FINDING THE RIGHT BALANCE:

What Drives US Counterterrorism Spending

Abstract

Since the attacks on September 11, 2001, the United States has spent $2.8 trillion fighting terrorism at home and abroad. Even as the number of attacks declined following 9/11, the amount spent on counterterrorism continued to increase. This paper explores the complex relationship between the threat terrorism has posed to the United States and how this threat level has historically impacted Congressional appropriation of counterterrorism funds. We first do this by examining the factors that drive counterterrorism policy, such as changing presidential priorities, partisanship, and public opinion. We then look at how terrorist attacks (as a signal of inadequate counterterrorism capabilities) impact counterterrorism spending. We do this by analyzing US counterterrorism spending data and terrorist attacks in the US and by Foreign Terrorist Organizations abroad from 1996 to 2017. We find that deaths from terrorist attacks was not significantly related to changes in spending in the following year, and we found that these relationships were not significantly impacted by the attacks on September 11, 2001.

Keywords: counterterrorism, counterterrorism policy, terrorism, national security, spending, 9/11, United States, foreign terrorist organizations, domestic terrorism, National Security Strategies

Introduction

The 1995 Oklahoma City bombing was deadliest terrorist attack in United States history at that time, yet by 2000 a Gallup poll showed fear of terrorism in the US had been decreasing (Gallup 2018). In contrast, the shocking events on September 11, 2001 precipitated a paradigm shift in the United States' understanding of the threat posed by terrorism. These two events both dramatically affected the American psyche, but 9/11 has had a lasting impact on counterterrorism (CT) policy that continues even today. Looking to the future, it is critical to understand how 9/11 and the threat of terrorism informed changes in US policy.

In this paper, we will analyze the drivers of US CT policy and determine whether the threat of terrorism affected the allocation of resources to CT and the evolution of its legal landscape. When the United States was struck by the deadliest attack in its history by al-Qa'ida, a foreign organization, on 9/11, the threat to the US from terrorism was now global in its scope. As terrorist organizations that threatened the US like al-Qa'ida continued to globalize and expand their reach, the US efforts to combat terrorism became more globally focused, and CT was made a top priority. US real spending on CT (adjusted for inflation) more than tripled from fiscal year 2001 to fiscal year 2002 (Belasco et al. 2018). Beyond the immediate aftermath, the budget remained high and the US has cumulatively spent $2.8 trillion since then. Is this spending informed by the domestic and international threat of terrorism after 9/11? Additionally, what were the driving factors of the pre and post-9/11 relationship between spending and terror attacks, and how might 9/11 have affected this relationship? We found that, overall, US CT spending was not driven by casualties from domestic or international terrorism and that 9/11 had no significant impact on the relationship between casualties abroad and spending.

In addition to analyzing this relationship, we will also assess if it was the threat and/or the national interests that changed the US counterterrorism apparatus. We hope to also consider the role that fear and domestic politics played in these decisions when analyzing the findings of our data. The creation of an expanded bureaucracy around CT following 9/11 is often cited as evidence of overzealous spending initiatives, (Waxman 2012, 289) but if this was driven by a proportional increase in the threat level, then it could be said that this was a rational and correct response. In the course of this paper, we will address the motivations for these changes.

Drivers of US Counterterrorism Policy

Before diving into the deeper analysis of threats and influences, this paper must first define what "terrorism" means in the context of this research. For this purpose, we will use Bruce Hoffman's definition, where terrorism is "the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change"(Hoffman 2006, 40). While there are hotly debated "gray areas" in the definition of terrorism, such as the necessity of victims being "innocents" or "non-combatants," or whether only "non-state actors" can be considered terrorists, clarifying these distinctions does not affect our methodology. Hoffman's widely-accepted definition allows us to broadly analyze terrorist attacks without forcing us to resolve these ambiguities.

History of US Counterterrorism Prioritization

Terrorism has existed for decades and even centuries in the US and abroad, but it did not enter the forefront of the American public's consciousness until more recently. Politicians and policymakers had been aware of the issue since the 1970's, but as Timothy Naftali argues, the

response was mostly passive and reactionary (2004, 25). In 1970, when airline flights were hijacked abroad by Palestinian extremists, the Nixon administration implemented security measures such as adding metal detectors and putting federal air marshals on some, but not all, flights (Naftali 2004, 24). In 1973, after a domestic hijacking, the administration implemented screening of passengers and carry-on bags (Naftali 2004, 25). In the Ford administration, there was a counterterrorism working group, but it was not given priority because "terrorism was viewed as a losing issue for a president" by his cabinet (Naftali 2004, 26).

In our analysis of administrations' policies over time, a given president's CT policy appears to be heavily influenced by their predecessors and by domestic politics; this includes what was acceptable to the public soon after such events as the Vietnam War or the Iran hostage crisis. National Security Strategies (NSS) are documents published by presidential administrations that outline the President's priorities and strategies for national security policy and accurately depict how an administration viewed the national security climate at the time it was written. These documents will allow us to study how the prioritization of counterterrorism has changed over time.

President Jimmy Carter's administration did not produce an NSS or any other documents explicitly marking counterterrorism as a priority. With the subsequent rise of Ronald Reagan, this is the first example where a president's CT policy appears to be heavily influenced by their predecessor's decisions and the domestic political climate. President Reagan came into office in the wake of widespread public disapproval of President Carter's strategies, specifically with the Iran hostage crisis. Many of his spending decisions and national security preferences were designed to prove he would handle crises better than his predecessor (Wills 2003, 3).

David C. Wills termed the Reagan administration's policy the "first war on terrorism" so our in-depth analysis will begin here (2003, 3). The administration publicized a two pronged counterterrorism approach, including the forceful punishment of perpetrators and the refusal to acquiesce to any and all terrorist demands. In reality, through his analysis of Reagan's responses to terror attacks, Wills finds that in 604 out of 636 attacks instead of firm punishment the administration offered no response, regardless of the severity of the incident. He also argues that the administration's policies rarely took the legislative branch or public opinion into account because they took action so infrequently (Wills 2003, 217–218). According to Reagan's 1987 National Security Strategy (NSS), the Cold War was his primary foreign policy battlefront and top priority. Terrorism was practically last, meriting only one paragraph in the section on Principal Threats, mentioned only 27 times in the whole document, and classified as a "Low-Intensity Conflict" (The White House 1987). This is especially fascinating because it appears the 1983 bombing of the US Marine barracks in Beirut, Lebanon did not significantly impact the administration's prioritization of terrorism (Weiner 2018).

Historically speaking, it would be logical to assume that more attention would be given to terrorism once the Soviet threat was diminished in the 90's, but this is not the case. With President George H.W. Bush, his NSS published right before he left office in 1993 provides the most coherent statement on the administration's position towards terror attacks, yet still only mentions the topic 15 times (The White House 1993). This document references terrorism as a threat only in passing, and beyond reiterating the Reagan administration's "no-concessions policy," offers little real guidance (The White House 1993). Following the logic of Wills's argument, there was little change in policy because a Republican president was succeeded by a member of his party (and his own vice president at that), so a major ideological shift or

reassessment of terrorism was not required. An administration cannot prioritize everything, and, at the time, the dynamic, tenuous relationship with Russia took precedence over counterterrorism.

