

THE ENDANGERED ASIAN CENTURY

JULY/AUGUST 2020

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## The World After the Pandemic



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*Volume 99, Number 4*

## THE WORLD AFTER THE PANDEMIC

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Whether he's teaching students about global health, testifying before Congress on the economic impact of COVID-19, or talking to the *New York Times* about the World Health Organization's response to the pandemic, Dr. Yanzhong Huang has helped his students, the public, and international leaders better understand the forces shaping our world. A Senior Fellow at the Council on Foreign Relations, Professor Huang teaches at **Seton Hall University's School of Diplomacy** and directs the **Center for Global Health Studies**.



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Archibald Cary Coolidge, Founding Editor  
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On her way to becoming perhaps the most experienced Russia hand at the U.S. State Department, **VICTORIA NULAND** cut her teeth at the Soviet desk in Washington and at the U.S. embassy in Moscow. She went on to serve as U.S. ambassador to NATO under President George W. Bush and later crafted the United States’ response to the Russian invasion of Crimea. In “Pinning Down Putin” (page 93), Nuland, today a distinguished practitioner in grand strategy at Yale, argues that Putin’s Russia is neither monolithic nor immutable.



**ROBERT GATES** joined the CIA as a graduate student and became the only entry-level employee ever to rise to the position of director of central intelligence. As U.S. secretary of defense from 2006 to 2011, he oversaw the surge of U.S. troops in Iraq and U.S. operations in Afghanistan and overturned the “don’t ask, don’t tell” policy. In “The Overmilitarization of American Foreign Policy” (page 121), Gates argues that in recent decades, U.S. foreign policy has relied too much on military action and has let other tools of American influence atrophy.



**ARVIND SUBRAMANIAN** has spent his career at the forefront of economics and global development. A leading expert on trade since his days in the Research Department at the International Monetary Fund in the 1990s, he has taught at Harvard and Johns Hopkins. From 2014 to 2018, Subramanian served as chief economic adviser to the government of India, where he was instrumental in popularizing the idea of a universal basic income. In “After Capital” (page 165), Subramanian reviews the French economist Thomas Piketty’s latest book, *Capital and Ideology*.



# THE WORLD AFTER THE PANDEMIC

**F**ifteen years ago, after the SARS and H5N1 outbreaks, this magazine ran an article called “Preparing for the Next Pandemic.” Two years later came “Unprepared for a Pandemic,” then others. Cut to 2017, after MERS and Ebola and Zika: “Ready for a Global Pandemic? The Trump Administration May Be Woefully Underprepared.” None of this was prescience. It was conventional wisdom among public health experts. Anybody who didn’t understand the danger just wasn’t paying attention.

Still, even the Cassandras who saw such a crisis coming have been shocked by how poorly it has been handled, as our lead package explains. Michael Osterholm and Mark Olshaker trace how the failure to prepare was followed by a failure to contain. More than a century on from 1918, we have proved little better at combating a global pandemic than our great-grandparents were. So much for the march of progress.

Francis Fukuyama writes that the initial phases of the emergency were a brutal political stress test that only a handful of countries passed—those with capable states, social trust, and effective leadership. Since those same narrowly distributed qualities will be needed to manage the long, hard slog

ahead, he forecasts more failure and political turbulence around the globe in years to come.

Danielle Allen notes how the United States’ early response was hampered not just by poor leadership and federalism but also by a lack of common social purpose. And Stewart Patrick traces a similar trend at the international level—a global rush to closure, self-help, and scapegoating rather than multilateralism.

In country after country, politicians unable to defend their own records have tried to deflect attention onto scary, evil foreigners, helping drive an emerging conviction that the real culprit in the crisis is globalization. The only way to reduce vulnerability, they say, is to cut ties to the rest of the world—as if North Korean “self-reliance” offered a promising ideological model for the twenty-first century.

In truth, what is killing us is not connection; it is connection without cooperation. And the cure is not isolation but deeper connection, the kind that can support collective action. The doctors and scientists around the world have acted differently: reaching out to one another, pooling their talents and resources, and showing what a true global community could look like. Perhaps that’s why so many politicians have tried to muzzle them.

