



**THE DISRUPTIVE COST OF FEAR –
OUR DESIRE TO RETURN TO THE WORLD OF SEPTEMBER 10TH
AND WHAT IT HAS COST US**

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As my FPRI colleagues and I have written many times since September 11, 2001, the goal of terrorism is not total destruction and annihilation, but rather, disruption to achieve political leverage needed to bring about change. Osama bin Laden and al Qaeda's "far enemy" strategy was, in our view, intended to disrupt the United States sufficiently to permit the group, with its limited resources in capital, manpower and military capability, to overthrow the "near enemies" – those regimes within dar al Islam that they viewed as corrupt and apostate.

The direct economic impact of the September 11, 2001 attack has been estimated by economist Paul Krugman as \$22 billion – an amount easily absorbed by the overall United States economy. The indirect costs, estimated by the Institute for the Analysis of Global Security amount to far more, including \$95 billion to the City of New York in lost wages, taxes, infrastructure damage, cleanup, and healthcare, \$40 billion to the insurance industry, \$10 billion to the airlines, and \$1 billion in damage to the Pentagon. Still, the US economy was not seriously shaken by this damage.

When the attacks of 9/11 failed to achieve his objectives, bin Laden addressed his followers with the following exhortation in November 2011: "Economic hemorrhaging continues until today, but requires more blows. The youth should try to find the joints of the American economy and hit the enemy in these joints, with God's permission."

With the benefit of hindsight, and from the perspective of ten years of the "Global War on Terror" it seems that bin Laden may have been correct in this strategy.

On September 10, 2001, not yet a full year into President George W. Bush's first term, the United States had enjoyed more than a decade of unprecedented economic growth. The United States national debt was approximately \$6 trillion in the fall of 2001, and rosy ten-year projections indicated that the entire federal deficit would be erased by 2011 (Congressional Budget Office estimate of \$5.7 trillion total surplus.) Choosing not to balance the budget, the President and Congress passed a tax cut in mid-2001 that was estimated to cost the treasury \$1.35 trillion. Obviously, none of us possessed a crystal ball, and as the saying goes, "If you want to make God laugh, just tell her your plans..."

After the September 11 attacks, President Bush made it clear that the US took matters seriously. On September 20, 2001, the President addressed a joint session of Congress: "Freedom and fear are at war...The course of this conflict is not known, yet its outcome is certain. Freedom and fear, justice and cruelty, have always been at war, and we know that God is not neutral between them." Disputes in the President's cabinet between Donald Rumsfeld, Secretary of Defense, and John Ashcroft, Attorney General, kept the response teetering ambiguously between the military and law enforcement. The Administration chose to pursue both courses simultaneously. In addition, Congress chose to fund the military facet of the GWOT using a series of off-budget emergency resolutions. In September 2002, Lawrence Lindsay, the President's economic advisor, told the Wall Street Journal that the Administration's upper-bound estimate for the cost of war in Iraq was, "\$100 to \$200 billion." After that statement was published, Mr. Lindsay departed his post abruptly, and Secretary Rumsfeld then opined, based on purported Office of Management of the Budget figures, that the upper end cost of the war would be, "something under \$50 billion."

The facts, of course, are quite different, and estimates of the cost of the wars in Iraq and Afghanistan to date amount to approximately \$2.5 trillion, with future costs (including care for more than 40,000 injured veterans) estimated at more than \$1 trillion more.¹

At the same time, Congress was creating the behemoth Department of Homeland Security, stapling together dozens of disparate federal agencies and functions, and multiplying their budgets, to create the single largest bureaucracy in history. Charged with maintaining domestic security, DHS engulfed agencies as diverse as the Coast Guard, Secret Service, and FEMA, and deployed tens of thousands of new employees to the newly created Transportation Security Administration at airports nationwide. The DHS budget grew over the past decade from \$33 billion in FY2002 to over \$57 billion requested for FY012. Estimates of the total cost of DHS (and it is not the only component of homeland security) since 9/11 are over \$400 billion.

The federal deficit is now over \$14 trillion and growing at an unprecedented rate. We have paid dearly for our responses to terrorism, in ways beyond measurement with mere dollars. After all, we have seen the price of oil rise from \$20 per barrel to over \$140, to retreat slightly to its present price of around \$100. Much of this increase can be attributed to uncertainty about the stability of supplies coming from the Middle East. It is not unreasonable to attribute the severity of the economic crisis of the past few years to the dislocations caused by rising oil prices², off-budget wars³, military spending that was out of control even before such adventures⁴, and runaway homeland security spending. The precipitating events may have been the collapse of mortgage-backed securities, but had the United States continued to enjoy a budget surplus, rather than record deficits, it is unlikely that global financial collapse would have been thought a likely result of the demise of Lehman Brothers.