At the beginning of Bill Clinton's administration in 1993, terrorism was still not a high priority. In the NSS for 1994, terrorism is only mentioned 26 times, and those mentions were frequently lumped together with combating drug trafficking (The White House 1994). Clinton continued the Bush administration's policy of prosecution of perpetrators and zero concessions, while also declaring integration of the intelligence efforts of the Justice Department, Central Intelligence Agency, and the State Department a priority (The White House 1994). This provides an example of a Democratic leader maintaining the policy of his Republican predecessor, that is, until there was a dramatic shift in the domestic political sphere in 1995. In Clinton's 1998 NSS, which was produced in the wake of the 1995 Oklahoma City bombing, terrorism is mentioned 104 times and the countermeasures listed are far more extensive than any previous NSS (The White House 1998). This represents a marked shift in the prioritization of counterterrorism in a president's plan for national security. The Presidential Decision Directive 62, which was published in May of 1998, is referenced in the NSS and is relevant because it codified terrorism as a top national security priority, clarified the roles and responsibilities of existing US agencies, and outlined ways to improve US security (The White House 1998). Notably, the FBI budget expanded 43% between 1993 and 1996 following the OKC bombing, with Director Louis J. Freeh writing, "I seek to provide the types of forensic, training and investigative support services needed by the FBI and other federal, state and local law enforcement involved in the effort to reduce the fear and the fact of violent crime that pervades the lives of citizens in so many of our communities." (McGee 1997) The overwhelming allocation of resources was preempted by a

tragedy that unified the government under the belief that CT needed to be a higher priority, which was driven by the palpable fear felt by the American people in the aftermath. However, the measures taken by the Clinton administration to assuage the public's fears appeared to have been successful, with Gallup poll data from early 2000 showing that the fear of terrorism was less than half what it was immediately after the Oklahoma City Bombing in 1995 (Gallup 2018).

In the wake of the attacks on September 11, the George W. Bush administration's 2002 NSS also prioritized combating terrorism, which is understandable given that the strategy was written in the early stages of the War on Terror (The White House 2002). The drastic increase in funding for these CT initiatives serves as evidence of this renewed motivation. Not only had the American perception of the terrorist threat changed, but also the threat itself was evolving to become more powerful and deadly. In the 1990's, al-Qa'ida became more prominent as an umbrella organization that centralized and coordinated different radical Islamic groups (Wills 2003). This was more sophisticated than the groups during the Reagan Era that had mostly operated independently of one another and did not form a cohesive, worldwide network like Al-Qa'ida did. The globalization of terror in the 90's and early 2000's combined with the jarring impact of the direct attack on the US homeland on 9/11 shifted the attention and increased the importance of US CT policy.

While there may be some truth to the notion that the US reacted out of fear and anger following 9/11, the attack also served as a clear indicator of the changing intentions and capabilities of terrorist groups, and signalled that American CT capabilities needed to be rapidly adjusted to keep up. The tragedy also united policymakers across the government to make countering terrorism a top priority, solidifying it as a bipartisan issue that both sides felt needed adequate funding.

It is important to note that while counterterrorism has consistently been a high security priority following 9/11, the George W. Bush, Barack Obama, and Donald Trump administrations have each used different policies to combat it. Some policies came through cooperation with Congress, such as the 2001 Authorization for the Use of Military Force (107th Congress 2001), cooperation with international bodies such as the United Nations (UN) Security Council, and finally through Executive Orders. Obama used all three, and between his first NSS in 2010 and his last in 2015, the usage of the word terrorism declines by 65% (The White House 2010). At the outset he focused on the threat posed by al-Qa'ida and Osama bin Laden, and specifically terrorism in the Middle East (The White House 2010). By 2015, Bin Laden had been killed and al-Qa'ida was a shadow of its former self thanks to a massive effort by the US government. The rise of the Islamic State (IS) in 2014 was a threat that continued to grow, and Obama's 2015 NSS mentioned the group 11 times (The White House 2011). It is evident in the Trump administration's 2017 NSS that they considered the threat of terrorism, specifically radical Islamist terror, to be imminent (The White House 2017). President Trump's 2017 NSS contains much inflammatory rhetoric relating to "destroying" Islamic terror groups and a commitment to confront threats before they reach US territory, which serves to further stoke fears of terrorist groups(The White House 2017). While many everyday Americans do not read NSS documents, they still represent the broader rhetoric espoused by the administration in its external communications.

The Trump administration also released the National Strategy for Counterterrorism (NSCT) in October 2018, which was another opportunity to frame the discussion on the administration's terms as well as provide useful information about the President's focus and threat perception. President Trump frequently criticized Obama for his counterterrorism policies,

and the Trump NSCT reflects this sentiment too. The NSCT also supports Wills's hypothesis that a presidential successor who is ideologically opposed to the predecessor is more likely to implement strategy changes.

The Trump strategy emphasizes eliminating the direct threat to the US, reducing the impact of radical Islamist groups on American lives and values, and the empowerment of CT forces in foreign countries so that threats are less likely to make it to the US, which is consistent with his NSS (The White House 2018). Notable differences include the commitment to fight terrorist groups without a defining focus on a single group as was done in the past, and also the acknowledgment of domestic terrorism as a growing risk. The strategy released by the Obama White House in June 2011 specifically identifies al-Qa'ida as the main target of its policy, even informally titling it "Ensuring al-Qa'ida's Demise" (The White House 2011). The Trump strategy instead mentions the Islamic State and al-Qa'ida as examples in its broader confrontation of "Islamist terror" and adds Iranian sponsored groups to its list of adversaries (The White House 2018). This expanded perception of the threat is important to note as CT spending has increased during the Trump administration even though the number of terrorist attacks has actually decreased both domestically and internationally.

Considering terrorism from outside of the White House's perspective, the Bipartisan Policy Center released its assessment of US CT policy in 2017, and it provides a clear, unbiased threat assessment. In their own words, "the terrorist threat to the United States today, although diminished since 9/11, remains grave" (2017, 6). To reduce this threat, the Center recommends "reducing the appeal of terrorist ideology" to prevent US citizens from being radicalized from afar (Bipartisan Policy Center 2017, 33). According to this perception of the terrorist threat, it is in the US national interest to counter radical Islamist terror both at home and abroad as the

success of terror groups in other regions of the world has the potential to inspire homegrown attacks. It also supports the argument made by the Trump administration to increase CT spending since the threat is still classified as "grave."

Past and Current US National Security Interests

To adequately assess the threat to US national interests, those interests must first be understood. Counterterrorism policy in the US is enacted through a complex dance between the president's view of national security needs, Congress's willingness to pass laws and appropriate funds for these efforts, and the public pressure on elected officials to protect their constituents. These outcomes are the result of many different competing interests that have a significant impact on the overall direction of US counterterrorism policy.

Commitments to fight terrorism are only as impactful as the laws and funding that support them. Although there are records of Congress enacting legislation designed to curb terrorist activity throughout history, we will begin our analysis in 1961 with the passage of the Foreign Assistance Act. This banned US aid to governments that supported terrorism, and later was built upon with the Arms Export Control Act that restricted arms and ammunition sales to those same countries (United States General Accounting Office 1997). These laws reduce the exportation of weapons and material support to states that are already known to support terrorist groups, which is a policy designed to retroactively punish these states, encourage them to discontinue their support, and stop enabling them to support future attacks.

Additionally, many of these early laws simply codified blatantly criminal actions as terrorism, such as hijacking planes or conducting bioterrorism (United States General Accounting Office 1997). This meant someone could be charged as a terrorist, not just a

criminal, hypothetically creating a legal incentive for individuals not to participate in these activities. Objectively, these policies were not necessarily designed in a way that proactively made the US more secure, but that coincides with the previous perception of the US homeland itself not being at risk from a terrorist attack. The many laws that were passed in the years before 9/11 support the assessment that counterterrorism policy was largely reacting after attacks had happened, and few measures were taken to preemptively increase security. Congress always operates with a finite amount of funds it can distribute, and without a reasonable expectation there might be an attack, it was harder to justify spending money.