—Gideon Rose, *Editor*



*If the world doesn't learn  
the right lessons from  
its failure to prepare, the  
toll next time could be  
considerably steeper.*

— *Michael Osterholm and  
Mark Olshaker*



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**Chronicle of a Pandemic Foretold**  
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# Chronicle of a Pandemic Foretold

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Learning From the  
COVID-19 Failure—Before  
the Next Outbreak Arrives

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*Michael T. Osterholm and Mark  
Olshaker*

“**T**ime is running out to prepare for the next pandemic. We must act now with decisiveness and purpose. Someday, after the next pandemic has come and gone, a commission much like the 9/11 Commission will be charged with determining how well government, business, and public health leaders prepared the world for the catastrophe when they had clear warning. What will be the verdict?”

That is from the concluding paragraph of an essay entitled “Preparing for the Next Pandemic” that one of us, Michael Osterholm, published in these pages in 2005. The next pandemic has now come, and even though COVID-19, the disease caused by the new coronavirus that emerged in late 2019, is far from gone, it is not too soon to reach a verdict on the world’s collective preparation. That verdict is a damning one.

---

**MICHAEL T. OSTERHOLM** is Regents Professor and Director of the Center for Infectious Disease Research and Policy at the University of Minnesota.

**MARK OLSHAKER** is a writer and documentary filmmaker.

They are the authors of *Deadliest Enemy: Our War Against Killer Germs*.

There are two levels of preparation, long range and short range, and government, business, and public health leaders largely failed on both. Failure on the first level is akin to having been warned by meteorologists that a Category 5 hurricane would one day make a direct hit on New Orleans and doing nothing to strengthen levies, construct water-diversion systems, or develop a comprehensive emergency plan. Failure on the second is akin to knowing that a massive low-pressure system is moving across the Atlantic toward the Gulf of Mexico and not promptly issuing evacuation orders or adequately stocking emergency shelters. When Hurricane Katrina hit New Orleans on August 29, 2005, preparation on both levels was inadequate, and the region suffered massive losses of life and property as a result. The analogous failure both over recent decades to prepare for an eventual pandemic and over recent months to prepare for the spread of this particular pandemic has had an even steeper toll, on a national and global scale.

The long-term failure by governments and institutions to prepare for an infectious disease outbreak cannot be blamed on a lack of warning or an absence of concrete policy options. Nor should resources have been the constraint. After all, in the past two decades, the United States alone has spent countless billions on homeland security and counterterrorism to defend against human enemies, losing sight of the demonstrably far greater threat posed by microbial enemies; terrorists don’t have the capacity to bring Americans’ way of life to a screeching halt, something COVID-19 accomplished handily in a





matter of weeks. And then, in addition to the preparations that should have been started many years ago, there are the preparations that should have started several months ago, as soon as reports of an unknown communicable disease that could kill started coming out of China.

The public health community has for years known with certainty that another major pandemic was on the way, and then another one after that—not if but when. Mother Nature has always had the upper hand, and now she has at her disposal all the trappings of the modern world to extend her reach. The current crisis will eventually end, either when a vaccine is available or when enough of the global population has developed immunity (if lasting immunity is even possible), which would likely require some two-thirds of the total population to become infected. Neither of those ends will come quickly, and the human and economic costs in the meantime will be enormous.

Yet some future microbial outbreak will be bigger and deadlier still. In other words, this pandemic is probably not “the Big One,” the prospect of which haunts the nightmares of epidemiologists and public health officials everywhere. The next pandemic will most likely be a novel influenza virus with the same devastating impact as the pandemic of 1918, which circled the globe two and a half times over the course of more than a year, in recurring waves, killing many more people than the brutal and bloody war that preceded it.

Examining why the United States and the world are in this current crisis is thus not simply a matter of accountability or assigning blame. Just as this pandemic was in many ways foretold,

the next one will be, as well. If the world doesn’t learn the right lessons from its failure to prepare and act on them with the speed, resources, and political and societal commitment they deserve, the toll next time could be considerably steeper. Terrible as it is, COVID-19 should serve as a warning of how much worse a pandemic could be—and spur the necessary action to contain an outbreak before it is again too late.

### WAKE-UP CALL

For anyone who wasn’t focused on the threat of an infectious disease pandemic before, the wake-up call should have come with the 2003 outbreak of SARS. A coronavirus—so named because, under an electron microscope, the proteins projecting out from the virion’s surface resemble a corona, a halo-like astronomical phenomenon—jumped from palm civets and ferret badgers in the markets of Guangdong, China, made its way to Hong Kong, and then spread to countries around the world. By the time the outbreak was stopped, the animal sources eliminated from the markets, and infected people isolated, 8,098 cases had been reported and 774 people had died.

