addition, because some census tract lines have been redrawn in the decennial censuses from 1970 to 1990 to account for population density shifts, I only use census tracts that match identifiers perfectly.

Figure 1: Mapping Census Tract Proximity to Bombing Site

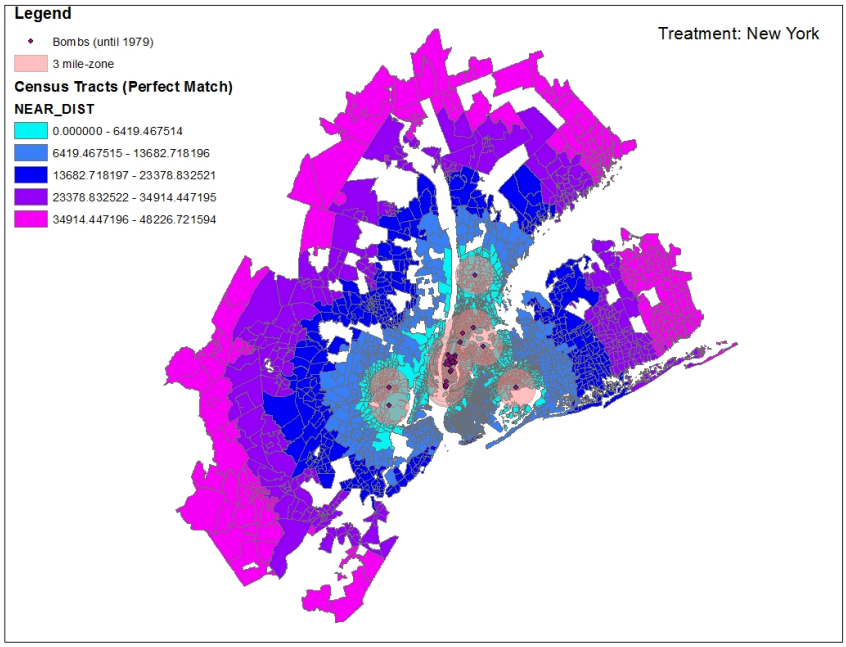


Figure 1 Notes: The figure presents the census tracts' spatial relationship with the bombings for the census tracts that lie within the 30-mile radius. The color scale is in meters. The red zones represent the 3-mile distance-zone from the bombings. The bombings pictured (and used in the paper) are from 1976 to 1979. The general area pictured above is in New York and New Jersey.

I justify the proximity measure for violent insurrection through diffusion of information. The relatively low coverage of bombings in the late 20th century suggests that the primary mechanism for information regarding insurrectionary activity was word of mouth. I assume that those communities closer to the bombings were more likely to talk about them at a higher rate. Thus, proximity would be highly correlated with peer effects and a shift in bargaining power.

Even though FALN insurrectionary activity is observable, many degrees of insurrectionary activity, such as shirking or property damage are not. In order to account for this level of multi-dimensionality and for varying degrees of interaction between employers and Puerto Rican communities, I allow the effects of insurrectionary activity

to vary by a combination of proximity to the attack locations and the population percentage of the group that is associated with the attack. I interact the distance from the bombs with the percentage of Puerto Ricans in 1980 per census tract relative to the total population. Proximity to the bombing sites changes the Puerto Rican communities around them. These communities are assumed to have a potentially larger distribution of general insurrectionary activity as a function of this proximity.

The distribution for the change in Hispanic income per capita is heavily skewed to the right. Even though the majority of the census tracts experienced an increase in Hispanic income per capita there are also a significant number of tracts that experienced no change at all and tracts with very large outliers. To help address these distribution complications I run all tests on trimmed data at the 1st percentile and 99th percentile level. This also provides evidence for consistency in results.

The percentage of Puerto Ricans per census tract is calculated by dividing the number of respondents that marked Puerto Rican with regards to the question of specificity of Spanish Origin and the total population of the census tract. The unemployment rate is calculated by dividing all unemployed persons in the census tract by the labor force. The Hispanic unemployment rate is calculated similarly. Poverty is measured using change in number of persons under 55 determined to be under poverty by the census. The summary statistics for these variables and some controls are found in Table 1.

Table 1: Summary Statistics for Important Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Hispanic Income per capita (winsorized)	7,313	13431.33	15319.06	-21835.55	79288.16
Hispanic Unemployment Rate 1980-1990 (winsorized)	7,400	.0047408	.1606082	-.5384616	.5540936
Change in # of persons under poverty line from 1980 to 1990	12,661	-2126.784	1607.493	-21512	3196
Proximity to bombing site (km)	12,661	15.35331	19.61431	0	48.22218
% Puerto Rican population in 1980	12,650	.036125	.0967196	0	.8063241
Within 30 mi. of bombing site	12,661	.4088935	.4916489	0	1
Hispanic unemployment rate in 1980	7,778	.097563	.1450915	0	1

V. Empirical Exercise

The application of insider outsider theory to the supply of FALN bombings can and should be empirically examined. As the bombings were politically motivated, I expect the bombings to be spatially related to poverty indices, Puerto Rican communities, their interaction and the financial sector and government structures. I use census tract information from 1970 on the percentage of Puerto Ricans, the number of persons less than 55 years old considered to be under the poverty line, and the number of employees in the financial, real estate and insurance sector in order to provide empirical support for this initial motivational exercise concerning the population characteristics and the

associated location of insurrectionary violence. Thus, in this first exercise, the spatial proximity to the bombing sites is predicted using data from the 1970 census.

Table 2. Predicting bombing radius using 1970 census tract data

VARIABLES	(1) Within 23.22 km	(2) Within 16.22 km	(3) Within 6.22 km	(4) Within 30 miles
# of Puerto Ricans	-0.000277	0.000349	0.00147***	0.00161***
	(0.000672)	(0.000605)	(0.000568)	(0.000265)
# of persons under poverty	-0.00300	0.00118	-0.00172	-0.00806***
	(0.00538)	(0.00462)	(0.00525)	(0.00221)
# of Puerto Ricans* # of persons under poverty line	-3.26e-06	-2.57e-05	-7.91e-05***	-5.15e-05***
	(2.38e-05)	(1.93e-05)	(2.62e-05)	(8.28e-06)
Employment in financial, real est. and insurance	-0.00224*	-0.00276	-0.00113	0.00424
	(0.00119)	(0.00211)	(0.00204)	(0.00433)
Unemployment Rate in 1970	-5.716***	-3.777*	-5.944	-9.022**
	(2.116)	(2.270)	(4.492)	(4.096)
Constant	-0.343***	-0.470***	-0.429	-0.507***
	(0.116)	(0.141)	(0.275)	(0.188)
Observations	2,470	2,205	1,876	398

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

In order to assess the claim, I use a probit model with the specification described above to quantify the likelihood of the census tract being within the pre-specified radius of distance from the bombing site. The number of Puerto Ricans appears highly predictive of proximity for two of the distances, both within 6.33 km and within the 30-mile radius. Similarly, for two radii of distance, unemployment levels in 1970 appear significantly associated with proximity to the probability of being close to a bombing site.