In regards to policy, the last important aspect to mention is the passage of the 1991 Authorization for Use of Military Force (AUMF) in the Gulf War, where the US intervened militarily against Iraq because the security of Kuwait was deemed critical to US interests (The 102nd Congress 1991). This law set a precedent of ceding congressional authority over war-like activities to the president. Eleven years later when Congress passed the 2001 Authorization for Use of Military Force, the lack of clarity about the enemy and the vagueness of the language contributed to higher spending and less accountability (Bradley and Goldsmith 2005; Murray 2005). Finally, we will look at one last factor that influences or explains these choices: the domestic constituency.

American Democracy and Its Constituents

The domestic constituency in the US maintains a significant influence over congressional action, as is natural in a functioning democracy. Public outcry motivates elected representatives, and few things motivate or unify the public like fear. According to Daniel Antonius, director of forensic psychiatry at the University of Buffalo, “Terrorists use fear as a psychological weapon,

and it can have serious psychological implications for individuals and whole countries." He continues, "The aftermath of a terrorist attack can make people feel more vulnerable. And as cities go on alert because of the threat of future attacks, fear can color our daily routines and world views" (Antonius 2016).This is especially relevant as we investigate the effects of terror attacks not just on the American public, but also on legislators in Congress. "It is this fear, or the anticipation of future acts of terror, that can have serious effects on our behavior and minds," he concludes (Antonius 2016). This fear of the threat posed by terrorism has a significant impact on the level of support that the population has for CT activities (Shambaugh 2013, 44–5). As discussed by Savun and Phillips, public pressure to respond after an attack increases as representatives seek to prove short-term gains to constituents (Savun and Phillips 2009, 19). For example, after the Oklahoma City bombing in 1995, which had a death toll of less than 200 people, legislation was proposed to increase counterterrorism surveillance of US citizens but was denied for fear it would weaken constitutional protections. After 9/11, which had over 3,000, similar legislation was passed overwhelmingly as the Patriot Act (107th Congress 2001).

In a Gallup poll done immediately after 9/11, 51% of respondents said that they were worried that they or someone they know will become a victim of terrorism, and this level of fear remained even years after 9/11; 42% responded this way immediately after the Oklahoma City bombing in 1995, but the level of fear declined to 35% just the following year. As shown through poll data and legislative actions taken by Congress, the attacks on 9/11 have affected Americans more than any other single attack (Gallup 2018).

Going beyond the psychological aspect of terrorism, Researcher Ted Piccone has done a quantitative analysis of the rates of terrorism experienced by weak and strong democracies, as well as weak and strong autocracies (Piccone 2017). Through his research, he discovered that

strong democracies experience the lowest number of terror attacks when compared to the other three categories. There are a variety of variables that contribute to this, however, his analysis also shows that of the strong democracies, the United States had experienced the highest number of attacks between 1998 and 2008 (Piccone 2017). This explains the need for strong CT policies, as well as sufficient funding.

While democracies might experience fewer attacks overall than autocracies, they react more viscerally to the attacks that do come to fruition. James D. Fearon has done an analysis on the ways a government's structure can influence decision making. According to him, "International crises are modeled as a political 'war of attrition' in which state leaders choose at each moment whether to attack, back down, or escalate, and a leader who backs down suffers audience costs that increase as the public confrontation proceeds" (Fearon 1994). The simple fact that the US is a democracy means that its leaders suffer higher political consequences when they choose not to take tangible action in response to crises. This is another factor that usually influences presidential and congressional decision-making processes. Even if the chance of another attack is low and the best option really is to do nothing, political leaders can lose a lot by appearing to back down. This research shows that it is often in the best interest of a politician to show their constituents a strong face in the wake of an attack. President Reagan's withdrawal from Lebanon following the 1983 Beirut bombing is the exception to this pattern, and one that is likely explained by the preeminence of the Cold War threats (The White House 1987). The pressure from the domestic constituency is one factor we consider when analyzing the steady growth of CT spending after 9/11, even several years removed from the original crisis.

Terrorists always have a political goal in mind when they carry out an attack, and the most important factor, in our opinion, when forcing political change in a society is creating fear.

Political analyst Bruce Hoffman argues that the free media present in democratic societies actually influences the decision-making process of terrorist groups and individuals (Hoffman 2006) . Operating under the assumption that terrorism is symbolic violence, any attack that does not achieve widespread media coverage or create fear could be considered a failure. The free press provides access to a massive international and domestic audience, which in turn creates that pressure on elected officials to avoid future violent attacks. This is a key motivating factor in the decision-making processes of democracies, as public opinion holds greater sway over elected representatives than it does for dictators. Liberal democracies are susceptible to the fears of their citizens, especially when these fears pressure policymakers to act immediately following an attack. Understanding how the branches of government and its constituency view counterterrorism is important because they serve to illustrate the reasons that the US decided to fight terrorism other than simple fear, a need for security, or a desire for revenge. A portion of the massive increase in US CT funding has gone towards both domestic and international initiatives, and this paper will seek to understand more specifically the relationship between the threat environment, policy, and spending.

Methodology

To characterize this relationship between the threat environment and counterterrorism in the United States, we hypothesize that the adequate level of CT spending would be determined by the relative abilities of the terrorists to carry out attacks and of the government to prevent those attacks. The government would seek to build its counterterrorism apparatus proportional to the threat posed by terrorism as spending too much would be a waste of resources and spending too little would indicate that they are ill prepared to counter the threat. This balance between

counterterrorism and the terrorists impacts the probability and scale of attacks that can be successfully executed. If the ability of the terrorists is greater relative to the government's, meaning that they are tactically able to plan, coordinate, and execute plots better than the government is at foiling them, then the probability of more deadly terrorist attacks would be expected to be higher.

When terrorist attacks occur, the public and the government receive a clear signal indicating that the state's capabilities are not sufficient to counter the threat. To address this and the resource gap it indicates, we hypothesize that government officials and politicians would put more resources into CT the following year, and if this dynamic is a significant driver of US CT spending, then years where there were more successful attacks would be followed by an increase in the level of spending.

When the number of terrorist attacks were low or they were not very deadly—operating under the assumption that low impact attacks are easier to plan and execute—this is an indication that the counterterrorism abilities of the state were adequate in response to the threat. Spending following a year with a less than normal amount of attacks would be expected to increase by less than average, not change at all, or even decrease from the current level of spending.

This would then be observable as changes in spending relative to the previous years spending rather than by analyzing the absolute spending on terrorism.

$$\%\Delta spending = \frac{spending_{t+1} - spending_t}{spending_t} \times 100$$

In order to analyze the relationship between spending to combat terrorism, our response variable, and the threat terrorism poses to the US, our explanatory variable, we compare the percentage change in spending in the following year to the number of terrorist attacks in the US and by Foreign Terrorist Organizations abroad. This would be represented by the following regression

on model where changes in spending are determined by level of terrorism domestically and abroad by

$$\%\Delta spending = \beta_0 + \beta_{Dom} + \beta_{FTOs}$$

With our hypothesis being that years with more terrorist attacks would be followed by increases in spending in the following year.

$$H_1 \ : \ \beta_{Domestic} > 0 \qquad H_2 \ : \ \beta_{FTOs} > 0$$

Additionally, since the attacks on September 11th represented such a paradigm shift in how the US considered the threat from terrorism both abroad and domestically, we hypothesize that this positive relationship would be stronger after 9/11 than before it. This would be represented by the following regression model that includes interaction terms between the two types of terrorism and whether the year was 2001 or later.

$$\%\Delta spending = \beta_0 + \beta_{Dom} + \beta_{FTOs} + \beta_{Dom|Post-9/11} + \beta_{FTOs|Post-9/11}$$

With our hypothesis being that years with more terrorist attacks would be followed by greater increases in spending in the following year after 9/11.

$$H_3 \ : \ \beta_{Dom|Post-9/11} > 0 \quad H_4 \ : \ \beta_{FTOs|Post-9/11} > 0$$

Data

Counterterrorism Spending Data

To evaluate US counterterrorism spending before 9/11, we obtained data from a 2001 report to Congress by the Office of Management and Budget reporting different departments'

spending on combating terrorism from fiscal year[1] (FY) 1998 until FY 2000 as required by the 1998 National Defense Authorization Act (Office of Management and Budget 2003), and we also used data for fiscal years 1996 and 1997 from a 1997 General Accounting Office report detailing US CT efforts after the Oklahoma City bombing in 1995 (US General Accounting Office 1997). For spending after 9/11, we used a report from the Stimson Center that specifically analyzed the US's spending on terrorism following 9/11 (Belasco et al 2018). These numbers were then all converted into real 2017 US dollars to adjust for inflation and make them suitable for comparing across years. Figure 1 below plots how the US's spending on terrorism has shifted over time.

