



# THE COST OF 9/11

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Tracking the Creation of a  
National Security Establishment in Canada

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The Rideau Institute is a non-partisan, non-profit, public-interest research, advocacy and consulting group based in Ottawa.

## Main Findings

1. Since 2000-01, the year before the September 11, 2001 terrorist attacks on the United States, Canada has devoted an additional \$92 billion (\$69 billion inflation-adjusted) to national security spending over and above the amount it would have spent had budgets remained in line with pre-9/11 levels. This has created a new “national security establishment,” which includes the departments of National Defence, Foreign Affairs and International Trade, Public Safety, Justice, and related organizations such as the RCMP, CSIS, and the CBSA.
2. In this fiscal year, 2011-12, Canada will spend \$34 billion on its national security, which is an additional \$17 billion (\$13 billion inflation-adjusted) more than the amount it would have spent had budgets remained in line with pre-9/11 levels. This is an increase of 105% (60% inflation-adjusted).
3. Military expenditures have nearly doubled (90%) since 9/11 (48% inflation-adjusted), and the Department of National Defence is by far the largest consumer of national security expenditures, at more than \$21 billion this fiscal year.
4. Security and Public Safety programs have nearly tripled in spending, from \$3 billion to almost \$9 billion annually (\$3.9 billion to \$8.7 billion inflation-adjusted), or 186% since 9/11 (123% inflation-adjusted).

## Introduction

A decade ago, on September 11, 2001, the world watched in horror as hijacked planes slammed into the twin towers of the World Trade Center, the Pentagon, and a field in Pennsylvania. It was the 9/11 moment that has defined the post-Cold War generation. The United States could not help but respond, but with the hijackers all dead and very few co-conspirators to be arrested, Americans' security fears focused at home and abroad.

The ensuing “Global War on Terrorism” engulfed virtually all areas of the government as the U.S. erected new security apparatus at home, and tested international alliances as it launched “pre-emptive” attacks abroad.

U.S. President Bush declared famously, days after the attack:

“Every nation, in every region, now has a decision to make. Either you are with us, or you are with the terrorists. From this day forward, any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime.” (September 20, 2001)

Before the end of the year the United States, backed by a coalition of countries including Canada, had invaded Afghanistan to topple the Taliban government, rout Al Qaeda camps, and search for Osama bin Laden. A decade later the United States and its allies fight on in an unpopular and losing war against a strengthening insurgency.

In 2003 the United States moved on from Afghanistan to Iraq, and with a diminished number of allies, invaded the country to topple Saddam Hussein on the ill-founded pretext of denying him weapons of mass destruction. The threat he posed was a mirage, and even the most conservative estimates of the civilian death toll from the ensuing civil conflict begin at more than 100,000 people.

Canadian governments, alarmed by new U.S. border security measures that could impact trade, politically navigated between deeper integration with U.S. military and security priorities, and a wary Canadian public deeply distrustful of U.S. ambitions.

Canada avoided direct involvement in the invasion of Iraq, while playing a significant role in Afghanistan since 2001, particularly a combat role from 2006 to 2011. The costs in Afghanistan were high, not only in military spending but also in Canadian lives. Despite the great sacrifices made by Canadians, our exit at the end of this year, a decade after the initial invasion, will leave a country that is still wracked with instability and internal division.

The cost of 9/11 was not in military dollars alone. It expanded to other sections of the Canadian government. A new Department of Public Safety and Emergency Preparedness was created late in 2003, mirroring a similar government reorganization in the United States. That same year the new Canada Border Services Agency (CBSA) was created. The goal of each body was to better consolidate intelligence and security functions under one umbrella, in part to address events like 9/11.

Foreign affairs, which had become dominated by its trade promotion branch during the 1990s, took on increased importance in understanding and identifying potential foreign security threats. As well, the justice system in Canada gained a renewed focus as significant additional resources were expended in discovering and apprehending potential terrorists and terrorist networks.

The result of these increases in resources for the defence, international, security and justice areas of the federal government has been the creation of a “national security establishment.”

While this national security establishment was built in response to 9/11, the circumstances have changed: the discredited Bush administration is out of office; Al Qaeda has largely ceased to function as an organization; Afghans are weary of the war; and after a decade of pursuit, Osama bin Laden was killed in a commando raid this year.

This report looks at the fiscal impact of 9/11 and the creation of a national security establishment, and will help Canadians understand how federal spending priorities have shifted in the last decade, and what their opportunity costs are. Once the staggering costs of the post-9/11 national security buildup are understood, many may conclude that it is time to turn the page and look with fresh eyes on how Canadians’ resources should be spent in the next decade.