These results provide some evidence in favor of a human needs theoretical interpretation of insurrectionary violence. In this case, violence seems most noticeably

driven by the Puerto Rican identity. Coefficients on other variables that proxy for fundamental needs such as unemployment and number of persons 55 and younger under poverty are significant in predicting the absence of a bombing. The human needs framework can help explain this phenomenon by highlighting the historical lack of representation in the presiding government and well documented colonial relationships with the Puerto Rican identity. Out of the human needs, the political identity is associated with insurrectionary activity while economic need is not. The character of the insurrectionary activity can explain this result. The FALN must have had some degree of economic and educational resources in order to conduct operations and evade capture for such an extended period in time. FALN activity deliberately sought targets that were far from disadvantaged communities. In this circumstance, because the persons undertaking the attack are not amongst the most underprivileged in the community, and have removed themselves from the community, assuming alternate identities, national identity is the most salient determinant for bombings.

Thus, it is reasonable to continue the empirical analyses of the effects of the bombings while sustaining the initial theoretical framework that related insurrection demand with more nuanced forms of violence, such as institutional oppressions and its historical manifestations in poverty and unemployment.

In the empirical exercise that follows I will test the effects of insurrectionary activity on change in Hispanic income per capita and the change in Hispanic rate of unemployment for the period from 1980 to 1990. The theoretical hypothesis suggests proximity to the bombing increased unemployment for Hispanics and increase in associated income per capita in the short-medium run.

The regression equations are:

$$\begin{aligned}\Delta Hispanic\ Unemployment_{i,t} = {} & \beta_0 + \beta_1 Bombing\ Proximity_{i,t} + \\ & \beta_2 \%PR\ Population_{i,t} + \beta_3 Bombing\ Proximity * PR\ population_{i,t} \\ & + \beta_4 Within\ Radius\ of\ bombing\ site_{i,t} + \beta_5 Income\ ratio_{i,t} \\ & + \beta_8 \Delta unemployment\ rate_{i,t-1} \\ & + \beta_9 Hispanic\ Unemployment\ rate_{i,t} + \beta_{10} Area\ of\ Tract_{i,t} \\ & + \beta_{12} \Delta\%\ Manufacturing\ Employment_{i,t-1} \\ & + \beta_{13} Insurance, real\ estate\ and\ finance\ employment_{i,t} \\ & + \beta_{11} \Delta\%\ Manufacturing\ Employment_{i,t} \\ & + \beta_6 \Delta\%PR\ population_{i,t} \\ & + \beta_7 \Delta unemployment\ rate_{i,t} + \beta_{14} county_{i,t} + \epsilon_{i,t}\end{aligned}$$

$$\begin{aligned}\Delta Hispanic\ Income\ per\ Capita_{i,t} = {} & \beta_0 + \beta_1 Bombing\ Proximity_{i,t} + \\ & \beta_2 PR\ Population_{i,t} + \beta_3 Bombing\ Proximity * PR\ population_{i,t} \\ & + \beta_4 Within\ Radius\ of\ bombing\ site_{i,t} \\ & + \beta_5 Hispanic\ Income\ per\ Capita\ level_{i,t} + \beta_6 \Delta\%PR\ population_{i,t} \\ & + \beta_{14} Income\ per\ capita\ level_{i,t+1} + \beta_{10} Area\ of\ Tract_{i,t} \\ & + \beta_7 \Delta unemployment\ rate_{i,t} + \beta_8 \Delta unemployment\ rate_{i,t-1} \\ & + \beta_9 Hispanic\ Unemployment\ rate_{i,t} \\ & + \beta_9 \Delta Hispanic\ Unemployment\ rate_{i,t} \\ & + \beta_{11} \Delta\%\ Manufacturing\ Employment_{i,t} \\ & + \beta_{12} \Delta\%\ Manufacturing\ Employment_{i,t-1} \\ & + \beta_{13} Insurance, real\ estate\ and\ finance\ employment_{i,t} \\ & + \beta_{15} county_{i,t} + u_{i,t}\end{aligned}$$

The insurrectionary activity historically took place a certain distance from census tract *i* with a specified percentage of a Puerto Rican population. The dependent variables are the change in the Hispanic unemployment rate and the change in Hispanic income per capita in any given census tract *i*. In order to isolate the effect of historical insurrectionary activity as a function of the Puerto Rican population at the baseline level for the change, the primary coefficients of interest are β_3 and β_1, as they encompass the differential treatment from insurrectionary activity on the Puerto Rican community while holding constant the initial level of Puerto Rican population. The interpretation for this

specification that correctly understands the effect of insurrectionary activity on the dependent variable is:

$$\frac{\Delta Y_{i,t}}{\Delta Prox.\,to\ bombing\ site_{i,t}} = \beta_1 + \beta_3 \%PR\ in\ 1980$$

This allows the general effect of insurrectionary activity to vary as a function of the percentage of the associated identity in the census tract. This allows us to capture effects in social capital and peer effects that inevitably transpire through bargaining practices in day-to-day life.

Potential threats to identification in the regression equations above are the omitted variable bias that arises from unobservable spillover city effects and spatial autocorrelation. Cities were becoming hubs for innovation and technological progress. These particular urbanization complexes were undergoing profound transformation at the time and it is possible there were positive spillover effects from the very institutions that the FALN bombed, claiming they were dangerous. Since the bombings and our dependent variable both coincide with this time-specific period of industry shift and city renovation, it is possible that that new industries that were developing at the time, a marked shift away from manufacturing, also implied better bargaining conditions for Hispanics or could also have systematically affected Hispanic unemployment and wages.

In order to address these different baseline levels of change, I include as control variables the change in manufacturing industry employees in a given census tract as well as the change in manufacturing industry in the previous period. In this circumstance, we are measuring effects in changes from 1980 to 1990; we include the manufacturing industry changes from 1970 to 1980 as well. In addition, since census tract boundaries are directly related to the population density, which is a good proxy for city proximity

measures, census tract area controls are included. The general unemployment rate change from 1980 to 1990 and the lag for the previous period change from 1970 to 1980 are also included as controls. I also include a control for the level of industry employment in finance, real estate and insurance in 1980. The FALN systematically targeted this industrial sector. Thus, it is imperative to rule out that externalities from tracts with high financial industry employment are driving the results.