[1] US federal fiscal years begin on October 1st the year before and end on September 31st of its respective year.

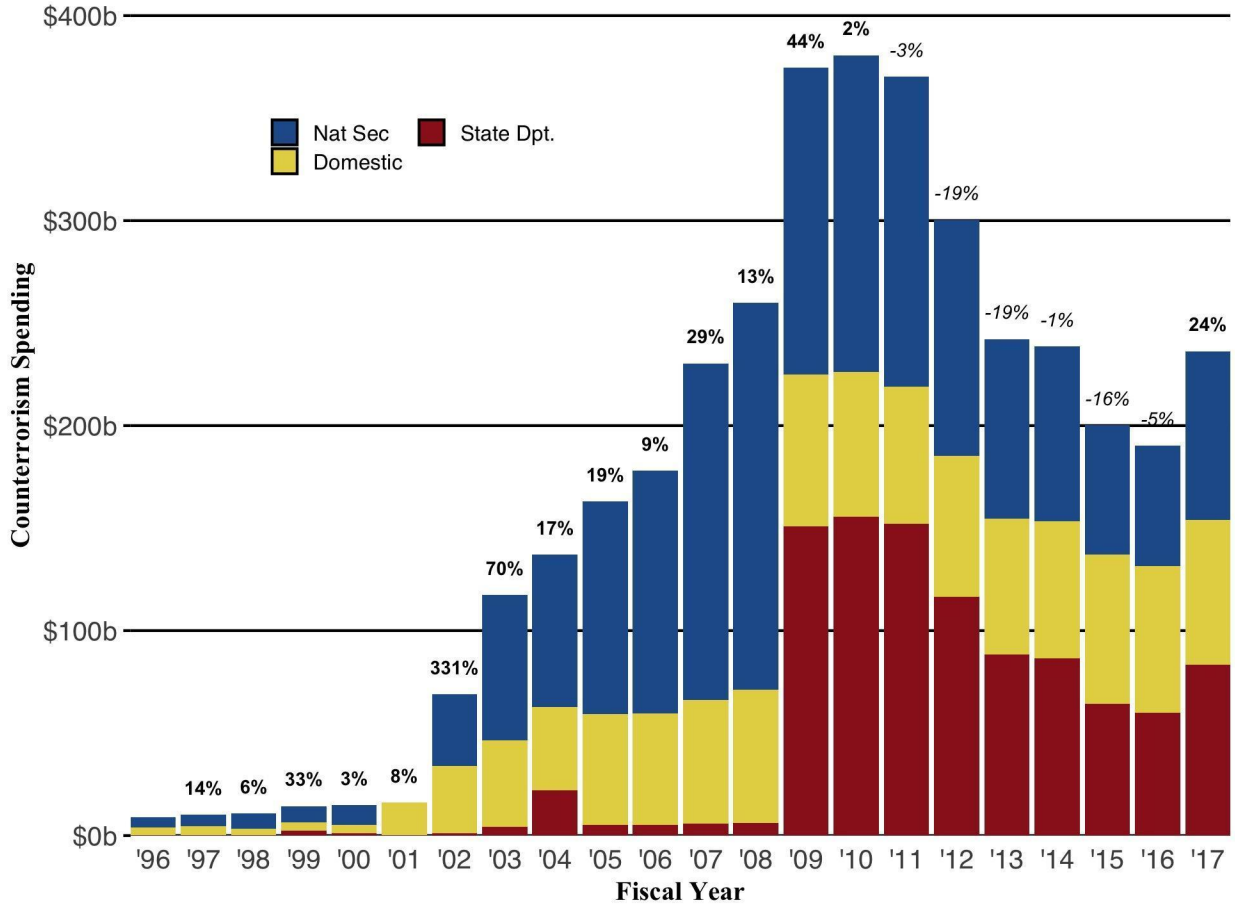

Figure 1: US Terrorism Spending by Fiscal Year FY1996 – FY2017[2]

Although there were fairly large increases in spending in fiscal year 1997 and 1999, 14% and 33% respectively, they are small in comparison to the 331% increase following 9/11 in FY 2002. The increases continue as the global War on Terror expanded, eventually reaching $381 billion in FY2010. As Figure 1 showed, the majority of the increases following 9/11 were in the Department of Defense and the Department of State: both of which focus exclusively on

[2] Since the spending data from after 9/11 was grouped into these three categories, the data from before 9/11 was also categorized in this way for the purpose of comparison. The "Nat Sec" category encompasses spending by the Department of Defense and the Intelligence Community, the "State Dpt." category includes spending by the Department of State and the independent US Agency for International Development (grouped together in the post 9/11 data), and the "Domestic" category includes spending by the Department of Homeland Security, Department of Justice, and other cabinet-level agencies.

international terrorism, not domestic threats. This demonstrates a significant shift in the focus of the US's CT efforts from the domestic to international arena. Figure 2 below reflects the same data as the above graph, but focuses on pre-9/11 spending to more clearly show the budget composition.

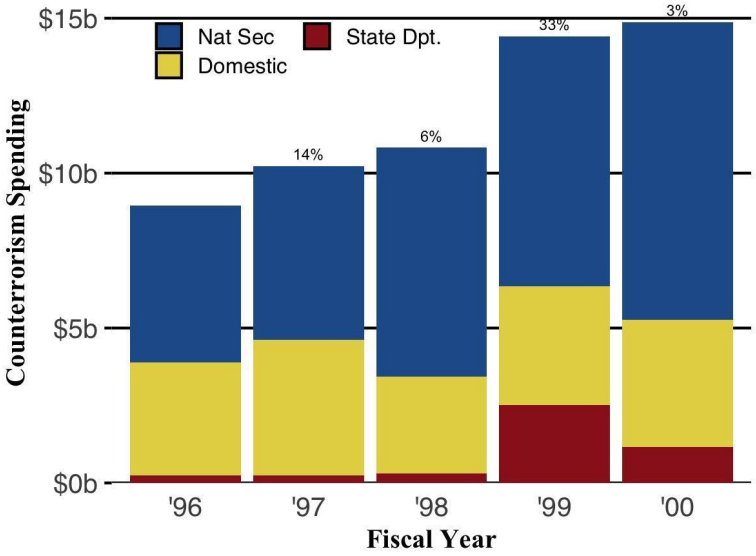

Figure 2: US Terrorism Spending by Fiscal Year, FY1996–FY2000

Terrorism Attack Data

In order to analyze the threat terrorism poses to the citizens of the United States, we use data from the National Consortium for the Study of Terrorism and Responses to Terrorism (START) Global Terrorism Database, which includes information about terrorist attacks around the world (START 2018).[3] Specifically, we will look at the total casualties caused by terrorist

[3] Data was filtered to years between 1995 and 2017, only includes attacks that occurred in the United States or by State Department designated Foreign Terrorist Organizations and only includes attacks that met all of START's criteria for terrorism.

attacks within the US to understand the domestic impact of terrorism. While the Oklahoma City bombing of 1995 had the highest domestic casualty count before 9/11, most of the attacks from 1995–2001 had very few deaths.[4] 9/11 was a severe outlier in terms of deadliness at nearly 3,000 deaths. In fact, the death toll from 9/11 alone is more than four times the US's cumulative death toll from terrorism from 1970 (the first year that the Global Terrorism Database had data) to 2017. Figure 3 below shows the number of attacks within the US along with the deaths from those attacks from 1997 to 2017 (2001 was excluded from the visualization because at 3008 deaths, it was an extreme outlier that made it impossible to visualize the other years, the visualization with 9/11 included is in Appendix A).

