

The Price Tag of a '911 World'

This was taken from a financial publication called the *Stansberry Digest*. I've deleted the ads and some of the less relevant bits at the end. I think the author makes some excellent points.

Whether you think about it regularly or not, we live in a '9/11 world' these days...

Tomorrow will be 20 years since the coordinated attacks by militant Islamist terrorist group Al-Qaeda within the U.S... And I (Kim Iskyan) think we all remember where we were.

For me, as I wrote in an American Consequences essay this morning, it was Russia...

Two decades later, first and foremost, we must remember the 2,977 victims of the attacks on American soil that day... the multiples more who have died of illnesses stemming from being exposed to the debris of the attacks... and then everything that followed...

For one thing, just days after the 9/11 attacks, then-President George W. Bush articulated what would become the guiding light – objective, obsession, and holy grail – of American policy, both foreign and domestic, for the next two decades...

The War on Terror.

As Bush explained before a joint session of Congress at the time...

On the surface, it has worked – at least for America...

For the U.S., the War on Terror – encompassing the wars in Iraq and Afghanistan, as well as operations in Syria, Libya, Yemen, and elsewhere – achieved the end of securing the homeland.

According to one estimate, since 9/11, jihadi (that is, militant Islamist) terrorism has caused an average of six American deaths per year.

By comparison, gun violence killed six Americans every three hours last year... And twice as many people died globally from shark attacks in 2020.

But Al-Qaeda, one of the biggest players in jihadi terrorism, hasn't disappeared...

Though it has been notably unsuccessful at killing Americans on American soil, Al-Qaeda has extended its reach elsewhere... According to the National Consortium for the Study of Terrorism and Responses to Terrorism, as of 2001, Al-Qaeda had carried out a terrorist attack in 18 countries... And by 2019, it had done so in 51 countries.

Think tank Brookings Institution reports that the number of victims of extremist Islamist terrorism worldwide is between three and five times higher than it was in 2001. Jihadi terrorism is unfortunately thriving in North Africa, throughout the Middle East, and in parts of south Asia.

Plus, the broader impact of the War on Terror extends far beyond American borders, of course...

Brown University's Costs of War Project estimates that upward of 900,000 people have died in the War on Terror, including military personnel on all sides (with a total of around 15,000 Americans), civilians (about 40% of the total death toll), journalists, and aid workers.

That figure doesn't include "indirect" deaths caused by displacement, disease, and poverty. What's more, due to the War on Terror, 38 million people have been displaced, became war refugees, or both.

The price tag of the War on Terror is almost too big to comprehend...

The War on Terror has massively reoriented the spending priorities of the American government.

And while it may not have been what jihadi terrorists had in mind, the impact on the future of America may be far greater than their mostly failed efforts to kill Americans... or even than 9/11 itself.

The Costs of War Project estimates the all-in costs for the U.S. government in the War on Terror – including direct war expenditures, veteran care, increased domestic security spending, and interest – are around \$8 trillion.

On its own, that's a staggering figure. And when viewed through the prism of opportunity cost – the lost benefit from spending that money on other things – it's astronomically incalculable.

For context, in today's dollars, it cost the Apollo program \$640 billion to send a man to the moon (8% of the War on Terror), according to Money magazine. Ending global hunger by 2030 would cost a bargain of \$330 billion. And everyone on Earth could be fully vaccinated for COVID-19 for \$20 billion – barely a rounding error in the bill for the War on Terror.

The greenbacks spent on the War on Terror could buy about 2 trillion Big Macs – enough for 250 double-patty burgers with mystery sauce for every person on the globe. (That's probably not the best way to end global hunger, though.)

The War on Terror has dramatically restricted 'discretionary' spending by Uncle Sam...

In 2020, the U.S. government's federal budget amounted to \$6.6 trillion, according to the nonpartisan Congressional Budget Office. Of that, \$4.6 trillion was mandatory spending (such as for entitlement programs like Social Security, Medicare, and Medicaid). Around \$300 billion was net interest on government debt.

Of the \$1.6 trillion in "discretionary" spending, a bit more than half was for nondefense items – which includes everything from health to justice to agriculture to education.

Add it up, and the sum that the War on Terror cost over the past 20 years is as much as the federal government has spent on all nonmandatory, nondefense items since 2008.

Put another way... federal spending on all nondefense discretionary items – building roads, teaching disadvantaged preschoolers, improving public health, managing national parks, and much more – could have been doubled over the past 12 years if it weren't for all that has been spent on the War on Terror.

The opportunity cost of the War on Terror is breathtaking.

Even if you don't believe that government spending makes anything better, the \$8 trillion could, in theory, have wiped out more than a quarter of the current national debt of \$28.7 trillion (and counting).

Or more to the point... the War on Terror wouldn't have been an expense at all.

And it's clear why government expenses matter to the U.S. economy and today's investment environment...

Expenses – and our debt-based system – influence and touch everything from how much interest you pay on a mortgage... to inflation of grocery prices and other everyday items... to the value of stocks and bonds... and more.

In our editor-at-large Daniela Cambone's featured video interview today, Canadian investor Michael Gentile describes the influence of our debt well...

He points out that, today, the Federal Reserve has to keep interest rates so low in order for the government to afford to pay the interest on its debt and continue to run deficits...

I used 2020's budget as an example above. Gentile used 2019, noting the U.S. government took in \$3 trillion in revenue and spent \$4 trillion – a deficit of \$1 trillion.

Then, he said the central bank wants and needs negative "real" rates, meaning the number you get when you subtract inflation from its benchmark rate (which today is near zero). More from Gentile...

This might be the biggest, worst, and longest-lasting legacy of 9/11 and the ensuing War on Terror...

By that, I'm talking about the massive escalation of debt.

It's no coincidence that 2001 – the year of 9/11 – was the last year when the federal budget passed by Congress was in surplus. As Foreign Affairs magazine explains...

Past wars that America has fought have required a real economic sacrifice by the country's citizens. To fund the Civil War, for example, Congress imposed the first income tax (at a flat 3% on all incomes greater than \$800). To help pay for World War II, the government sold war bonds and hiked taxes.

But the War on Terror has been – in terms of current cash flow, at least – free because it's all being put on a credit card. "Deficit spending has anesthetized the American people to the fiscal cost of the War on Terror," says Foreign Affairs.

And even though the U.S. pulled out of Afghanistan, the War on Terror is still in full swing.

Even worse, the War on Terror isn't a one-off expense...

It's a permanent drain on America's financial resources. That's partly because the massive bureaucracy – call it the "terrorism-industrial complex" – that has evolved to support the War on Terror isn't going away anytime soon...

After all, a basic principle at the intersection of organizational behavior and political science is that the primary objective of a bureaucracy is to justify its own existence for perpetuity.

For example, the U.S. Department of Homeland Security ("DHS") – a paper-pushing spawn of the War on Terror – is the third-largest Cabinet department (after the Department of Defense and the Department of Veterans Affairs). The DHS employs nearly a quarter of a million people and has an annual budget of around \$50 billion.

Cutting the budget of an organization that has protecting the homeland as its key focus is nothing short of political suicide. That means the DHS – and other ostensibly terror-fighting structures that consume hundreds of billions of dollars annually – is here for good.

9/11 was a tragedy... There's no denying or disputing that point.

And in the strictest terms, the response – keep Americans safe from Islamist extremist terrorism at any expense – has worked... But it's the "expense" part that might be one of that day's longest-lasting and most-damaging legacies.