## **The Rise of a National Security Establishment**

What if 9/11 had never happened? Canada’s spending on its Department of National Defence (DND), Foreign Affairs, Public Safety and related agencies in 2000 might have remained unchanged the following year, or perhaps increased a few percentage points just to keep pace with inflation.

But that’s not the reality. The terrorists did attack the United States on September 11, 2001, and in Canada, spending on its national security areas increased dramatically – much more than just the rate of inflation.

In order to determine how much additional funding has gone into building Canada’s national security establishment, spending in this year, fiscal year (FY) 2011-12, is compared to pre-9/11 spending in FY2000-01.<sup>1</sup>

Using FY2000-01 as the base year, this report calculates how many dollars in addition to that amount were spent in each of the 11 fiscal years that followed, including this year which ends on March 31, 2012.

**The result of these increases in resources for the defence, international, security and justice areas of the federal government has been the creation of a “national security establishment.”**



The federal government's published Main Estimates provide annual spending figures grouped into sectors. For this study, spending on National Defence and Foreign Affairs and International Trade has been included from the International, Immigration and Defence Programs sector (but not other sector programs, such as Canadian International Development Assistance).<sup>2</sup> In addition, spending from the Security and Public Safety Programs sector is included,<sup>3</sup> as well as the Justice and Legal Programs sector.<sup>4</sup> A complete list of departments and agencies included in this study is provided in Appendix A.

Spending figures are reported and compared both in “nominal” and “inflation-adjusted” dollar terms. Nominal dollars are the actual budgeted amounts for those years. However, inflation diminishes the value of money over time. A dollar ten years ago bought more than a dollar does today.<sup>5</sup> Both measurements are useful, and so both are provided.

**Since the attacks in 2001, Canada has spent more than \$92 billion (\$69 billion inflation-adjusted) in additional resources over and above what was spent the year before the attacks, FY2000-01.**

**Table 1 | Overall Post 9/11 National Security Establishment Costs (\$ millions)**

Fiscal Year	Nominal Expenditures	Nominal Difference from FY2000-01	Inflation Adjusted Expenditures (\$2011)	Inflation Adjusted difference from FY2000-01 (\$2011)
2000-01	\$ 16,678	\$ —	\$ 21,373	\$ —
2001-02	\$ 17,220	\$ 542	\$ 22,023	\$ 650
2002-03	\$ 18,153	\$ 1,475	\$ 22,800	\$ 1,427
2003-04	\$ 18,960	\$ 2,282	\$ 23,056	\$ 1,683
2004-05	\$ 21,654	\$ 4,976	\$ 25,496	\$ 4,123
2005-06	\$ 22,143	\$ 5,465	\$ 25,201	\$ 3,828
2006-07	\$ 24,377	\$ 7,699	\$ 27,059	\$ 5,686
2007-08	\$ 26,628	\$ 9,950	\$ 28,773	\$ 7,400
2008-09	\$ 29,057	\$ 12,379	\$ 29,621	\$ 8,248
2009-10	\$ 30,129	\$ 13,451	\$ 31,846	\$10,473
2010-11	\$ 33,030	\$ 16,352	\$ 34,028	\$12,656
2011-12	\$ 34,144	\$ 17,466	\$ 34,144	\$12,771
Total increase from FY2000-01 base year		\$92,037 (105%)		\$68,944 (60%)

Source: The Government Expense Plan and The Main Estimates Part 1 & II, Statistics Canada and author's calculations.

As Table 1 shows, the increase in spending since 9/11 has been dramatic across national security areas. Since the attacks in 2001, Canada has spent more than \$92 billion (\$69 billion inflation-adjusted) in additional resources over and above what was spent the year before the attacks, FY2000-01.

This year Canada is planning to spend more than \$34 billion on its national security establishment; that is, \$17 billion more per year (\$13 billion inflation-adjusted) than it did in FY2000-01. This represents an increase in spending of over 100% (60% inflation-adjusted) from the FY2000-01 base year.