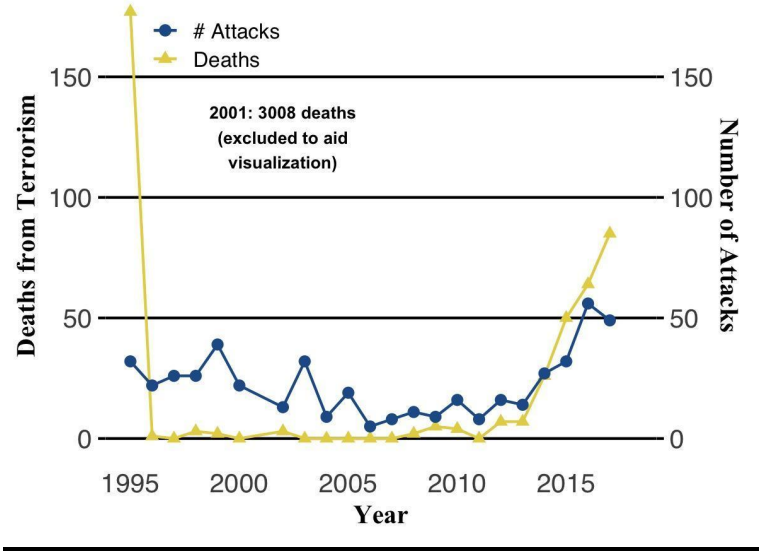

Figure 3: Number of Terrorist Attacks and Deaths in the US, 1995–2017 (START 2018)

Next, since the threat the US faces from terrorism is not exclusively domestic, we also looked at casualties from terrorism abroad by groups that threaten the US or its interests.

[4] 1995 is provided in this graph for context since the Oklahoma City bombing had a significant impact on the importance of counterterrorism to the US, but, unfortunately, because it was not until this bombing that US officials began reporting counterterrorism spending, budget data is not available until 1996, and this attack cannot be analyzed in our model.

Inclusion criteria was determined by that group's designation as a Foreign Terrorist Organization (FTO) by the State Department, which makes this determination with the following criteria: (1) the group must be foreign based, (2) have engaged in terrorist activity, and (3) threaten the US or its national security (US Department of State 2018). Using this criteria as a filter allows us to expand our scope to include international terrorism while still being able to focus in on just those groups which the US has designated a direct threat. Figure 4 below shows the total deaths and number of attacks from US Designated FTOs abroad (note that to prevent double counting between the two categories, the attacks in the US on 9/11 and all other attacks by FTOs that occurred in the US are not included in this data as they did not occur abroad).

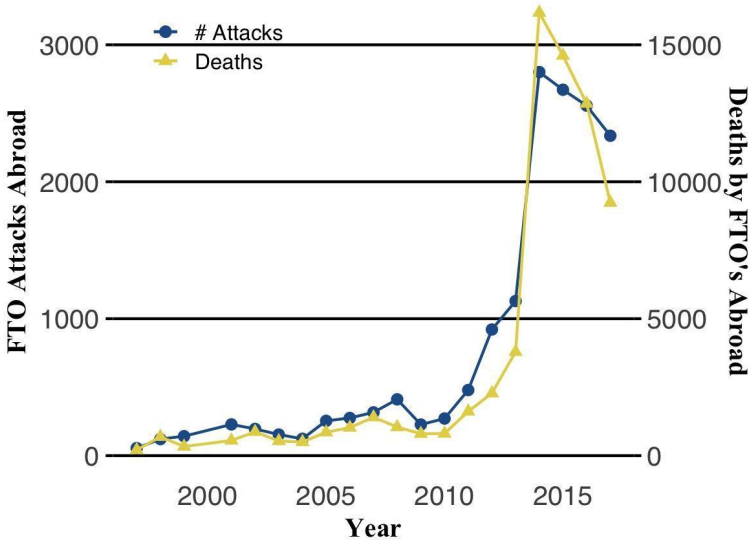

Figure 4: Number of Terrorist Attacks and Deaths by FTOs Abroad, 1995–2017 (START 2018)

However, at least a portion of this increase in deaths by FTOs abroad comes not necessarily from an increase in the deadliness of the groups but an increase in the number of the groups designated, which more than doubled between 1997 and 2017 (from 26 to 61 at its peak

in 2017). Figure 5 below shows the change in the number of designated FTOs since the first designation in 1997 until 2017 and the deaths from FTOs abroad.

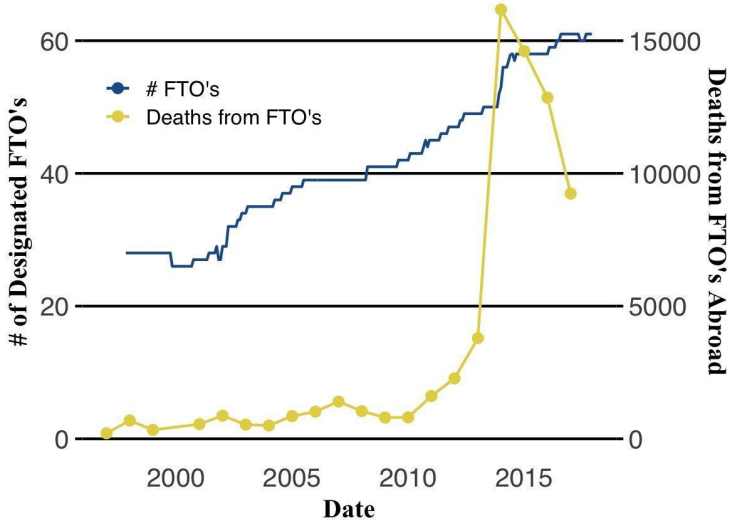

Figure 5: Number of Designated FTOs and Deaths from FTOs Abroad (START 2018; US Department of State 2018)

Exploratory Analysis: Visualizing Spending and Terrorism

In order to analyze the relationship between spending on terrorism and the threat posed by terrorism, we will first visualize the linkages between these two variables. Due to the focus on domestic terrorism after the OKC bombing and before 9/11, first we examine the relationship between spending and domestic terrorism between 1996 and 2000. In this period spending roughly follows the number of attacks with there being an average of about $440 million being spent per attack. Figure 6 below shows this relationship.

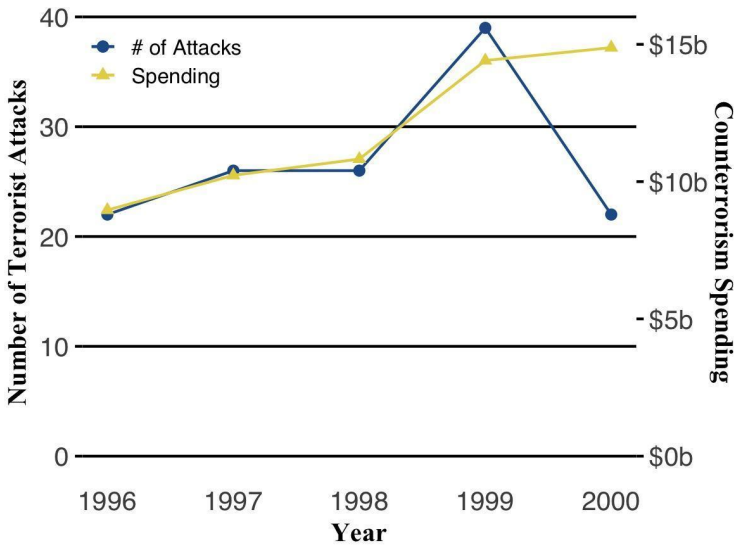

Figure 6: Spending on Terrorism and Number of Terrorist Attacks in the US, 1996 – 2000 (START 2018; Office of Management and Budget 2003; US General Accounting Office 1997)

However, this relationship starkly contrasts with the relationship between spending and US attacks following 9/11. Figure 7 below demonstrates that as even as the number of attacks sharply decreases, the amount of spending on terrorism continued to increase rapidly, which implies that something other than domestic terrorism was the primary driver for spending.