Nine years later, in 2012, another life-threatening coronavirus, MERS, spread across the Arabian Peninsula. In this instance, the virus originated in dromedaries, a type of camel. (Since camel owners in the Middle East understandably will not kill their valuable and culturally important animals, MERS remains a regional public health challenge.) Both coronaviruses were harbingers of things to come (as we wrote in our 2017 book, *Deadliest Enemy*), even if, unlike COVID-19, which can be transmitted by carriers not even aware

they have it, SARS and MERS tend not to become highly infectious until the fifth or sixth day of symptomatic illness.

SARS, MERS, and a number of other recent outbreaks—the 2009 H1N1 flu pandemic that started in Mexico, the 2014–16 Ebola epidemic in West Africa, the 2015–16 spread of the Zika flavivirus from the Pacific Islands to North and South America—have differed from one another in a number of ways, including their clinical presentation, their degree of severity, and their means of transmission. But all have had one notable thing in common: they all came as surprises, and they shouldn't have.

For years, epidemiologists and public health experts had been calling for the development of concrete plans for handling the first months and years of a pandemic. Such a “detailed operational blueprint,” as “Preparing for the Next Pandemic” put it in 2005, would have to involve everyone from private-sector food producers, medical suppliers, and health-care providers to public-sector health, law enforcement, and emergency-management officials. And it would have to anticipate “the pandemic-related collapse of worldwide trade . . . the first real test of the resiliency of the modern global delivery system.” Similar calls came from experts and officials around the world, and yet they largely went unheeded.

### **PREEXISTING CONDITIONS**

If anything, despite such warnings, the state of preparedness has gotten worse rather than better in recent years—especially in the United States. The problem was not just deteriorating public health infrastructure but also changes in global trade and production.

During the 2003 SARS outbreak, few people worried about supply chains. Now, global supply chains are significantly complicating the U.S. response. The United States has become far more dependent on China and other nations for critical drugs and medical supplies. The Center for Infectious Disease Research and Policy at the University of Minnesota (where one of us, Osterholm, is the director) has identified 156 acute critical drugs frequently used in the United States—the drugs without which patients would die within hours. All these drugs are generic; most are now made overseas; and many of them, or their active pharmaceutical ingredients, are manufactured in China or India. A pandemic that idles Asian factories or shuts down shipping routes thus threatens the already strained supply of these drugs to Western hospitals, and it doesn't matter how good a modern hospital is if the bottles and vials on the crash cart are empty. (And in a strategic showdown with its great-power rival, China might use its ability to withhold critical drugs to devastating effect.)

Financial pressure on hospitals and health systems has also left them less able to handle added stress. In any pandemic-level outbreak, a pernicious ripple effect disturbs the health-care equilibrium. The stepped-up need for ventilators and the tranquilizing and paralytic drugs that accompany their use produce a greater need for kidney dialysis and the therapeutic agents that requires, and so on down the line. Even speculation that the antimalarial hydroxychloroquine might be useful in the treatment of COVID-19 caused a shortage of the drug for patients with rheumatoid arthritis and lupus, who

depend on it for their daily well-being. It remains unclear what impact COVID-19 has had on the number of deaths due to other conditions, such as heart attacks. Even if it's mostly a matter of patients with severe or life-threatening chronic conditions avoiding care to minimize their risk of exposure to the virus, this could ultimately prove to be serious collateral damage of the pandemic.

In normal times, the United States' hospitals have little in the way of reserves and therefore little to no surge capacity for emergency situations: not enough beds, not enough emergency equipment such as mechanical ventilators, not enough N95 masks and other personal protective equipment (PPE). The result during a pandemic is the equivalent of sending soldiers into battle without enough helmets or rifles.

The National Pharmaceutical Stockpile was created during the Clinton administration and renamed the Strategic National Stockpile in 2003. It has never had sufficient reserves to meet the kind of crisis underway today, and it is fair to say that no administration has devoted the resources to make it fully functional in a large-scale emergency.

Even more of an impediment to a rapid and efficient pandemic response is underinvestment in vaccine research and development. In 2006, Congress established the Biomedical Advanced Research and Development Authority (BARDA). Its charge is to provide an integrated and systematic approach to the development and purchase of vaccines, drugs, and diagnostic tools that will become critical in public health emergencies. But it has been chronically underfunded, and the need to go to Congress and ask for new money every

year has all but killed the possibility of major long-term projects.

