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## Paying Them to Hate Us

### The Effect of U.S. Military Aid on Anti-American Terrorism, 1968–2014

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**B**etween 1968 and 2014, the world saw more than 3,500 transnational terrorist attacks against American interests, most notably the 9/11 attacks on New York City and Washington, DC. In response to this threat from transnational terrorism, the United States has provided—among other measures—military assistance to foreign governments. From 1968 to 2014, the United States gave approximately \$470 billion (adjusted for inflation) in foreign military aid; in 2014 alone, the United States spent about \$10.5 billion on foreign aid.

Does military aid actually make the United States safer? There are competing and contradicting hypotheses about the effect of aid on terrorism. For one, military aid may bolster state capacity in recipient countries, consequently protecting the United States by making it more difficult to carry out anti-American terrorism. We call this way of thinking the policymaker argument, as it corresponds to how American policymakers view the efficacy of military aid. However, U.S. military aid can also lead to more anti-American terrorism. By resorting to anti-American terrorism, a terrorist group may hope to reduce U.S. aid for a domestic government that the terrorist group opposes; supposedly, a reduction in U.S. aid will weaken this government and make terrorist success more likely. We refer to this pathway from military aid to terrorism as the strategic-logic channel.

Understanding whether U.S. military aid leads to more or less anti-American terrorism is important from a public policy perspective. Political decisions in favor of aid may have consequences for taxation and spending in other fields.

Moreover, even a single act of anti-American terrorism can be extremely costly in social, political, and economic terms. For instance, in addition to human casualties, the costs of repairing the USS *Cole* (targeted by anti-American terrorism in Yemen in 2000) were more than \$250 million. As another example, the political fallout from the 2012 terrorist attack on the U.S. consulate in Benghazi, Libya, was influential in both the 2012 and 2016 U.S. presidential elections.

We contribute in several ways to the sparse literature on the nexus between U.S. military aid and anti-American terrorism. First, we extend the theoretical framework on the military aid–terrorism nexus by proposing an additional pathway from aid to anti-American terrorism. This will provide novel insights into the channels linking our main variables of interest. Second, we take the problem of endogeneity seriously and use an approach that allows us to establish causal links (rather than mere correlations) between U.S. military aid and anti-American terrorism. In addition, we improve statistical inference by considering data features such as cross-sectional dependence and unobserved heterogeneity that have been unappreciated in earlier empirical studies of the aid-terrorism nexus. Third, we study in more detail the mechanisms underlying the aid-terrorism relationship.

More specifically, we extend the existing literature along the theoretical dimension, proposing a further pathway from aid to anti-American terrorism. Building on arguments from the literature on rent seeking, we argue that U.S. military aid undermines institutions in recipient countries and creates anti-American resentment among those parts of the

population that do not have direct or indirect (via governmental redistribution) access to the rents arising from aid. For these groups, U.S. military aid constrains the means of economic and political participation and thus encourages anti-American terrorism. In addition to the policymaker argument and strategic-logic channel, we call this third pathway from more military aid to more anti-American terrorism the grievances channel.

To empirically examine the effect of U.S. military aid on anti-American terrorism, we use a large sample of 173 countries between 1968 and 2014. Our sample covers the post-9/11 era, which allows us—among other things—to explicitly compare the pre- and post-9/11 periods. We exploit variation in U.S. military aid in other parts of the world to indicate local trends in U.S. military aid; this approach addresses concerns over reverse causation between local U.S. military aid and anti-American terrorism and allows us to provide causal estimates of the effect of U.S. military aid on the emergence of anti-American terrorism. Our empirical approach also accounts for data features that may complicate statistical inference, such as the presence of cross-sectional dependence. Furthermore, we provide a battery of robustness checks and empirical extensions to further improve our understanding of the relationship between military aid and anti-American terrorism.

Finally, we study the effects of U.S. military aid on various potential transmission channels, thereby shedding further light on the mechanics of the military aid–terrorism nexus. We investigate whether the policymaker argument, the

strategic-logic channel, and/or our new grievances channel are supported by the data.

We show—in contrast to the policymaker argument—that higher levels of military aid lead to an increased likelihood of the recipient country producing anti-American terrorism. In our preferred specification, doubling U.S. military aid increases the risk of anti-American terrorism by 4.4 percentage points, which is approximately 30 percent of the sample mean. Our results indicate that earlier findings on the aid-terrorism relationship are downward biased and underestimate the role of U.S. military aid in anti-American terrorism. Considering potential transmission channels, we find strong support for our newly introduced grievances channel: more U.S. military aid leads to more corruption and exclusionary policies in recipient countries. Specifically, the inflow of military aid induces rent-seeking behavior, which in turn encourages groups that suffer from reduced economic and political participation because of rent seeking to engage in terrorism. These groups in particular direct their dissatisfaction against the United States as the perceived linchpin of an unfavorable status quo in the recipient country.

#### **NOTE:**

This research brief is based on Eugen Dimant, Tim Krieger, and Daniel Meierrieks, “Paying Them to Hate Us: The Effect of U.S. Military Aid on Anti-American Terrorism, 1968–2014,” SSRN, July 9, 2020, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3646854](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3646854).