Baseline levels at the start of the change, for 1980, are established by including controls for initial Hispanic share of income, the percentage of Puerto Rican population and the unemployment rate for Hispanics. The controls are placed for the year 1980 because it is in that starting point that firms renew their maximization analysis for the 10-year period of change from 1980 to 1990. All regressions have robust standard errors and the final specification, in both empirical exercises, include fixed effects at county level and clustered standard errors by counties to help account for spatial autocorrelation.

Table 3: Effect of insurrectionary activity on Hispanic unemployment rate

VARIABLES	(1) Δ Hispanic unemployment rate	(2) Δ Hispanic unemployment rate	(3) Δ Hispanic unemployment rate	(4) Δ Hispanic unemployment rate
Proximity to bombing site (km)	0.000291	0.000214	0.000374	0.000101
	(0.000177)	(0.000403)	(0.000262)	(0.000332)
% PR population in 1980	0.105***	0.0737**	0.235***	0.163***
	(0.0345)	(0.0327)	(0.0260)	(0.0255)
PR population '80* proximity to bombing site	-0.00148	-0.00106	-0.00338***	-0.00184***
	(0.000912)	(0.000871)	(0.000726)	(0.000606)
Fixed Effects	NO	YES	YES	YES
First set controls		YES	YES	YES
Second set of controls			YES	YES
Third set of controls				YES
Constant	-0.00448	0.0770***	0.0856***	0.0457***
	(0.00584)	(0.000245)	(0.00183)	(0.00532)

Observations	7,400	7,400	7,343	7,257
R-squared	0.003	0.045	0.503	0.585
Robust standard errors in parentheses				
*** p<0.01, ** p<0.05, * p<0.1				

Notes: The first set of controls includes the within 30 mile radius. The second set of controls includes the 1980 income ratio, the change in the Hispanic unemployment rate from 1970 to 1980, the area of the census tract, the baseline level for the Hispanic Unemployment Rate, the change in percentage of employment in the manufacturing industry from 1970 to 1980, the baseline level for employment in the financial, real estate and insurance sector. The third and last set of controls include the change in percentage of employment in the manufacturing sector from 1980 to 1990, the change in the percentage of the PR population from 1980 to 1990, the change in general unemployment from 1980 to 1980. Fixed effects are at the county level.

The regression equation that includes the aforementioned controls and measures an effect on the Hispanic unemployment rate from 1980 to 1990 provides evidence for a small but significant decrease in unemployment associated with proximity to the bombings as a function of the Puerto Rican populations if at least 20% of the census tract is composed of Puerto Ricans. Figure 2 demonstrates these effects as a function of the percentage of Puerto Ricans in the census tract at the start of the change.

Figure 2. Effect of insurrectionary activity on the Change in Hispanic Unemployment Rate

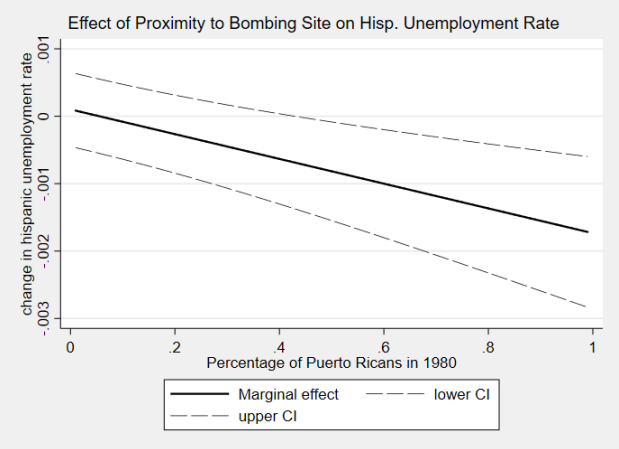


Figure 2 Notes: Changes in Insurrectionary Effects on Hispanic Unemployment. Graph includes the 95% confidence interval upper and lower bounds, which incorporate the standard errors from the intercept and slope estimates. Recall that tangible effects were only recorded at the 80% level of baseline Puerto Rican

population. Values of Puerto Rican levels that exceed 80% serve to predict an effect *if* the baseline concentration level had been as high as more than 80%.

Most notable perhaps, are the insignificance of the proximity variable by itself and the positive significance of the association between Puerto Ricans and the Hispanic unemployment rate. Census tracts with more Puerto Ricans in 1980 could expect Hispanic levels of unemployment to increase. Bombing proximity, however, ameliorated higher levels of unemployment in highly Puerto Rican communities, with a steadily increasing magnitude depending on the amount of Puerto Ricans in the census tract. It is notable that locations affected by the bombings with very few Puerto Ricans saw no change at all in unemployment.

In order to test for a positive influence in labor market power for insiders, I also look at the effects on changes in Hispanic income per capita. I do so directly by looking at the change in aggregate Hispanic household income divided by the employed Hispanic population.

Table 4. Effects of Insurrectionary activity on Hispanic Income per Capita Change

VARIABLES	(1) Δ in Hisp. Income/Capita	(2) Δ in Hisp. Income/Capita	(3) Δ in Hisp. Income/Capita
Proximity to bombing site (km)	-85.50	-82.55	-85.02
	(53.89)	(54.02)	(55.26)
% of PR population in '80	-4,584	-7,315***	-8,695***
	(2,949)	(2,510)	(2,540)
PR population '80* proximity to bombing site	22.18	45.33	56.77
	(63.24)	(63.30)	(64.08)
FE	YES	YES	YES
First Set of Controls	YES	YES	YES
Second Set of Controls	NO	YES	YES

Third Set of Controls	NO	NO	YES
Constant	-4,112***	-5,497***	-4,945***
	(1,113)	(1,245)	(1,301)
Observations	7,313	7,257	7,257
R-squared	0.161	0.176	0.177

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: The first set of controls includes the within 30-mile radius, baseline level of Hispanic income per capita, the general income per capita level in 1990, the change in the percentage of Puerto Ricans from 1980 to 1990 and the area of the census tract. The second set of controls includes the baseline level for the Hispanic unemployment rate, the change in the general unemployment rate from 1980 to 1990, the change in the general unemployment rate from 1970 to 1980, the change in the Hispanic unemployment rate from 1980 to 1990, the change in percentage of employment in manufacturing from 1980 to 1990 and the change in percentage of employment in manufacturing from 1970 to 1980. The third set of controls includes adding the baseline level of employment for the financial, real estate and insurance sector.