Following the 2014–16 West African Ebola outbreak, there was a clear recognition of the inadequacy of international investment in new vaccines for regional epidemic diseases such as Ebola, Lassa fever, Nipah virus disease, and Zika, despite the efforts of BARDA and other international philanthropic government programs. To address this hole in preparedness, CEPI, the Coalition for Epidemic Preparedness Innovations, a foundation that receives support from public, private, philanthropic, and civil society organizations, was conceived in 2015 and formally launched in 2017. Its purpose is to finance independent research projects to develop vaccines against emerging infectious diseases. It was initially supported with \$460 million from the Bill & Melinda Gates Foundation, the Wellcome Trust, and a consortium of nations, including Germany, Japan, and Norway. Although CEPI has been a central player since early this year in developing a vaccine for SARS-CoV-2, the virus that causes COVID-19, the absence of a prior major coronavirus vaccine initiative highlights the ongoing underinvestment in global infectious disease preparedness.

Had the requisite financial and pharmaceutical resources gone into developing a vaccine for SARS in 2003 or MERS in 2012, scientists already would have done the essential research on how to achieve coronavirus immunity, and there would likely be a vaccine platform on which to build (such a platform is a technology or modality that can be developed for a range of related diseases). Today, that would have saved many precious months or even years.



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## FIRST SYMPTOMS

By late 2019, the lack of long-range preparation had gone on for years, despite persistent warnings. Then, the short-range failure started. Early surveillance data suggested to epidemiologists that a microbial storm was brewing. But the action to prepare for that storm came far too slowly.

By the last week of December, reports of a new infectious disease in the Chinese city of Wuhan and surrounding Hubei Province were starting to make their way to the United States and around the world. There is no question that the Chinese government suppressed information during the first weeks of the outbreak, evident especially in the shameful attempt to silence the warnings of Li Wenliang, the 34-year-old ophthalmologist who tried to alert the public about the threat. Yet even with such dissembling and delay, the warning signs were clear enough by the start of this year. For example, the Center for Infectious Disease Research and Policy published its first description of the mystery disease on December 31 and publicly identified it as a novel coronavirus on January 8. And by January 11, China had published the complete genetic sequence for the virus, at which point the World Health Organization (WHO) immediately began developing a diagnostic test. By the second half of January, epidemiologists were warning of a potential pandemic (including one of us, Osterholm, on January 20). Yet the U.S. government at the time was still dismissing the prospect of a serious outbreak in the United States—despite valid suspicions that the Chinese government was suppress-

ing information on the Wuhan outbreak and underreporting case figures. It was the moment when preparation for a specific coming storm should have started in earnest and quickly shifted into high gear.

U.S. President Donald Trump would later proffer the twin assertions that he “felt it was a pandemic long before it was called a pandemic” and that “nobody knew there’d be a pandemic or an epidemic of this proportion.” But on January 29, Peter Navarro, Trump’s trade adviser, wrote a memo to the National Security Council warning that when the coronavirus in China reached U.S. soil, it could risk the health or lives of millions and cost the economy trillions of dollars. That same day, as reported by *The Wall Street Journal*, Alex Azar, the health and human services secretary, told the president that the potential epidemic was well under control. Navarro sent an even more urgent memo on February 23, according to *The New York Times*, pointing to an “increasing probability of a full-blown COVID-19 pandemic that could infect as many as 100 million Americans, with a loss of life of as many as 1–2 million souls.”

Washington’s lack of an adequate response to such warnings is by now a matter of public record. Viewing the initially low numbers of clinically recognized cases outside China, key U.S. officials were either unaware of or in denial about the risks of exponential viral spread. If an infectious disease spreads from person to person and each individual case causes two more, the total numbers will remain low for a while—and then take off. (It’s like the old demonstration: if you start out with a penny and double it every day, you’ll have just 64

cents after a week and \$81.92 after two weeks, and then more than \$5 million by the end of a month.) COVID-19 cases do not typically double overnight, but every five days is a pretty good benchmark, allowing for rapid growth even from just a few cases. Once the virus had spread outside East Asia, Iran and Italy were the first to experience this effect.

Even with the lack of long-range planning and investment, there was much that the U.S. government could and should have done by way of a short-range response. As soon as the novel and deadly coronavirus was identified, Washington could have conducted a quick but comprehensive review of national PPE requirements, which would have led to the immediate ramping up of production for N95 masks and protective gowns and gloves and plans to produce more mechanical ventilators. Relying on the experience of other countries, it should have put in place a comprehensive test-manufacturing capability and been ready to institute testing and contact tracing while the number of cases was still low, containing the virus as much as possible wherever it cropped up. It could have appointed a supply chain coordinator to work with governors, on a nonpartisan basis, to allocate and distribute resources. At the same time, Congress could have been drafting emergency-funding legislation for hospitals, to prepare them for both the onslaught of COVID-19 patients and the sharp drop in elective surgeries, routine hospitalizations, and visits by foreign visitors, essential sources of revenue for many institutions.

