

PLAYBOY FORUM

THE PRICE IS NOT RIGHT

THE U.S. SPENDS TOO MUCH MONEY TO FIGHT TERRORISM

BY JOHN MUELLER AND MARK G. STEWART

Are we safer? This has been the common question posed to evaluate the effectiveness of the increase in homeland security expenditures since 9/11. It is, however, the wrong question to ask. Of course we are “safer”—posting a single security guard at one building enhances safety, however microscopically.

The correct question is “Are we spending wisely?” At present rates, the average American’s chance of being killed by a terrorist is about one in 3.5 million per year. How much more should we pay to make that even lower? We have already paid a lot. Leaving out international expenditures such as those attending the terrorism-related (or terrorism-determined) wars in Iraq and Afghanistan, the increase in spending on domestic homeland security over the past decade exceeds \$1 trillion.

But the money we’ve spent isn’t the problem—though it’s troublesome. The problem is that we’ve spent \$1 trillion without subjecting it to standard cost-benefit methods routinely applied to other hazards such as earthquakes and hurricanes. If anything, the Department of Homeland Security has gone out of its way to ignore calls to conduct risk assessments. For instance, in 2010, the Government Accountability Office declared that it would be “important” for Homeland Security to conduct a cost-benefit analysis of full-body scanners at airports, yet to date no such study appears to have been conducted.

GAO also requested that Homeland Security conduct a full cost-benefit analysis of the expensive process of scanning every U.S.-bound shipping container. To do so would require the dedicated work of a few skilled analysts for up to a year. But Homeland Security replied that while it agreed that such a study would help “frame the discussion

to better inform Congress,” to carry it out “would place significant burdens on agency resources.”

In general, Homeland Security’s risk assessment seems to be a process of identifying a potential source of harm and then trying to do something about it without evaluating whether the new measures reduce risk sufficiently to justify their costs. Or as one analyst puts it, “Security trumps economics.” One might darkly suspect this is the case because if the costs of protection from unlikely threats were sensibly calculated following standard procedures, it would be revealed that vast amounts of money have been misspent. To wit: Using the same risk and cost-effectiveness analyses Homeland Security applies to dealing with and planning for natural disasters,

we found that to be deemed cost-effective the increased expenditures on security measures since 9/11 would have to deter, foil or prevent up to 1,667 otherwise successful attacks per year roughly like the one attempted in Times Square in 2010. That’s more than four attacks per day.

To be fair, politicians and bureaucrats do face considerable political pressure on the terrorism issue. The public has difficulty with probabilities when emotions are involved; it also has a tendency to become preoccupied with low-probability, high-consequence events—e.g., the detonation of a sizable nuclear device in midtown Manhattan. But that doesn’t relieve elected and appointed officials of their duty to make decisions about spending large quantities of public moneys in a responsible manner. Nor does it relieve them of their responsibility to inform the public honestly about the rather limited risk that terrorism presents.

By our count, New York City mayor Michael Bloomberg is the only politician to openly put the threat presented



by terrorism into context. In 2007 he pointed out that an individual has a greater chance of being hit by lightning than of being killed by a terrorist. “There are a lot of threats to you in the world,” he said. “You can’t sit there and worry about everything. Get a life.” It’s worth noting that the political backlash to his outburst was nonexistent; in fact, two years later, he won a third term as mayor. It’s also worth noting that the United Kingdom spends half as much as the United States on homeland security—proportionately at least. The same goes for Canada and Australia. Yet politicians and bureaucrats there don’t seem to suffer threats to their positions because of it.

Moreover, though domestic political pressures may force actions and expenditures that are unwise, they usually don’t precisely dictate the level of action and expenditure. And so while the public demands something be done about terrorism, nothing in that demand specifically requires removing shoes in airport security lines, requiring passports



An airport fingerprint scanner.

to enter Canada or turning a large number of buildings into fortresses.

Further, history demonstrates that overreaction to terrorism isn’t required—a particularly salient lesson because by far the most cost-

effective counterterrorism measure is to avoid overreacting. Consider the two instances of terrorism that killed the most Americans pre-9/11: the 1983 suicide bombing in Lebanon that took the lives of 241 marines and the December 1988 bombing of a Pan Am airliner over Lockerbie, Scotland in which 189 Americans perished. President Ronald Reagan responded to the Lebanon bombing by bringing home the remaining American troops there and making a few speeches. The official response to the Pan Am bombing, beyond seeking compensation for the victims, was to apply meticulous police work in an effort to apprehend the perpetrators—a cautious, even laid-back approach that proved to be perfectly acceptable politically. For the most part, dedicated police work also defined the responses to the 1993 bombing of the World Trade Center, the 2001 anthrax attacks and the 2005 London Underground bombing.

In the end, all our counterterrorism strategies should follow such calm, methodical and, yes, cost-effective actions. Because when we give in to fear and spend resources irrationally on regulations that save lives at a high cost, we forgo the opportunity to spend those same resources on regulations and processes that can save more lives at an equal—or lower—cost. So let’s take some of that irrational counterterrorism funding and reinvest it in a wide range of more cost-effective risk-reduction programs such as flood protection, vaccination and vehicle and road safety that would result in far more significant benefits to society.

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