The results on the complete sample do not show statistically significant evidence that relates FALN-related insurrectionary activity to Hispanic income per capita. Yet, the estimates consistently show a more positive relationship between the baseline concentration of Puerto Ricans and proximity to the bombing site with the Hispanic income per capita. Nevertheless, the interpretation that relates insurrectionary activity to Hispanic Income per capita appears to suggest a negative effect on Hispanic income per capita that decreases with percentage of Puerto Ricans in the census tract, but remains negative. In order to further investigate this relationship and possibly different effects on different portions of the income distribution, I estimate the effects on different samples trimmed at the 1st and 99th percentile. I evaluate the unrestricted sample, the sample restricted at the mean of the Hispanic income per capita in 1980 and restricted at the 25th percentile for the Hispanic income per capita in 1980. I also run the same tests restricting the sample to census tracts to a minimum of 10% of Puerto Ricans and at least 20% of Puerto Ricans. This is done to explore the possibility of a nonlinear relationship between

the effect on the change in income per capita and insurrectionary activity as a function of the percentage of Puerto Ricans in the census tract.

A. Exploring Class Dynamics and Effects on Poverty

An overview of the income per capita data shows some possibly problematic outliers. Trimming the edges of the distribution at the 1st and 99th percentile shows a more normal-looking distribution. The tests on income per capita on this data do not show significant results. Yet, when we restrict the sample set after trimming the data we have very similar results to what the initial restricted regression predicted.

Aware that the Hispanic income per capita indicator is not a perfect proxy for Puerto Rican income per capita, the Hispanic category's appropriateness for measuring Puerto Rican outsider dynamics could improve by establishing a minimum of concentration of Puerto Ricans. This way, I can ensure that an approximate percentage of census tract data points weight more heavily changes in Hispanic income per capita driven by Puerto Ricans in the census tract. This is to say, by establishing a minimum concentration of Puerto Ricans for the census tract I remove the variation in the change in income per capita that is driven by non-Puerto Rican Hispanic populations that could have different outsider relationships between the hegemonic power structure and/or not be affected by the Puerto Rican-led insurrectionary efforts of the FALN.

In addition, I suspect that insider outsider earnings dynamics vary by class. By restricting the sample to census tracts that underperformed or performed at the mean, I can obtain a better understanding of the different bargaining dynamics that are at play and how those dynamics were affected differently by the FALN bombings.

Table 5: The Different Effects of Insurrectionary Activity on Hispanic Income per Capita

	Unrestricted Sample		Restricted to Mean		Restricted to 25th percent	
VARIABLES	Δ in Hisp. Income/Capita	Δ in Hisp. Income/Capita	Δ in Hisp. Income/Capita	Δ in Hisp. Income/Capita	Δ in Hisp. Income/Capita	Δ in Hisp Income/
Restricted to 20% PR Population in 1980	NO	YES	NO	YES	NO	YES
Proximity to bombing site (km)	-61.40	148.1***	-125.4*	136.6***	-152.0	357.5**
	(56.32)	(46.97)	(74.53)	(48.00)	(110.1)	(162.6)
%PR in 1980	-4,745**	8,204*	-2,134	6,855	3,974	5,782
	(2,316)	(4,116)	(2,171)	(4,172)	(2,611)	(7,100)
%PR in 1980*Proximity to bombing site (km)	23.45	-166.4**	-33.10	-157.7**	-123.6*	-188.4*
	(62.26)	(76.34)	(62.94)	(76.25)	(68.25)	(100.6)
Constant	-3,826***	47.54	2,773***	1,398	28,519***	4,880
	(1,015)	(3,263)	(1,026)	(3,003)	(1,619)	(4,632)
Observations	7,257	690	4,053	665	2,341	422
R-squared	0.185	0.244	0.296	0.241	0.317	0.242

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: All of the regressions include all three sets of controls. The first set of controls includes the within 30 mile radius, baseline level of Hispanic income per capita, the general income per capita level in 1990, the change in the percentage of Puerto Ricans from 1980 to 1990 and the area of the census tract. The second set of controls includes the baseline level for the Hispanic unemployment rate, the change in the general unemployment rate from 1980 to 1990, the change in the general unemployment rate from 1970 to 1980, the change in the Hispanic unemployment rate from 1980 to 1990, the change in percentage of employment in manufacturing from 1980 to 1990 and the change in percentage of employment in manufacturing from 1970 to 1980. The third set of controls includes adding the baseline level of employment for the financial, real estate and insurance sector.

Table 5 shows a marked difference in the estimates. In all of the income restriction levels, including the 20% Puerto Rican population minimum switches the sign for the general effect associated with insurrectionary activity. In addition, the intercept interpretation for the effect of insurrectionary activity is significant at the 5% level for all restrictions and significant at the 1% level for the unrestricted and restricted at the mean samples. Different to the effects on Hispanic employment that I measured previously, the

positive effects of insurrectionary activity on Hispanic income per capita decrease as the concentration of Puerto Ricans increases. These effects are graphed in Figure 3.

Figure 3: The Effects of Insurrectionary Activity on Hispanic Income per Capita

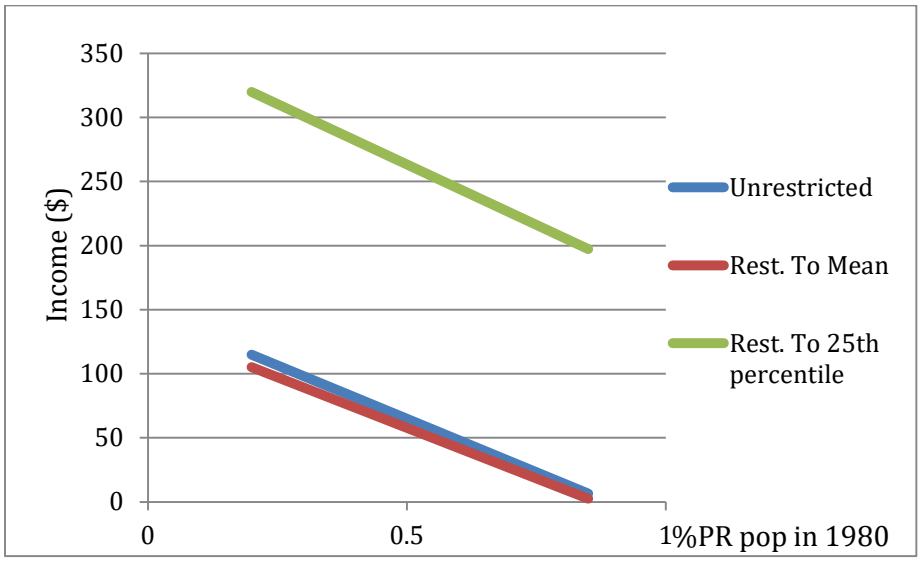


Figure 3 Notes: The graph above demonstrates the linear relationship between the effect of insurrectionary activity and Hispanic income per capita estimated on the sample of census tracts restricted to a minimum of 20% of Puerto Ricans in the population. Income per capita is measured in dollars. The line stretches from 0.20 to 0.85 because the sample is restricted to 0.20 and the maximum Puerto Rican population is approximately 0.80.