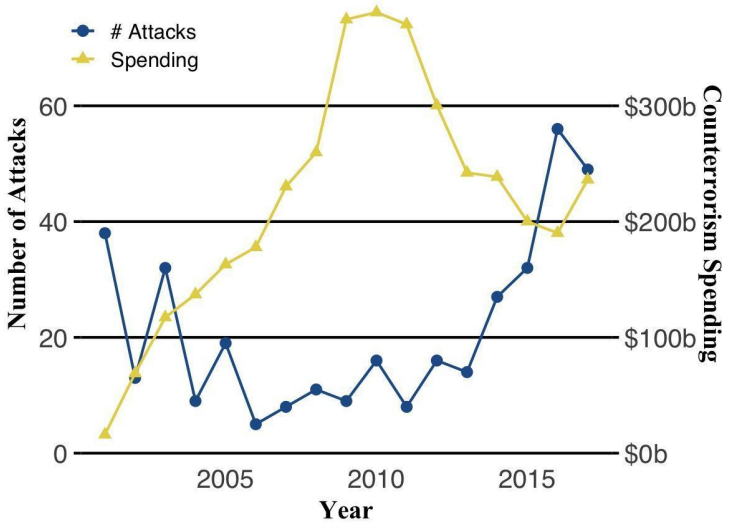

Figure 7: Spending on Terrorism and Number of Terrorist Attacks in the US, 2001–2017 (Office of Management and Budget 2003, Belasco et al 2018; START 2018)

Because this shift occurred after 9/11, the deadliest terrorist attack in US history, and 9/11 was carried out by al-Qa'ida, a group designated as an FTO even before 9/11, we hypothesize that the US conceptualization of the threat from terrorism expanded, as evidenced by the War on Terror, and shifted the focus to international terrorism. In contrast to domestic terrorism, international terrorism was far deadlier and it continued to increase after 9/11. Figure 8 below shows the relationship between deaths from terrorism in the US and deaths from FTOs abroad. Clearly, the level of activity by FTOs abroad is orders of magnitude higher than the domestic groups' (note that the axes are scaled differently).

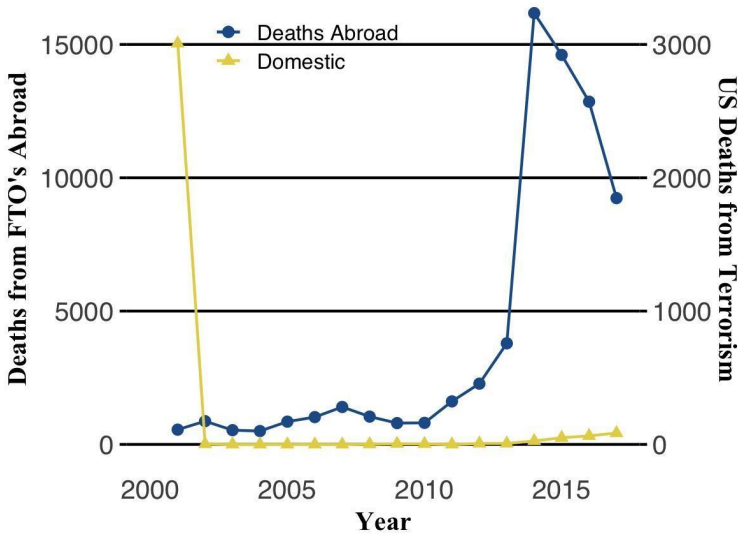

Figure 8: Deaths from FTO's Abroad and Deaths in the US from Terrorism, 2001–2017 (START 2018; US Department of State 2011)

In analyzing the relationship between attacks abroad and counterterrorism, there appears to be a relationship between spending and deaths from attacks abroad by FTOs. Both deaths from attacks abroad and spending are increasing between 2001 and 2017, although the rate of increase in spending is much higher than the rate of increase in deaths from attacks abroad. The reversal of this relationship between 2011 and 2015 reflects the decrease in spending after the end of the

Iraq War and the subsequent rise of the Islamic State's level of activity. Figure 9 below visualizes this relationship.

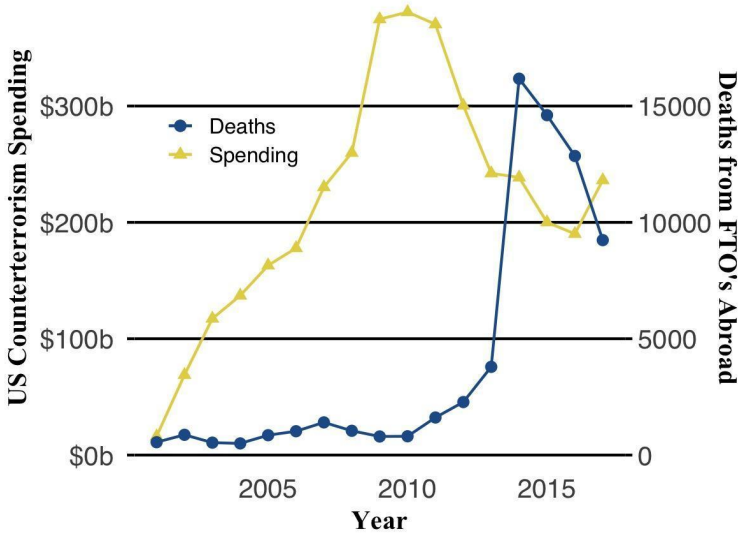

Figure 9: Spending and Deaths from FTOs Abroad, 2001–2017 (START 2018; Belasco et al 2018; US Department of State 2018)

Extended Analysis: Does Terrorism Explain Spending?

We assess the relationship between terrorism and counterterrorism spending by utilizing a set of linear regression models. These models regress spending on CT with the attacks domestically and abroad by FTOs. Additionally, we will assess the effect of 9/11 on these relationships through the use of an interaction term to see if 9/11 has an impact on the strength or direction of the relationship between spending and the two forms of terrorism. For this time series analysis, we will specifically be looking at the number of deaths from each type of terrorist attack (international and domestic before and after 9/11) and the percent change in spending in the following fiscal year.[5]

[5] Utilizing this change term also solves the issue of autocorrelation between temporally proximate observations, wherein the primary determinant of spending at time $t+1$ is approval at time t. In this data, this autocorrelation was quite severe ($\rho_{x_t,\, x_{t-1}} = 0.95$) but was diminished using the change term ($\rho_{\Delta x_t,\, \Delta x_{t-1}} = 0.15$).

Domestic Terrorism and Spending

Regressing deaths from terrorism in the US on counterterrorism spending showed that, both overall and with the interaction term included for 9/11, the number of deaths from terrorism domestically was not a significant driver for changes in spending. The first model suggests a positive relationship between deaths from the terrorism and spending. However, this was because 9/11, which had almost 3000 deaths and was followed by a 300% increase in spending, was a severely influential case. It skewed the data severely and made an untransformed model unusable, so both spending and terrorism were transformed with a logarithmic transformation.[6] After performing the transformation, terrorism was no longer a significant predictor of spending. Table 1 below shows the results of this regression analysis. Although in models 2, 3, and 4 the term on deaths from terrorism is positive, it was not statistically significant.