Instead, the administration resisted calls to advise people to stay at home and practice social distancing and was

unable or unwilling to coordinate a government-wide effort among relevant agencies and departments. The Centers for Disease Control and Prevention initially shipped its own version of a test to state public health labs, only to find that it didn't work. This should have immediately triggered an elevation of the issue to a crisis-driven priority for both the CDC and the U.S. Food and Drug Administration, including bringing the private clinical laboratory industry into the process to help manufacture test kits. Instead, the problem languished, and the FDA took until the end of February to approve any independent tests. At that point, the United States had 100 or so recognized cases of COVID-19. A little over a week later, the number would break 1,000, and after that, the president declared a national emergency.

In 1918, cities that reacted to the flu early, preventing public gatherings and advising citizens to stay home, suffered far fewer casualties overall. But for this approach to work, they had to have reliable information from central authorities in public health and government, which requires honesty, responsiveness, and credibility from the beginning. In the current crisis, the output from the White House was instead—and continues to be—a stream of self-congratulatory tweets, mixed messages, and contradictory daily briefings in which Trump simultaneously asserted far-reaching authority and control and denied responsibility for anything that went wrong or didn't get done. Everything was the governors' responsibility and fault—including not planning ahead, the very thing the administration refused to do. Two

years earlier, it had even disbanded the pandemic-readiness arm of the National Security Council.

“You go to war with the army you have, not the army you might want or wish to have at a later time,” U.S. Secretary of Defense Donald Rumsfeld famously declared in 2004, addressing U.S. troops on the way to Iraq, where the military’s vehicles lacked armor that could protect the service members inside from explosive devices. That grim message could apply to the pandemic response, too, with, for example, frontline health-care workers going to war against COVID-19 without PPE. But in many ways, the current situation is even worse. The United States and other countries went to war against a rapidly spreading infectious disease without a battle plan, sufficient personnel, adequate facilities or stocks of equipment and supplies, a reliable supply chain, centralized command, or a public educated about or prepared for the struggle ahead.

In the absence of strong and consistent federal leadership, state governors and many large-city mayors have taken the primary responsibility of pandemic response on themselves, as they had to, given that the White House had even advised them to find their own ventilators and testing supplies. (And health-care workers, forced into frontline treatment situations without adequate respiratory protection, are of course the hero-soldiers of this war.) But fighting the virus effectively demands that decision-makers start thinking strategically—to determine whether the actions being taken right now are effective and evidence-based—or else little will be accomplished despite the best of inten-

tions. In this regard, it is not too late for the United States to take on its traditional leadership role and be an example in this fight, rather than lagging behind, as it has so far, places such as Germany, Hong Kong, Singapore, and South Korea, and even, despite its initial missteps, China.

### THE BIG ONE

Why did so many policymakers ignore the virus until it was too late to slow it down? It’s not a failure of imagination that prevented them from understanding the dimensions and impact of a mass infectious disease outbreak. In the United States, numerous high-level simulated bioterror and pandemic tabletop exercises—from Dark Winter in 2001 through Clade X in 2018 and Event 201 in 2019—have demonstrated the confusion, poor decision-making, and lack of coordination of resources and messaging that can undermine a response in the absence of crisis contingency planning and preparation. The problem is mainly structural, one that behavioral economists call “hyperbolic discounting.” Because of hyperbolic discounting, explains Eric Dezenhall, a crisis manager and one-time Reagan White House staffer who has long studied the organizational reasons for action and inaction in government and business, leaders “do what is easy and pays immediate dividends rather than doing what is hard, where the dividends seem remote. . . . With something like a pandemic, which sounds like a phenomenon from another century, it seems too remote to plan for.”

The phenomenon is hardly new. Daniel Defoe relates in *A Journal of the Plague Year* that in 1665, municipal



authorities in London first refused to accept that anything unusual was happening, then tried to keep information from the public, until the spike in deaths made it impossible to deny the much-feared bubonic plague. By that point, all they could do was lock victims and their families in their homes in a vain attempt to stop the spread.