The estimates (pictured in Figure 3) show a much higher increase in Hispanic income per capita for census tracts that were underperforming relative to the general distribution for Hispanic income per capita in 1980.

The same specification restricted at the 10% Puerto Rican population concentration level yields no significant results in any of the income restrictions. Bargaining power is affected significantly by the increased presence of a community. Thus, it is possible that communities in in census tracts with more Puerto Ricans were able to better capitalize on the opportunities that arose when labor turnover costs shifted in public perception. It is also possible that the mechanism of causality, peer effects, did

not function in census tracts that had less than 20% Puerto Ricans because the Puerto Rican communities were not as impacted by shifts in perception as other communities in more Puerto Rican dense census tracts.

Another possible threat to the validity of these estimates is the self-selection of Puerto Ricans into particular neighborhoods during the diaspora. Thus, it is also worth estimating the equations for census tracts that lie within the 30-mile radius of the bombings. For the census tracts that were in the vicinity of the bombing sites, was proximity to the bombings a positive attribute? Although the coefficients estimating effects on the change of Hispanic unemployment rate lose significance, the estimates are remarkably similar to the previous estimates. Thus, I infer that the loss in significance is due to the modest size of the effect on unemployment and the loss of power that is implied when restricting the sample to such a high degree. Table 6 presents the estimates for Hispanic income per capita.

Table 6: Hispanic income per capita restricted to Within 30 mi Radius

	Unrestricted	Restricted to Mean	Restricted to 25th percentile
	(1)	(2)	(3)
VARIABLES	Δ in Hispanic Income per capita	Δ in Hispanic Income per capita	Δ in Hispanic Income per capita
Proximity to bombing site (km)	-40.73	-125.7	-147.9
	(72.31)	(92.99)	(175.4)
%PR in 1980	-33,155***	-29,680***	-20,416
	(9,950)	(9,053)	(21,647)
%PR in 1980*Proximity to bombing site (km)	653.5***	567.0**	395.4
	(223.9)	(206.8)	(473.4)
Constant	3,137	16,591***	16,895***
	(3,139)	(3,394)	(5,525)
Observations	4,207	2,224	1,070

R-squared	0.229	0.354	0.375
Robust standard errors in parentheses			
*** p<0.01, ** p<0.05, * p<0.1			

Notes Table 6: All of the regressions include all three sets of controls. The first set of controls includes the within 30 mile radius, baseline level of Hispanic income per capita, the general income per capita level in 1990, the change in the percentage of Puerto Ricans from 1980 to 1990 and the area of the census tract. The second set of controls includes the baseline level for the Hispanic unemployment rate, the change in the general unemployment rate from 1980 to 1990, the change in the general unemployment rate from 1970 to 1980, the change in the Hispanic unemployment rate from 1980 to 1990, the change in percentage of employment in manufacturing from 1980 to 1990 and the change in percentage of employment in manufacturing from 1970 to 1980. The third set of controls includes adding the baseline level of employment for the financial, real estate and insurance sector.

Figure 4. The effect of Proximity to Insurrectionary Activity on Income

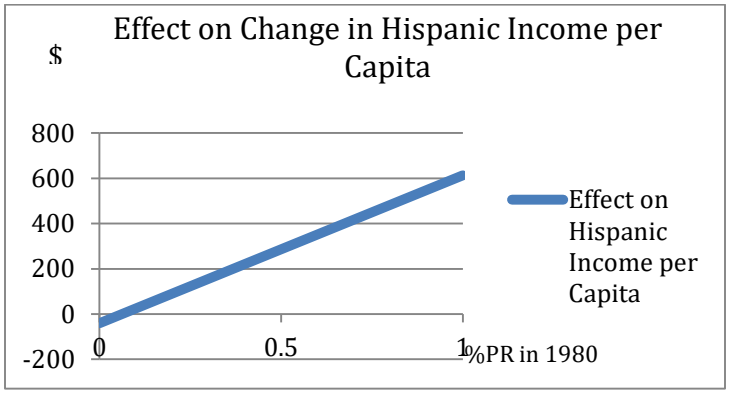


Figure 4: This figure graphs the linear relationship between the effect of insurrectionary activity on Hispanic income per capita as a function of the percentage of the Puerto Rican population in 1980. The results graphed here refer to Table 6 for the coefficients estimated using the sample unrestricted in income categories.

It is notable that in these estimates, the signs for the pertinent coefficients flipped. Nevertheless, a positive effect on Hispanic income per capita is predicted for census tracts with at least a 10% level of Puerto Rican population in 1980. The effect is predicted to increase as the level of baseline percentage of Puerto Ricans in the census tract increases. The specification predicts that conditional on being in the vicinity of the attacks, Puerto Rican communities benefitted from additional proximity to the bombing sites. It is also notable that similar to the Hispanic unemployment rate specification estimates, proximity to insurrectionary activity is not significantly predictive in either direction for Hispanic income per capita but, the interaction with the percentage of Puerto

Ricans in 1980 is significant at the 1% level. This is a distinction that cannot be ignored and is highly suggestive of a fundamentally different effect of insurrectionary activity conditional on the presence of Puerto Ricans in the area.

The significant results with switched signs provide evidence that suggest a fundamental difference between the two sample restrictions. On the one hand, restricting the sample to a minimum of 20% of Puerto Ricans in every census tract guarantees that variation in Hispanic income per capita is at least being influenced by the effect on the Puerto Rican population. The negative coefficient on the interaction coefficient highlights that Puerto Rican communities that were far away from bombing sites had better income per capita than those that were close by. Yet, the estimates for the restriction sample that compares Puerto Rican communities in the 30-mile vicinity of the bombings have opposite signs. This dynamic suggests that self-selection into geographic regions could be threatening the internal validity of specification estimates.

These problems do not plague the Hispanic unemployment rate specifications. When the different versions of restrictions to Puerto Rican population or spatial characteristics were applied, coefficient estimates maintained their signs and general magnitude. The self-selection by Puerto Ricans into these different regions could be indicative of a fundamentally different insider outsider relationship that is orthogonal to employment but affects processes that determines income.