[6] This model had severely skewed, non-normal residuals which prompted the logarithmic transformation of the response variable, spending, and the subsequent non-linearity in the relationship warranted a log transformation of the explanatory variable, terrorism, as well. Additionally, there were issues of heteroscedasticity of the error terms that was marginally improved through the use of a weighted least squares regression (untransformed graph in the Appendix)

Table 1: Regression of US Deaths from Terrorism and Spending

	% Change Spending in Following Year			
		$\log_{10}$ Transformed		
	OLS	*OLS*	*WLS*	*OLS*
Total Deaths from Terrorism	.02***			
	(.001)			
Total Deaths from Terrorism$_1$		.16	.18	.30
		(.16)	(.16)	(1.14)
Post 9/11$_2$				−.24
				(.47)
Deaths$_1$| Post 9/11$_2$				−.10
				(1.15)
Constant	10.71**	1.26***	1.24***	1.41***
	(4.94)	(.17)	(.18)	(.42)
Observations	21	21	21	21
Adjusted R^2	.91	.002	.02	.07

Note: *p<0.1; **p<0.05; ***p<0.01
Log_{10} transformed$_1$
Binary Categorical Variable$_2$

Figure 10 below visualizes this relationship between deaths from terrorism and the percent increase in spending. The graph shows that the relationship between deaths from terrorism in the US and changes in spending is positively related; when terrorism was higher spending was expected to increase at a greater rate. However, the level of variability in the data makes this slight positive relationship insignificant.

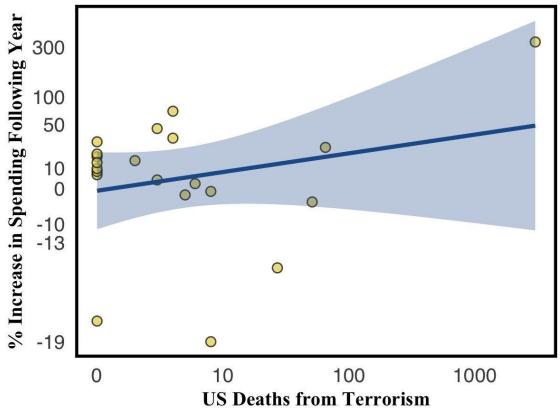

Figure 10: Relationship between Deaths from Terrorism and Spending
(Linear Fit with Area for Standard Error)

International Terrorism and Spending

Regressing deaths by designated FTOs abroad against counterterrorism spending also yielded a similarly insignificant result and showed that it was not a significant driver for changes in spending. In all of the regression models, the ability of this variable to explain the changes in spending was insignificant. Similar to the models for domestic terrorism, these models also required the data to be transformed. Additionally, the interaction term for post-9/11 was insignificant meaning that 9/11 did not significantly impact the relationship between spending and deaths from FTO's abroad. Table 2 below shows the results of this regression analysis.

Table 2: Regression of Deaths by FTOs Abroad and Spending

	% Change Spending in Following Year		
		$\log_{10}$ Transformed	
	OLS	*OLS*	*OLS*
Deaths from FTOs Abroad	−.003		
	(.004)		
Deaths from FTOs Abroad$_1$		−.42	.65
		(.27)	(1.72)
Post 9/11$_2$			3.13
			(4.55)
Deaths$_1$ | Post 9/11$_2$			−1.16
			(1.75)
Constant	37.93*	2.68***	−.17
	(21.03)	(.84)	(4.43)
Observations	19	19	19
Adjusted R^2	−.02	.08	−.01
Note:			*p<0.1; **p<0.05; ***p<0.01
			Log$_{10}$ transformed$_1$
			Binary Categorical Variable$_2$

This non-significant relationship between spending and deaths from FTOs abroad is visualized by Figure 11 below. It shows the slightly non-negative, yet insignificant relationship between these two variables.

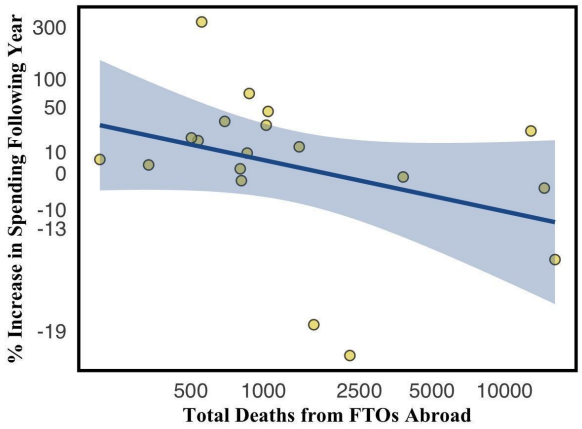

Figure 11: Relationship between Deaths from FTOs Abroad and Spending
(Linear Fit with Area for Standard Error)

Full Model

Interestingly, when the models include both types of terrorism, the effect of domestic attacks, when adjusted for the effects of international terrorism, has a slight positive effect on the change in spending in the following year ($p < 0.1$). Model 1 shows that for a one percent increase in the number of deaths from terrorism in the US, spending would be expected, on average, to be related to a percentage point increase in spending on terrorism of about .33%. Contrary to our hypothesis, Model 2 shows that this effect was not significantly impacted by 9/11. Oddly, deaths from FTOs abroad was found to have a significantly negative effect on spending after controlling for the effects of domestic attacks. Table 3 below shows the results of this regression analysis.

Table 3: Regression of Both Types of Terrorism on Spending

	% Change Spending in Following Year		
	$\log_{10}$ Transformed		
	OLS	*OLS*	*OLS*
US Deaths from Terrorism$_{10}$	.33*	.33*	.87
	(.16)	(.17)	(1.33)
Deaths from FTOs Abroad$_1$	−.64**	.29	−.71**
	(.27)	(1.60)	(.31)
Post 9/11$_2$		2.75	.35
		(4.19)	(.66)
Deaths US$_1$ | Post 9/11$_2$		−1.01	
		(1.61)	
Deaths FTOs$_1$ | Post 9/11$_2$			−.54
			(1.33)
Constant	3.12***	.64	2.99***
	(.80)	(4.09)	(.93)
Observations	19	19	19
Adjusted R^2	.23	.15	.13
Note:			*p<0.1; **p<0.05; ***p<0.01
			Log$_{10}$ transformed$_1$
			Binary Categorical Variable$_2$

However, since both types of terrorism were found to be insignificant in the previous models that regressed them individually against spending, it is difficult to determine conclusively if they are significant drivers for changes in US spending. Even in the models where they were found significant, the ability of the model as a whole to explain changes in spending was quite

low (as indicated by the adjusted R squared value of the model that reflects the proportion of the variability in spending that is explained by each model) is low. These results are further problematized by the fact that we only could only regress this model with 19 years of spending data. With multiple variables in the model, it would be unwise to reverse the conclusions of the previous models based on these models alone. This insignificant result signifies that factors other than the level of terrorist activity, measured by the number of casualties from attacks, are better predictors of US CT spending.

Limitations

This research has methodological and data limitations that affect the robustness of our results and the conclusions that can be made from them. Methodologically, our model wherein changes in spending in the following year would be affected by the number of casualties from terrorist attacks implies that the most important signal to the government of terrorist capabilities are from their attacks. In reality, although this would certainly still be an indicator, the government has a lot more intelligence on the actors who are likely to commit terrorism than just what can be gleaned from their executed attacks. A crucial variable that our data was not able to capture was the number of, and potential fatality of failed terrorist plots into our model. When the government stops an attack, especially ones that would have had the potential to cause a large amount of casualties, they may also increase CT spending in the following year as that attack would also indicate that the threat of terrorism had increased. The RAND Corporation found in a 2015 study of failed terrorist plots between 1995 and 2012 that the total number of foiled terrorist plots had increased since 9/11 (Strom, Hollywood, and Pope 2016). After 9/11 the number of high casualty plots (100–999 expected casualties) substantially increased and that

there were several ‘catastrophic’ plots (1000 or more expected casualties) following between 9/11 and 2006 (Strom, Hollywood, and Pope 2016). This factor confounds the relationship that we were testing and could potentially explain the reasons why spending continued to increase even after there were less casualties domestically in the period following 9/11.