**Table 2 | 9/11 Nominal Expenditures by National Security Area (\$ millions)**

Fiscal Year	National Defence	Foreign Affairs & International Trade	Security and Public Safety Programs	Justice & Legal Programs
2000-01	\$11,199	\$ 1,429	\$ 3,038	\$ 1,012
2001-02	\$11,390	\$ 1,551	\$ 3,188	\$ 1,091
2002-03	\$11,835	\$ 1,648	\$ 3,475	\$ 1,195
2003-04	\$12,255	\$ 1,728	\$ 3,647	\$ 1,330
2004-05	\$13,288	\$ 1,896	\$ 4,908	\$ 1,562
2005-06	\$13,425	\$ 1,989	\$ 5,331	\$ 1,398
2006-07	\$14,789	\$ 2,145	\$ 6,025	\$ 1,418
2007-08	\$16,882	\$ 2,002	\$ 6,509	\$ 1,235
2008-09	\$18,293	\$ 2,111	\$ 7,273	\$ 1,380
2009-10	\$19,239	\$ 2,162	\$ 7,312	\$ 1,416
2010-11	\$21,101	\$ 2,567	\$ 7,901	\$ 1,461
2011-12	\$21,299	\$ 2,615	\$ 8,698	\$ 1,532
% change from FY2000-01 base year	+90%	+83%	+186%	+51%

Source: The Government Expense Plan and The Main Estimates Part 1 & II and author's calculations.

The breakdown of expenditures by area is more revealing. Table 2 shows the nominal consumption of the four main national security areas. The Department of National Defence is by far the largest user of national security expenditures. It alone will cost the Canadian government more than \$21 billion in FY2011-12. Military expenditures have nearly doubled (90%) from their pre-9/11 base year (48% inflation-adjusted).

While DND may garner significant attention because of its relative size, Security and Public Safety Programs have grown at a much more rapid pace than the military. Security and Public Safety Programs have nearly tripled, from \$3 billion to almost \$9 billion annually (\$3.9 billion to \$8.7 billion inflation-adjusted), or 186% from their pre-9/11 base year (123% inflation adjusted). The rapid growth in Security and Public Safety Programs since 9/11 warrants increased scrutiny from the government and the public.

**Table 3 | Nominal Security and Public Safety Programs Increase (\$ millions)**

Fiscal Year	Correctional Service	RCMP	CBSA	CSIS	Public Safety and Emergency Preparedness	Other	Security and Public Safety Programs (Total)
2000-01	\$ 1,320	\$ 1,432	\$ —	\$ 170	\$ 83	\$ 33	\$ 3,038
2001-02	\$ 1,372	\$ 1,504	\$ —	\$ 192	\$ 87	\$ 33	\$ 3,188
2002-03	\$ 1,468	\$ 1,612	\$ —	\$ 248	\$ 111	\$ 36	\$ 3,475
2003-04	\$ 1,536	\$ 1,698	\$ —	\$ 259	\$ 110	\$ 44	\$ 3,647
2004-05	\$ 1,571	\$ 1,841	\$ 667	\$ 270	\$ 414	\$ 145	\$ 4,908
2005-06	\$ 1,597	\$ 1,863	\$ 1,022	\$ 292	\$ 431	\$ 126	\$ 5,331
2006-07	\$ 1,709	\$ 2,077	\$ 1,293	\$ 346	\$ 458	\$ 142	\$ 6,025
2007-08	\$ 1,870	\$ 2,368	\$ 1,440	\$ 346	\$ 428	\$ 57	\$ 6,509
2008-09	\$ 2,174	\$ 2,676	\$ 1,495	\$ 449	\$ 415	\$ 64	\$ 7,273
2009-10	\$ 2,205	\$ 2,647	\$ 1,483	\$ 496	\$ 422	\$ 59	\$ 7,312
2010-11	\$ 2,460	\$ 2,814	\$ 1,619	\$ 507	\$ 441	\$ 60	\$ 7,901
2011-12	\$ 2,981	\$ 2,883	\$ 1,846	\$ 509	\$ 415	\$ 64	\$ 8,698
% change from FY2000-01	+126%	+101%	+177%	+199%	+400%	+94%	186%

Source: The Government Expense Plan and The Main Estimates Part 1 & II and author's calculations.

The various programs within the Security and Public Safety Programs sector have grown at differing rates, as shown in Table 3. Despite doubling since 2000 (57% inflation-adjusted), the expenditure growth of the RCMP has been on the lower end of the scale. By comparison, Correctional Service is in the mid-range, increasing 126% (76% inflation-adjusted). At the high end, the Canada Border Services Agency (CBSA) grew by 177% since its creation in 2003 (135% inflation-adjusted).

Expenditures at the Canadian Security Intelligence Service (CSIS) have exploded, tripling in size (134% inflation-adjusted). Expenditures at the Department of Public Safety and Emergency Preparedness (formerly the Solicitor General) have quintupled in size since FY2000-01 (290% inflation-adjusted), although some of that growth has been due to conglomeration of departments. See Appendix B.

Both the Department of Foreign Affairs and International Trade and the Justice and Legal Programs areas have grown at a slower pace than the others.