Short of a global thermonuclear war and the long-term impact of climate change, an infectious disease pandemic has the greatest potential to devastate health and economic stability across the globe. All other types of disasters and calamities are limited in geography and duration—whether a hurricane, an earthquake, or a terrorist attack. A pandemic can occur everywhere at once and last for months or years.

Worldwide mortality estimates for the 1918 influenza pandemic range as high as 100 million—as a percentage of the global population, equivalent to more than 400 million people today—making it easily the worst natural disaster in modern times. So profound were the pandemic’s effects that average life expectancy in the United States immediately fell by more than ten years. Unlike a century ago, the world today has four times the population; more than a billion international border crossings each year; air travel that can connect almost any two points on the globe in a matter of hours; wide-scale human encroachment on forests and wildlife habitats; developing-world megacities in which impoverished people live in close confines with others and without adequate nutrition, sanitation, or medical care; industrial farming in which animals are kept packed together; a significant overuse of antibiotics in both

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human and animal populations; millions of people living cheek by jowl with domestic birds and livestock (creating what are essentially genetic reassortment laboratories); and a dependence on international just-in-time supply chains with much of the critical production concentrated in China.

The natural tendency might be to reassuringly assume that a century's worth of medical progress will make up for such added vulnerabilities. (The human influenza virus wasn't even discovered until 1933, when the virologists Wilson Smith, Christopher Andrewes, and Patrick Laidlaw, working at London's National Institute for Medical Research, first isolated the influenza A virus from the nasal secretions and throat washings of infected patients.) That would be a grave misconception. Even in a nonpandemic year, aggregated infectious diseases—including malaria, tuberculosis, HIV/AIDS, seasonal influenza, and diarrheal and other vector-borne illnesses—represent one of the major causes of death worldwide and by far the leading cause of death in low-income countries, according to the WHO.

In fact, given those realities of modern life, a similarly virulent influenza pandemic would be exponentially more devastating than the one a century ago—as the current pandemic makes clear. In the absence of a reliable vaccine produced in sufficient quantities to immunize much of the planet, all the significant countermeasures to prevent the spread of COVID-19 have been nonmedical: avoiding public gatherings, sheltering in place, social distancing, wearing masks of variable effectiveness, washing hands frequently. As of this writing,

scientists and policymakers don't even have a good handle on how many of the RT-PCR tests that determine whether an individual has the virus and how many of the serology tests that detect antibodies and determine whether someone has already had it are even reliable. Meanwhile, international demand for reagents—the chemicals that make both kinds of tests work—and sampling swabs is already outstripping supply and production. It is hard to conclude that the world today is much better equipped to combat a massive pandemic than doctors, public health personnel, and policymakers were 100 years ago.

Some are calling the COVID-19 pandemic a once-in-100-year event, comparable to 100-year floods or earthquakes. But the fact that the world is enduring a pandemic right now is no more predictive of when the next one will occur than one roll of dice is of the result of the next roll. (Although the 1918 flu was the most devastating influenza pandemic in history, an 1830–32 outbreak was similarly severe, only in a world with around half of 1918's population.) The next roll, or the one after that, could really be “the Big One,” and it could make even the current pandemic seem minor by comparison.

When it comes, a novel influenza pandemic could truly bring the entire world to its knees—killing hundreds of millions or more, devastating commerce, destabilizing governments, skewing the course of history for generations to come. Unlike COVID-19, which tends to most seriously affect older people and those with preexisting medical problems, the 1918 influenza took a particularly heavy toll on otherwise healthy men and women between the ages of 18 and 40 (thought to be a result of their

more robust immune systems overreacting to the threat through a “cytokine storm”). There is no reason to think that the next big novel influenza pandemic couldn’t have similar results.

### **PLANS VS. PLANNING**

Humans do not have the power to prevent all epidemics or pandemics. But with the sufficient will, resources, and commitment, we do have the power to mitigate their awesome potential for causing premature deaths and attendant misery.

To begin with, Americans must change how they think about the challenge. Although many people in the public health sphere don’t like associating themselves with the military—they heal rather than kill, the thinking goes—there is much that they can learn from military planning. The military focuses on flexibility, logistics, and maintaining readiness for any foreseeable situation. As U.S. General Dwight Eisenhower noted, “Peace-time plans are of no particular value, but peace-time planning is indispensable.”

