



The Daily Dish

# September 11, 2001, and its Fallout

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 11, 2020

## Eakinomics: September 11, 2001, and its Fallout

Today is September 11, the 19<sup>th</sup> anniversary of a coordinated series of four attacks by al-Qaeda that killed nearly 3,000, injured over 25,000 and is the most deadly terrorist attack in history. It is also the most deadly single event for first responders in U.S. history. I was in the White House that day and, like so many others, the unfolding of the attacks and their impact is seared in my memory.

But those stories have probably already been told too often. Instead, I want to repeat for the record that this period – the COVID-19 pandemic and recession – reminds me very much of the period after 9/11. The attacks made clear that the citizenry faced a mortal danger, and the top priority was to defeat the terrorists and address the threat. But it was also true that the same citizenry could not simply sit in fallout shelters and wait until the anti-terror mission was complete. Instead, it was going to be necessary to operate the economy (and the rest of public and private life) in the face of the danger.

Post-9/11 suddenly there was a Transportation Security Administration (TSA) to ensure the safety of commercial air travel. Every cargo container was, for the first time, inspected for weapons and threat before entering the United States. Bollards appeared around nearly every landmark building. Production facilities were deliberately geographically dispersed to lower the risk of catastrophic loss in the event of an attack. Headquarters buildings became as secure as military command facilities. The list could go on.

It was expensive. Given the choice among hiring another worker or making a productivity-enhancing investment or improving safety, firms were spending on safety. Growth was tepid, the period after 9/11 earned the moniker “the jobless recovery,” and there was fiscal “stimulus” in 2002, 2003, and 2005. None of it worked because policymakers (and their staffs) failed realize that the supply-side cost shock was the problem, not a lack of demand.

It feels the same way today; just replace terrorists with the coronavirus. As Eakinomics has [noted](#), there is a place for supply-side tax policy to pre-emptively lower the drag on growth and recovery. We shall see if Congress and the administration can get to “yes” on another round of fiscal responses.

I want to emphasize a second similarity. The larger fallout is fear. After 9/11, fear was pervasive, and it is again today. After 9/11, all policymaking was viewed through the lens of fear and resulted in the country sacrificing traditions of decency in combat, privacy at home and in the workplace, and relationships with our allies out of basic fear.

As important as it is to implement effective policies to promote the recovery, it is even more important that the fear engendered by the pandemic and concomitant social distress not cloud the collective judgment of our country. That is my wish for this anniversary.