## **Conclusion**

While other countries have been much harder hit by terrorism, Canada has nonetheless committed significant resources since 9/11 to national security. While some may feel that the \$92 billion spent since 2001 has been worth it, others might argue that the money could have been better spent. The real question today is whether or not we should continue this level of expenditure. Should Canada spend another \$100 billion or more over the coming decade on a national security establishment?

Certainly the political situation today is much different than it was in 2001, and the global economy seems to be a greater threat to Canadians' security than global terrorism. At the same time, pressures are mounting here in Canada, with high unemployment and large deficits at the federal level.

The sum that has been already spent in the post-9/11 buildup could have provided significant benefits here in Canada. Those nearly 100 billion dollars could have easily rebuilt the transit systems in each of Canada's ten largest cities, it could have provided a national \$10-a-day childcare program, or eliminated all payments for prescription medications. Any one of these programs could have been fully implemented if the money spent on a national security establishment since 2001 had been used differently.

It is time to re-evaluate whether the dramatic post-9/11 spending on national security could be more appropriately spent over the next ten years.

## **The Author**

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With thanks to Bill Robinson, Rideau Institute senior advisor.



## Notes

- 1 The federal government's fiscal year begins on April 1 and ends on March 31 of the following calendar year. For example, the 2000-01 fiscal year began on April 1, 2000, and ended on March 31, 2001.
- 2 The international, immigration and defence programs sector comprises those departments, agencies and Crown Corporations that deliver programs which support the security of Canadians, defend Canadian interests, promote a stable international environment, and project Canadian values and culture in world affairs.
- 3 The security and public safety programs sector comprises those departments and agencies that deliver programs which are intended to close security gaps and ensure that the country's national interests and citizens are protected from risks to personal safety ranging from crime or naturally occurring events such as severe blizzards, floods or forest fires, to threats to national security from terrorist activity.
- 4 The justice and legal program sector comprises those departments and agencies that deliver programs covering the administration of justice and law enforcement.
- 5 Often the Consumer Price Index (CPI) is used to adjust for inflation. The CPI tracks the average change in a grouping of goods that the average Canadian would buy over the course of a year. This measure is not as applicable to adjusting government expenditures, as the federal government does not buy a standard basket of goods. Instead it manages the entire economy. As such, the change in prices for the entire economy, otherwise known as the Gross Domestic Product Deflator or the Implicit Price Index, is used instead to adjust expenditures.

## **Appendix A: Program sectors, departments and agencies included in this study (as identified in the federal Main Estimates)**

### **International, Immigration and Defence Programs**

- Department of National Defence
- Department of Foreign Affairs and International Trade

### **Security and Public Safety Programs**

- Security Intelligence Review Committee
- Department of Public Safety and Emergency Preparedness
- Canada Border Services Agency
- Canadian Security Intelligence Service
- Correctional Service
- National Parole Board
- Office of the Correctional Investigator
- Royal Canadian Mounted Police (RCMP)
- Royal Canadian Mounted Police External Review Committee
- Royal Canadian Mounted Police Public Complaints Commission

### **Justice and Legal Programs**

- Department of Justice
- Canadian Human Rights Commission
- Canadian Human Rights Tribunal
- Commissioner for Federal Judicial Affairs
- Courts Administration Service
- Office of the Director of Public Prosecutions
- Offices of the Information and Privacy Commissioners of Canada
- Supreme Court of Canada

## **Appendix B: Transfers of resources and responsibilities since 2000**

### **2004-2005**

- Departments of Foreign Affairs and International Trade separated. No effect on expenditures.
- The Solicitor General is renamed the Department of Public Safety and Emergency Preparedness. No effect on expenditures.
- Office of Critical Infrastructure Protection and Emergency Preparedness is transferred from the Department of National Defence to the new Department of Public Safety and Emergency Preparedness. Expenditures in the latter increase \$204 million.
- National Crime Prevention Centre is transferred from the Department of Justice to the new Department of Public Safety and Emergency Preparedness. Expenditures in the latter increase \$75 million.
- Canada Border Services Agency is created out of the Intelligence and Enforcement Operations branch of Citizenship and Immigration. The new agency has a starting budget of \$667 million.

### **2005-2006**

- Canada Border Services Agency (CBSA): Approximately \$300 increase in expenditures due to transfer of responsibility from Citizenship and Immigration, the Food Inspection Agency and the Canada Revenue Agency.

### **2006-2007**

- Departments of Foreign Affairs and International Trade are incorporated into a single department. No effect on expenditures.

### **2007-2008**

- Department of Justice: \$225 million reduction in expenditures due to legal services to other departments considered revenue-generating and accounted for differently.



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