In one respect, President Bush was correct: Freedom and fear were at war. The popular demand to return to the blissful ignorance of our supposed invulnerability of September 10, 2001 caused our nation to misperceive risks, and as a result, to misallocate resources on a massive scale. As many authors have pointed out, your risk of being injured in a terrorist attack is smaller than your risk of being injured in either a lightning strike or a shark attack. Over the past ten years, our nation has sacrificed more than 6,000 of its brave military men and women in Iraq and Afghanistan. Whether this has made us safer, as promised by our leaders, is an open issue. During the same period, we have slaughtered more than 350,000 on our highways.⁵ Over 200,000 of our citizens have died from influenza. Our infant mortality rate is the second worst in the developed world. An American is more than ten times as likely to be killed by a criminal with a gun than a Dane, or even a Finn. The majority of these deaths were preventable simply by doing more of what we already know how to do: prevent impaired drivers from operating vehicles, use seatbelts, properly maintain roads and cars, enforce existing gun laws and enact sensible new ones, and vaccinate those at greatest risk. Each of these actions is, however, a costly tradeoff with other national priorities and deeply ingrained dogma. What each of these harms lack is the urgency and political potency of a war against a strange enemy with foreign customs and beliefs, especially one that so benefits President Eisenhower's feared "military-industrial complex." In short, what each of these threats lack is fear itself.

In many ways, the financial crisis of the past few years has seen the best and brightest of Wall Street unwittingly doing the bidding of al Qaeda – finding and attacking the very joints of the economy. By all reports, Osama bin Laden could not have done a better job than our investment bankers in bringing the West to its financial knees. Now the United States is faced with the true costs of terrorism and security – not just the erosion of basic freedoms, but the erosion of our way of life, which was, after all, one of the prime targets of bin Laden and al Qaeda.

We are having to make choices that would have seemed both wholly unnecessary and completely unimaginable only a decade ago. It appears that we must choose between continuing to fund our military without question – funding programs that no officer wants, but that many in Congress zealously protect, or funding a viable healthcare system. Will we increase the cost of higher education (already running far ahead of any other cost incurred by most families) and cut social security to our elders?

¹ Brown University, Watson Institute Eisenhower Research Project, 2011, <http://www.costsofwar.org>

² Now over \$30 billion per month in net petroleum imports. <http://www.reuters.com/article/2011/07/12/usa-economy-idUSN1E76B08520110712>

³ Congressional Budget Office estimate of direct appropriations totals through FY2011, \$1.26 trillion.

⁴ In early 2002, Secretary of Defense Rumsfeld stated, "According to some estimates we cannot track \$2.3 trillion in transactions." CBS Evening News, The War On Waste: Defense Department Cannot Account For 25% Of Funds — \$2.3 Trillion, January 22, 2002, <http://www.cbsnews.com/stories/2002/01/29/eveningnews/main325985.shtml>

⁵ <http://www.fars.nhtsa.dot.gov/Main/index.aspx>

(Surveys indicate that many taxpayers younger than 40 assume that they will never see a penny from Social Security, so it may not matter in the long term.) Will we be able to pay our interest bills to foreign investors, or will we, like so many of the countries that we have helped since the end of World War II, eventually default on our obligations?⁶

Comparing the America of September 10, 2011 to that of ten years prior, some facets of life are hardly recognizable. Air travel, once fast and enjoyable, has become a bureaucratic nightmare of scanners, pat-downs, gray plastic tubs, and hour-long lines. Simply walking into many office buildings has become an exercise often caricatured in 1960s Mission Impossible episodes about Eastern European dictatorships: “Your papers, NOW!” Our dark humor about which agency is eavesdropping on telephone calls and email messages has lost its ironic tone.

Other parts of American society have, despite the thousands of “wakeup calls” since 9/11, simply seemed to hit the snooze button. We have little improved security for much of our critical infrastructure, such as our SCADA (Supervisory Control and Data Acquisition) networks and the other 90 percent of our infrastructure that is owned by the private sector. We have foiled some real terrorist plots in the United States, but others, such as the Times Square bombing, have failed because of incompetent actors, not because of superior law enforcement and intelligence capabilities. Major attacks have succeeded in Madrid, London and other cities, and the civilian body count in Iraq and Afghanistan has risen into the hundreds of thousands. The question, to paraphrase Ronald Reagan, should perhaps be, “Are you really safer now than you were ten years ago?”

Whether you are a hard-nosed realist, counting the trillions of dollars spent and trying to assess the value of those security expenditures, or a civil-libertarian wishing to gauge the degree to which Americans of 2011 are less free than those of 2001, the conclusion is almost certainly the same. Despite repeated calls over the past decade for procedures that could have contributed to effective and efficient investments in security – protecting important assets while preserving openness to the greatest extent – we have instead relied on the institutional structures and processes of the past. As a nation, we are now seeing that bill come due, and we are suffering from sticker shock.

The past decade has been characterized by the politics of fear. Not the fear instilled by terrorism alone, but fear in all other areas. From all parts of the political spectrum, voters have been urged to fear the opposition, Washington, multinational organizations, other religious beliefs. Mr. Rumsfeld famously remarked that, “You go to war with the Army you have...” He could also have said that you craft national policy out of the government that you have, and not the one you need.

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⁶ According to the International Monetary Fund, there were 97 separate national bank and bond defaults between 1981 and 2003, by countries ranging from Argentina, Brazil and Chile to the USSR, and the United States was a major creditor of the vast majority of these.