The starting point should be to prioritize health threats in terms of their likelihood and potential consequences if unchecked. First on that list is a deadly virus that spreads by respiratory transmission (coughing, sneezing, even simple breathing). By far the most likely candidate would be another high-mortality influenza strain, like the 1918 one, although as revealed by SARS, MERS, Zika, and COVID-19, new and deadly noninfluenza microbes are emerging or mutating in unpredictable and dangerous ways.

Even before a specific threat has arisen, a broad group of actors should be brought together to develop a comprehensive strategy—with enough built-in flexibility that it can evolve as

conditions demand—and then they should repeatedly review and rehearse it. That effort should involve everyone from high-level government and public health officials to emergency responders, law enforcement, medical experts and suppliers, food providers, manufacturers, and specialists in transportation and communications. (As emergency planners are fond of saying, you don’t want to be exchanging business cards at a disaster site.) The strategy should offer an operational blueprint for how to get through the one or two years a pandemic would likely last; among the benefits of such a blueprint would be helping ensure that leaders are psychologically prepared for what they might face in a crisis, just as military training does for soldiers anticipating battlefield conditions. The Bipartisan Commission on Biodefense—jointly chaired by Tom Ridge, the first secretary of homeland security, under President George W. Bush, and a former Pennsylvania governor, and Joseph Lieberman, a former Democratic senator from Connecticut—has suggested that the operation could be located in the Office of the Vice President, with direct reporting to the president. Wherever it is based, it must be run by a smart and responsible coordinator, experienced in the mechanics of government and able to communicate effectively with all parties—as Ron Klain was as Ebola czar in the Obama administration.

In addition to the gaming out of various potential scenarios, adequate preparation must include a military-like model of procurement and production. The military doesn’t wait until war is declared to start building aircraft carriers, fighter jets, or other weapons

systems. It develops weapons over a period of years, with congressional funding projected over the entire development span. The same type of approach is needed to develop the weapons systems to fight potential pandemics. Relying solely on the market and the private sector to take care of this is a recipe for failure, because in many cases, there will be no viable customer other than the government to fund both the development and the manufacturing process.

That has proved particularly true when it comes to drug development, even when there is no pandemic. For many of the most critical drugs, a market-driven approach that relies on private pharmaceutical companies simply doesn't work. The problem is evident, for example, in the production of antibiotics. Because of the growing problem of antimicrobial resistance—which threatens to bring back a pre-antibiotic dark age, in which a cut or a scrape could kill and surgery was a risk-filled nightmare—it makes little sense for pharmaceutical companies to devote enormous human and financial resources to developing a powerful new antibiotic that might subsequently be restricted to use in only the most extreme cases. But in a flu pandemic, such highly effective antibiotics would be essential, since a primary cause of death in recent flu outbreaks has been secondary bacterial pneumonia infecting lungs weakened by the virus.

The same holds for developing vaccines or treatments for diseases such as Ebola. Such drugs have virtually no sales most of the time but are critical to averting an epidemic when an outbreak strikes. Governments must be willing to subsidize the research, development,

clinical trials, and manufacturing capacity for such drugs the same way they subsidize the development and manufacture of fighter planes and tanks.

Preparation for pandemics and for the necessary surge of medical countermeasures will also require being more attentive to where drugs and medical supplies are produced. In times of pandemic, every nation will be competing for the same critical drugs and medical supplies at the same time, so it is entirely reasonable to expect that each will prioritize its own needs when distributing what it produces and controls. There is also the ongoing threat that a localized infectious hot spot will close down a manufacturing facility that produces critical drugs or medical supplies. Despite the higher costs that it would involve, it is absolutely essential that the United States lessen its dependence on China and India for its lifesaving drugs and develop additional manufacturing capacity in the United States itself and in reliably friendly Western nations.

The U.S. government must also get more strategic in overseeing the Strategic National Stockpile. Not only does it need to perform realistic evaluations of what should be on hand to meet surges in demand at any given time, in order to avoid repeating the current shame of not having enough PPE for health-care workers and first responders; supplies should also be rotated in and out on a regular basis, so that, for instance, the store doesn't end up including masks with degraded rubber bands or expired medications.

## **HOLISTIC TREATMENT**

To make progress on either a specific vaccine or a vaccine platform for diseases of pandemic potential, govern-



ments have to play a central role. That includes funding basic research, development, and the Phase 3 clinical trials necessary for validation and licensing. (This phase is often referred to as “the valley of death,” because it is the point at which many drugs with early laboratory promise don’t pan out in real-world applications.) It is also imperative that governments commit to purchasing these vaccines.