These results suggest further investigation in order to provide any conclusive results. Yet, there is enough evidence to support the idea that to some degree, particularly for the levels of Puerto Rican concentration of 20% and higher, that both Hispanic employment and Hispanic income per capita increased with proximity to the bombing

sites. There is some evidence, as presented in Table 5, that suggests lower performing census tracts in Hispanic income were more benefitted by proximity to the census tracts, but the available variation provides no additional evidence to this end. There appears to not be a notable difference between measurements that include the unrestricted and restricted to the mean sample estimations. This becomes increasingly evident when estimates are calculated on winsorized data.

This analysis of class is muddied by the intersection of Latin American racial discourses that are more class oriented and more explicitly racialized discourses in the United States. It is unclear if colorism in the Hispanic community drives these results in one direction or another. In addition, it is unclear if the private character of income enabled reprisal against Hispanics without facing public repercussions. There is no evidence that suggests insurrectionary activity had a significant positive impact on the Hispanic income distribution.

In order to further inform the effects on the income distribution, I look at the effect on the change in the number of persons younger than 55 years old under the poverty line from 1980 to 1990.

Table 7. Measuring Effects on # of Persons under Poverty 55 and younger

VARIABLES	(1) Δ in # of Persons under Poverty	(2) Δ in # of Persons under Poverty	(3) Δ in # of Persons under Poverty
treat_30mi_kil	38.06***	37.67***	32.87***
	(5.463)	(5.470)	(5.516)
pctPR_1980	4,157***	4,068***	3,565***
	(618.1)	(606.8)	(566.3)
c.treat_30mi_kil#c.pctPR_1980	-82.99***	-76.39***	-61.52***
	(16.10)	(15.20)	(13.52)
First set of Controls	YES	YES	YES
Second Set of Controls		YES	YES
Third Set of Controls			YES
FE	YES	YES	YES
Constant	-2,026***	-2,185***	-1,685***
	(86.96)	(79.46)	(98.52)
Observations	7,778	7,709	7,343
R-squared	0.648	0.653	0.692

Robust standard errors in parentheses

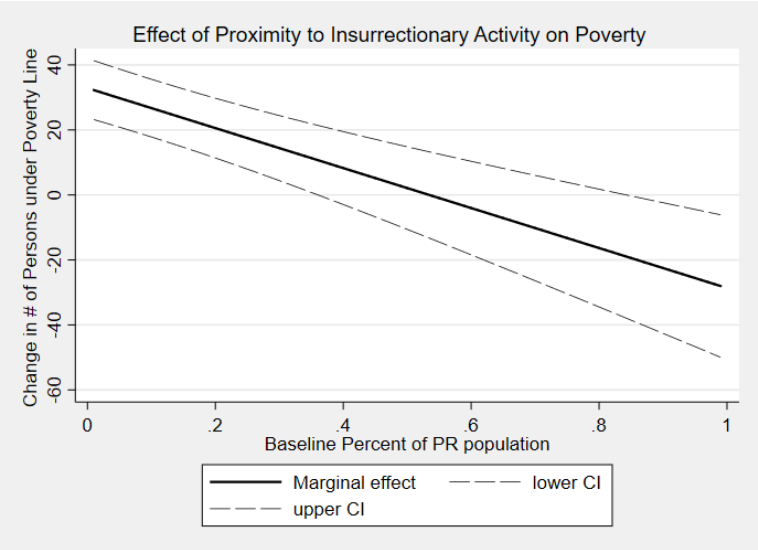
*** p<0.01, ** p<0.05, * p<0.1

Notes Table 7: The first set of controls includes the within 30-mile radius, baseline level of Hispanic income per capita, the general income per capita level in 1990, the change in the percentage of Puerto Ricans from 1980 to 1990 and the area of the census tract. The second set of controls includes the baseline level for the Hispanic unemployment rate, the change in the general unemployment rate from 1980 to 1990, the change in the general unemployment rate from 1970 to 1980, the change in the Hispanic unemployment rate from 1980 to 1990, the change in percentage of employment in manufacturing from 1980 to 1990 and the change in percentage of employment in manufacturing from 1970 to 1980. The third set of controls includes adding the baseline level of employment for the financial, real estate and insurance sector. The dependent variable was determined by the census to be "under the line of poverty". The dependent variable encompasses persons determined to be under the poverty line and 55 years old and younger.

The results show that in places where there was a high concentration of Puerto Ricans proximity to insurrectionary activity caused a statistically significant decrease in the number of persons under poverty. Since this is a more generalized measure of census tract characteristics, we can garner an appreciation for the way that general income effects might differ from Hispanic income effects. In places that were less than approximately 55% Puerto Rican, there was a significant increase in poverty. In places

that were roughly more than 50% Puerto Rican, insurrectionary activity had a negative effect in number of persons under poverty.

Figure 5: Measuring Insurrectionary Effect on Persons under Poverty Line



Notes Figure 5: This graphical representation corresponds to the interpretation of the effect of the proximity to bombing sites on the change in number of persons under the poverty line. These results correspond to Table 7.

These results provide some evidence that insurrectionary activity had a higher negative effect on the lower income earning population in places where there was a reduced concentration of Puerto Ricans. Proximity to bombings when there were few Puerto Ricans at the start of the change shows an increase in persons under poverty.

Yet, in census tracts that had a high concentration of Puerto Ricans, the opposite is true. This effect on number of persons 55 and younger under poverty could be attributed either to an increase in employment newly available to people under poverty that were involuntarily unemployed or a potential increase in wages that is not captured in the Hispanic income per capita analysis. Notice that the percentage of Puerto Ricans must be higher than 55% in order to show negative effects on poverty. This finding

suggests that census tracts in general did not benefit from insurrectionary activity, but census tracts that had a high percentage of Puerto Ricans did. The different in the level at which the negative effect on poverty takes place compared to unemployment could be driven by the additional variation that is inserted by considering a dependent variable that encompasses general population characteristics.

The data available in the census do not allow me to make a conclusive empirical analysis on the redistributive mechanisms in income per capita associated with Puerto Rican insurrectionary activity. Yet, it is clear that there are redistributive results that operate in income and employment.