Another issue was that our spending data was not able to capture all that was spent on CT. Since the data was limited to only publicly available budget data, it were not able to accurately capture the amount of money allocated to the Intelligence Community dedicated to CT. Because of this, the real amount spent on CT may be higher or lower than our data reflects.

One other limitation to our analysis was that it only includes data on CT spending following the Oklahoma City bombing in 1995. The government had not begun, at least not publicly, disaggregating spending dedicated to counterterrorism from the rest of the cabinet-level and independent agencies involved in CT until after this attack. Because of this, our data only included 22 years, which is a relatively small number to perform statistical analysis on. With data for more years, especially more years before 9/11 (currently there were only data for five), we would have been able to conduct a more robust analysis and possibly include other control variables in our model.

Implications and Avenues for Further Investigation

Since 9/11, the counterterrorism infrastructure in the US has expanded rapidly. John E. McLaughlin, former deputy director of Central Intelligence in the Clinton and Bush administrations, has spoken openly about the drastic changes he witnessed in the aftermath of 9/11, where his personnel increased from 300 people to about 2,000 six months later (McLaughlin, Pistole, and Taylor 2016). Even though the Oklahoma City bombing had taken

place only a few years previously, in the words of John S. Pistole, former deputy director of the Federal Bureau of Investigation, “Counterterrorism, frankly, just wasn’t one of the priorities [between 1995 and 2001]” (McLaughlin, Pistole, and Taylor 2016). For many years after 9/11, the intelligence community believed that those attacks were the first of many waves, and policymakers latched on to the idea of thousands of terrorist cells already within the US (Mueller and Stewart 2012, 82). This belief was used to justify massively ramping up intelligence and counterterrorism budgets (Mueller and Stewart 2012, 82). While some of the focus remained domestic, much of the new investment was directed overseas, attempting to combat terrorist groups where they were based. This perception is supported by the US Intelligence Community’s 2017 Worldwide Threat Assessment, where attacks on the homeland are assessed as a threat, but the majority of the focus remains on targeting radical Islamist groups like IS and al-Qa‘ida overseas (Clapper 2016).

As outlined in our review of the literature, there are many factors that influence CT policy, and by extension its budget. Partisan pressure can shape a president’s position, as can the domestic political environment of the day. The United States has a democratically elected Congress that often must bow to the will of a frightened public. It also has a population that is being targeted psychologically by the terrorist actors, who hope to polarize the public and destabilize the nation. The relationship between these factors is complex, and this research does not presume to untangle all of the various facets of this complex relationship. Rather, it sought to eliminate one of the obvious conclusions: that the deadliness of “successful” attacks directly influences CT spending. In the future we would like to test this model with more data to allow for the inclusion of more variables such as variables for different kinds of attacks abroad, whether an attack was part of a broader network like the attacks on 9/11 (as opposed to the

Oklahoma City bombing which was not), and public opinion data to see if fear is a mediating factor in the relationship between terrorism and spending. With such a model this research could get closer to pinpointing a more robust causal relationship.

This leads us to several other topics that would be beneficial to investigate in the future. If spending increased for 9 years following a devastating attack, even if no comparable event had taken place, there must be something else sustaining the spending beyond the concrete “threat". One avenue to investigate would be the length of time after a national trauma it takes for the fear and the level of perceived threat begin to normalize. It could be that our simple year-to-year model does not significantly account for the lasting influence of high-impact events. Another trend that is apparent in the spending data is that even when the level of terrorism decreases, it takes several years for the spending levels of to begin returning to normal. This could indicate that bureaucratic and political interests make budgets “sticky” and resistant to change once they have been increased. Once spending on terrorism is increased, the agencies and departments that are receiving additional funds have no incentive to vie for a decreased budget, and politicians do not want to appear “weak” on terrorism by advocating for less to be spent on it. This mechanism would make spending responsive to increases in threat, but not decreases. Another factor that could be driving spending could be the number of attacks that were prevented by CT efforts. It could be that it is not the concern of the citizens that drives CT spending but rather the concern of those responsible for conducting CT and are aware of both the successful and (unmeasured in our model) deterred attacks. Additionally, it would be fascinating to analyze the psychology of fear in decision making, both in the public but also in policymakers.

It is clear from our analysis that incidents of terrorism are not a significant predictor of changes in CT spending, which goes against what one would expect. If terrorists were more

active in a particular year and more people were killed by terrorist attacks, it would is expected that this would result in more being spent on terrorism the next year. However, our research has proven that this is not the case; deaths from terrorism both by US groups and FTOs abroad did not drive changes in spending.

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Appendix

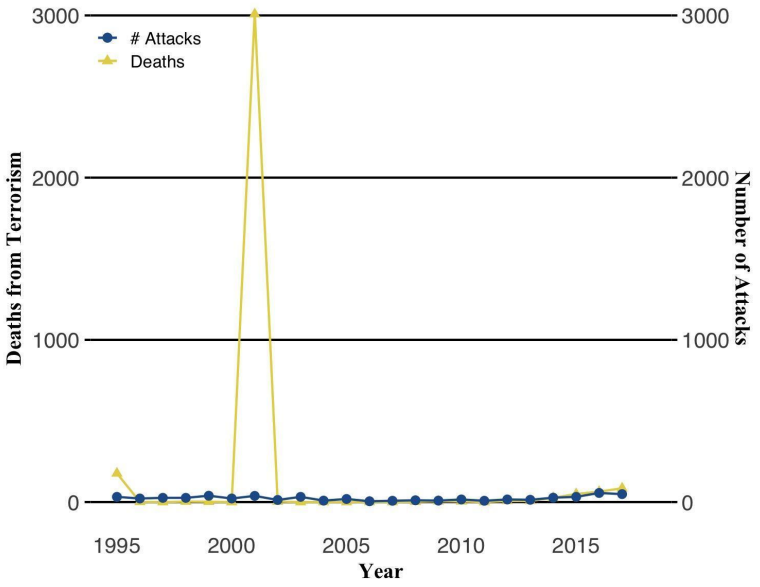

Figure A-1: Number of Terrorist Attacks and Deaths in the US, 1995–2017 (Including 9/11)

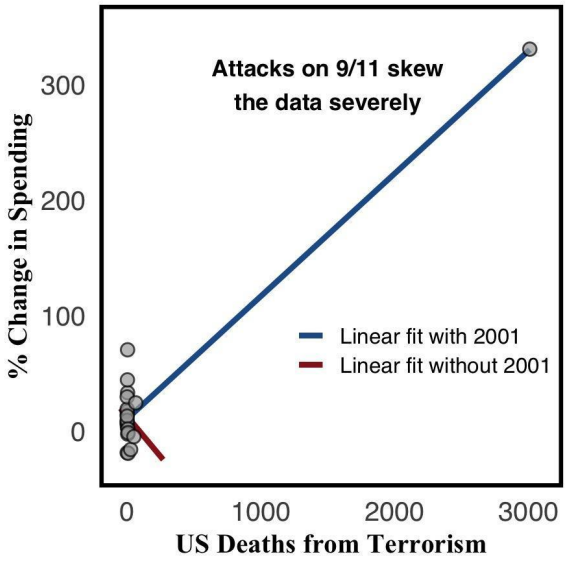

Figure A-2: Effect of 9/11 as Outlier on Regression Model