B. Verifying an Insider-Outsider Theoretical Approach

Although verifying the effect of insurrectionary activity as a function of the percentage of Puerto Ricans in the baseline level of the recorded change is our primary analysis of interest, reinterpreting the regressions to model the relationship between the concentration of Puerto Ricans and population characteristics can help determine the appropriateness of the specifications and the application of the theoretical model. The previous analysis holds the percentage of Puerto Ricans constant and looks at different effects at different levels of Puerto Rican concentration. Yet, because the levels of Puerto Ricans under the insider-outsider framework is directly related to Hispanic income per capita, in order to fully understand the results, it is useful to model fictitious changes in baseline levels of Puerto Ricans. This analysis would show how different levels of proximity to the bombings affected the relationship between the concentration of Puerto Ricans and the population characteristics. The approach allows us to arrive at better

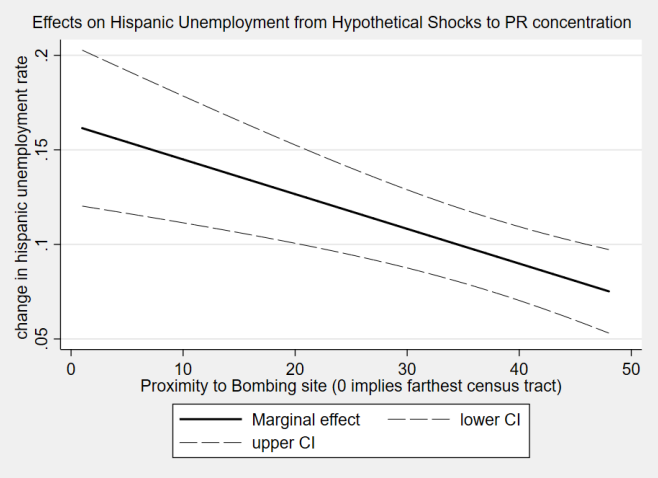
conclusions on welfare implications of insurrectionary activity, which is of primary concern.

Thus, I now look at the model predictions of fictitious changes in baseline levels of concentration of Puerto Ricans on Hispanic income per capita, both restricted and unrestricted, Hispanic unemployment rate, and number of persons under poverty. This relationship, modeled as,

$$\frac{\Delta Y_{i,t}}{\Delta\ \%ofPuerto\ Ricans_{i,t}} = \beta_2 + \beta_3 \%PR\ in\ 1980$$

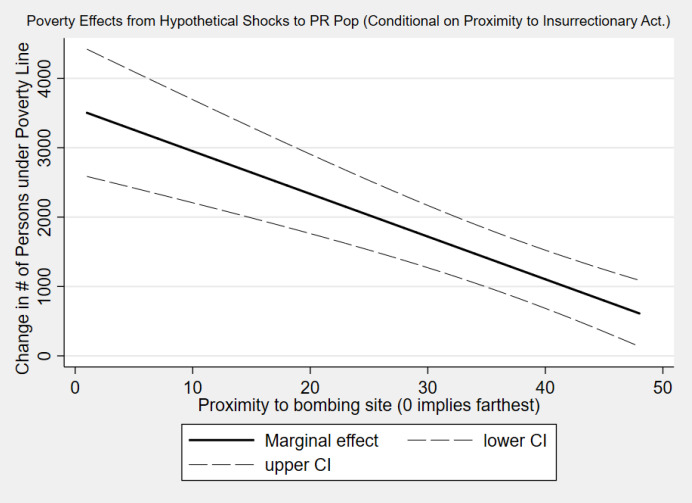
Encompasses the changes associated with the concentration of Puerto Ricans due to the Latino Civil Rights movement. Most important for the analysis are the different levels of effects associated with varying proximities to the bombing sites. These relationships are modeled in figures 6, 7 and 8.

Figure 6: Hypothetical Shock Effects to the PR Population and the Change in Hispanic Unemployment Rate



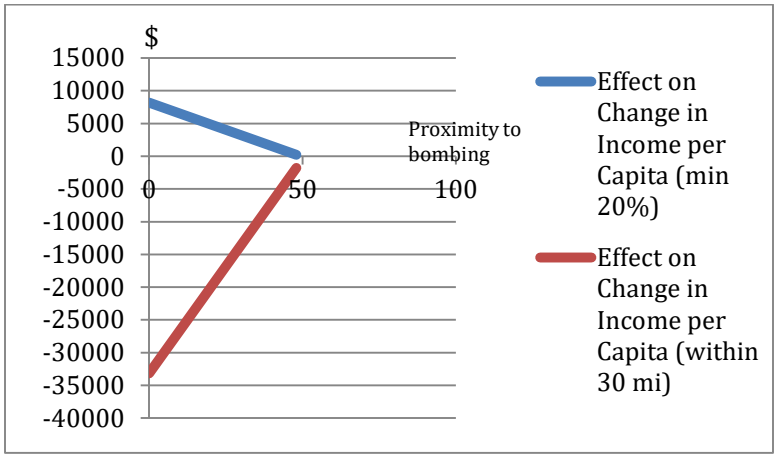
Notes Figure 6: This graphical representation corresponds to the interpretation of the effect of hypothetical shocks to baseline Puerto Rican population levels on the change in the Hispanic Unemployment Rate. These results correspond to Table 3.

Figure 7: Effects of Hypothetical Shocks to Baseline Puerto Rican Population on Poverty



Notes Figure 7: This graphical representation corresponds to the interpretation of the effect of hypothetical shocks to baseline Puerto Rican population levels on the change in the number of persons under the poverty line 55 years old and younger. These results correspond to Table 7.

Figure 8: Effects of Hypothetical Shocks to Baseline Puerto Rican population levels on Income



Notes Figure 8: This graphical representation corresponds to the interpretation of the effect of hypothetical shocks to baseline Puerto Rican population levels on the change in the Hispanic income per capita in dollars. These results correspond to Tables 5 and Table 6 for the estimates calculated using the sample unrestricted in income categories.

These results suggest that proximity to bombing sites enabled Puerto Rican communities to take advantage of these new opportunities. Perhaps even more importantly, the results suggest that census tracts that were far away from bombing sites experienced increasingly adverse effects despite the new opportunities that arose from the latinx civil rights movement. Higher levels of proximity to the bombing sites are associated with a better "effect" of Puerto Ricans on population characteristics. A hypothetical increment in the concentration of Puerto Ricans is predicted to increase poverty and decrease Hispanic income per capita. Our theoretical framework interprets this relationship as a confirmation of insider-outsider relationships that disproportionately disfavors Puerto Ricans. Yet, this negative association is addressed by higher levels of proximity to insurrectionary bombings, where an increment in the Puerto Rican population is associated with a lesser decrease in wages and a lesser increase in poverty.

Tract population characteristics fare much better off in their association with the Puerto Rican population at higher levels of proximity to the bombing sites.

These results also highlight the difficulty disentangling social capital produced by insurrectionary activity from the effects of bombings on insider-outsider relationships. Theoretically speaking even these are not mutually exclusive categorizations for the type of peer effects that take place as a result of insurrectionary activity. Strengthening outsider bargaining positions can happen both through increments in outsider collective organization and through changes in the type of interactions outsiders and insiders engage in during the bargaining process. The results provide a reduced-form version of insurrectionary effects that encompasses both of these possibilities.

These results also complement the previous positive interpretations on welfare and the FALN bombings, particularly with respect to the relationship between Puerto Ricans and the population characteristics. An increment in the concentration of Puerto Ricans from census tracts that were very far from the bombings yielded higher unemployment, lower levels of income and an increase in persons under the poverty line. Proximity to FALN bombing sites either ameliorated these negative effects or reversed this relationship. Ceteris paribus, the results suggest that Puerto Ricans were better off living closer to the locations bombing sites had historically taken place.

VI. Discussion

The literature on the effects of terrorism emphasizes costs in economic activity. There is no significant evidence that suggests the FALN bombings had a negative effect on census tracts that had a strong concentration of Puerto Ricans. In fact, the empirical

results suggest that Puerto Ricans were impacted positively by proximity to the bombings.

These initial results provide some evidence in favor of an insider-outsider theoretical interpretation of insurrectionary effects. This is partly due to the focus on reduced form effects that do not allow for the differentiation between the different segmented labor economies across race and class and wage dynamics at various portions of the income distribution. The evidence elucidates an economic understanding of complicated insurrectionary effects that include redistributive capabilities in involuntary unemployment. It is imperative to clarify that these positive effects of violence take place in the face of a monopoly on violence that limits their access to violence while providing access to insiders. This monopoly and the implied unjust distribution of violence, where insiders, notably white individuals, have greater access to violence, is one of the assumed mechanisms of systemic economic depression in minority communities. Thus, access to insurrectionary violence helps partially address this unjust distribution on which all contracts between employers and employees, insiders and outsiders, are written, accepted and enforced.

The evidence suggests that negative effects related to insurrectionary activity were seen in census tracts that had low concentrations of Puerto Ricans. There is an economic cost to proximity to the FALN bombings. That cost was not bore by the census tracts with more Puerto Ricans. This relationship between the benefit in some census tracts and the negative impact on other census tracts suggests that primarily non Puerto Rican communities shouldered insurrectionary activity's direct net economic costs.

Insurrectionary activity helps level the playing field in which these transactions, power transfers and exchanges occur. The confirmation of positive insurrectionary effects sparks a debate on the essence of violence and the unwanted effects of an unbridled monopoly on violence on behalf of the state. Incomplete contracts theories must contend with the reality that said contracts are enforced through and constructed using varying degrees of violence.

A. Perspective on Violence

Any discussion surrounding violence must contend responsibly with the recognition of the suffering that occurs as a result of it, the rationale behind its demand and the context in which it occurs. As Veena Das explains, the concept of violence in the ethnographic record is extremely unstable, and this instability is central to how the reality of violence is linked to its potential to make and unmake social worlds (2008). Similarly, we can find references to nearly all ranges of human experience and emotion, from grief and sadness to love and laughter, in instances of violence (V Das, 2008). Violence is as present in academic interpretations of history as in crimes against Western law. Asad (2003), Naimark (2001) and Kershaw (2005) demonstrate that despite the claim that modern states have established peace and commonality across populations, there is a troubling history of state-sponsored horrible, violent reprisals against groups that have challenged their existence, including genocide. Furthermore, more than incidents of response to the threat of disruption, Christie (1997) makes the case that structural violence in the maintenance of law and order shares mutually reinforcing mechanisms with direct violence, a relationship that is apparent in the historical background section of this paper.

Mechanisms of surveillance, threat of reprisals and police enforcement of order only postpone the compounding demand for a violent challenge to the social order if the demand for violence is not understood through its context. These demands have been linked to the lack of satisfaction of human needs in specific groups. These unfulfilled needs can be food, healthcare, security, and so on, as human needs theory indicates. As a result, a discussion on violence must necessarily include a discussion of welfare and inequality as determinants of the demand for violence. Particularly, if a specific distribution of goods in an economy creates a demand for violent enforcement mechanisms by those that benefit from this distribution, we can explain the creation and maintenance of a state with a monopoly on violence. Yet, since a demand from violence arises from the nature of the distribution of the goods themselves, as needs are not being met in certain communities, violence has not been reduced by the state, rather compounded and postponed.

Although it may seem paradoxical, following this train of thought, if insurrectionary activity is able to partially redistribute the original allocation of necessary goods, as is suggested by my empirical results, then insurrectionary activity now can help curtail the demand for violence in the future. Similarly, if insurrectionary activity does not fully address the distribution differential, it could also increase the demand for insurrectionary violence later, as individuals realize that insurrectionary activity can be effective immediately and demand increases. The states of the world indicate that already violence and a demand for violence exist, both on behalf of the insiders and the outsiders. In order to curtail the net demand for violence one of the following could take place: the state's monopoly on violence in favor of insiders could be curbed, insurrectionary activity could

reallocate market power in a redistributive fashion, or we could reconsider the original distribution of goods and services in an economy.

B. Conclusion

I have argued that insurrectionary activity can be a redistributive mechanism for marginalized communities. This analysis can be expanded to include other minorities in the United States such as black or indigenous communities. At the heart of the analysis is the assumption, with historical support, that governing institutions use a monopoly on violence to suppress minority communities and that these effects can be explained using insider-outsider theory. Perhaps most importantly, I have argued that effects of state-deemed terrorist activity must be understood in its corresponding historical context. Any study that centers the effects of violent activity should provide theory that understands the rational demand for violence as a good and locate incidences of structural violence that contextualize more irregular forms of violence. This approach is especially important in the analysis of terrorist activity. This paper reiterates this importance and argues that following this approach can lead researchers to find that different economic effects, both positive and negative, arise from terrorist activity.

I believe to have established enough evidence to warrant further research that relates positive economic effects to insurrectionary activity. Yet, I reaffirm that the analysis relies on the assumptions made from historical evidence that portrays insurrectionary violence as a phenomenon that defies the regular orders of structural, state-sponsored violence against a specific group or identity.

For further work, I should apply this theory and empirical strategy to a generalized empirical exercise in the United States with respect to the insurrectionary activity that took place from 1970 to 1990 mediated by multiple different groups, particularly looking at similar effects by number of bombings that afflicted specific counties across the United States. In order to further our understanding of insurrectionary effects this generalized empirical exercise should be done with respect to black militant activity in the time period specified thus, referencing race as the primary division between insiders and outsiders. With respect to the historical development of the Puerto Rican population in the United States, it would be of primary interest to see how the bombings affected the Puerto Rican diaspora in the following decade.

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