With its current concentration on the development of a vaccine for COVID-19 and other medical countermeasures, BARDA has had to put other projects on the back burner. For all the complaints about its cumbersome contracting process and tight oversight controls (said by critics to stifle outside-the-box thinking and experimentation), BARDA is the closest thing the U.S. government has to a venture capital firm for epidemic response. COVID-19 should spur a commitment to upgrading it, and a panel of experts should undertake a review of BARDA’s annual budget and scope to determine what the agency needs to meet and respond to future biomedical challenges.

Of all the vaccines that deserve priority, at the very top of the list should be a “universal” influenza vaccine, which would be game changing. Twice a year, once for the Northern Hemisphere and once for the Southern Hemisphere, through an observational and not very precise committee process, international public health officials try to guess which flu strains are likely to flare up the next fall, and then they rush a new vaccine based on these guesstimates into production and distribution. The problem is that influenza can mutate and reassort its genes with maddening ease as it passes

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from one living animal or human host to the next, so each year's seasonal flu vaccine is usually only partly effective—better than nothing, but not a precise and directly targeted bullet like the smallpox or the measles vaccine. The holy grail of influenza immunity would be to develop a vaccine that targets the conserved elements of the virus—that is, the parts that don't change from one flu strain to the next, no matter how many mutations or iterations the virus goes through.

A universal influenza vaccine would require a monumental scientific effort, on the scale of the billion-dollar annual investment that has gone into fighting HIV/AIDS. The price tag would be enormous, but since another population-devouring flu pandemic will surely visit itself on the globe at some point, the expense would be justified many times over. Such a vaccine would be the greatest public health triumph since the eradication of smallpox.

Of course, no single nation can fight a pandemic on its own. Microbes do not respect borders, and they manage to figure out workarounds to restrictions on international air travel. As the Nobel Prize-winning molecular biologist Joshua Lederberg warned, "The microbe that felled one child in a distant continent yesterday can reach yours today and seed a global pandemic tomorrow." With that insight in mind, there should be a major, carefully coordinated disaster drill every year, similar to the military exercises the United States holds with its allies, but with a much broader range of partners. These should involve governments, public health and emergency-response institutions, and the major medically related manufacturing industries of

various nations that will need to work together quickly when worldwide disease surveillance—another vital component of pandemic preparedness—recognizes an outbreak.

The world was able to eradicate smallpox, one of the great scourges of history, because the two superpowers, the United States and the Soviet Union, both committed to doing so, following an appeal at the 1958 convening of the World Health Assembly, the decision-making body of the WHO. Today's tense geopolitics makes such a common commitment hard to achieve. But without it, there is little chance of adequate preparation for the next pandemic. The current global health architecture is far from sufficient. It has little hope of containing an even more threatening outbreak. Instead, something along the lines of NATO will be necessary—a public-health-oriented treaty organization with prepositioned supplies, a deployment blueprint, and an agreement among signatories that an epidemic outbreak in one country will be met with a coordinated and equally vigorous response by all. Such an organization could work in concert with the WHO and other existing institutions but act with greater speed, efficiency, and resources.

It is easy enough to dismiss warnings of another 1918-like pandemic: the next pandemic might not arise in our lifetimes, and by the time it does, science may have come up with robust medical countermeasures to contain it at lower human and economic cost. These are reasonable possibilities. But reasonable enough to collectively bet our lives on? History says otherwise. 🌐

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# The Pandemic and Political Order

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## It Takes a State

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*Francis Fukuyama*

**M**ajor crises have major consequences, usually unforeseen. The Great Depression spurred isolationism, nationalism, fascism, and World War II—but also led to the New Deal, the rise of the United States as a global superpower, and eventually decolonization. The 9/11 attacks produced two failed American interventions, the rise of Iran, and new forms of Islamic radicalism. The 2008 financial crisis generated a surge in antiestablishment populism that replaced leaders across the globe. Future historians will trace comparably large effects to the current coronavirus pandemic; the challenge is figuring them out ahead of time.

It is already clear why some countries have done better than others in dealing with the crisis so far, and there is every reason to think those trends will continue. It is not a matter of regime type. Some democracies have performed well, but others have not, and the same is true for autocracies. The factors responsible for successful pandemic responses have been state capacity, social trust, and leadership. Countries with all three—a competent state apparatus, a government

that citizens trust and listen to, and effective leaders—have performed impressively, limiting the damage they have suffered. Countries with dysfunctional states, polarized societies, or poor leadership have done badly, leaving their citizens and economies exposed and vulnerable.

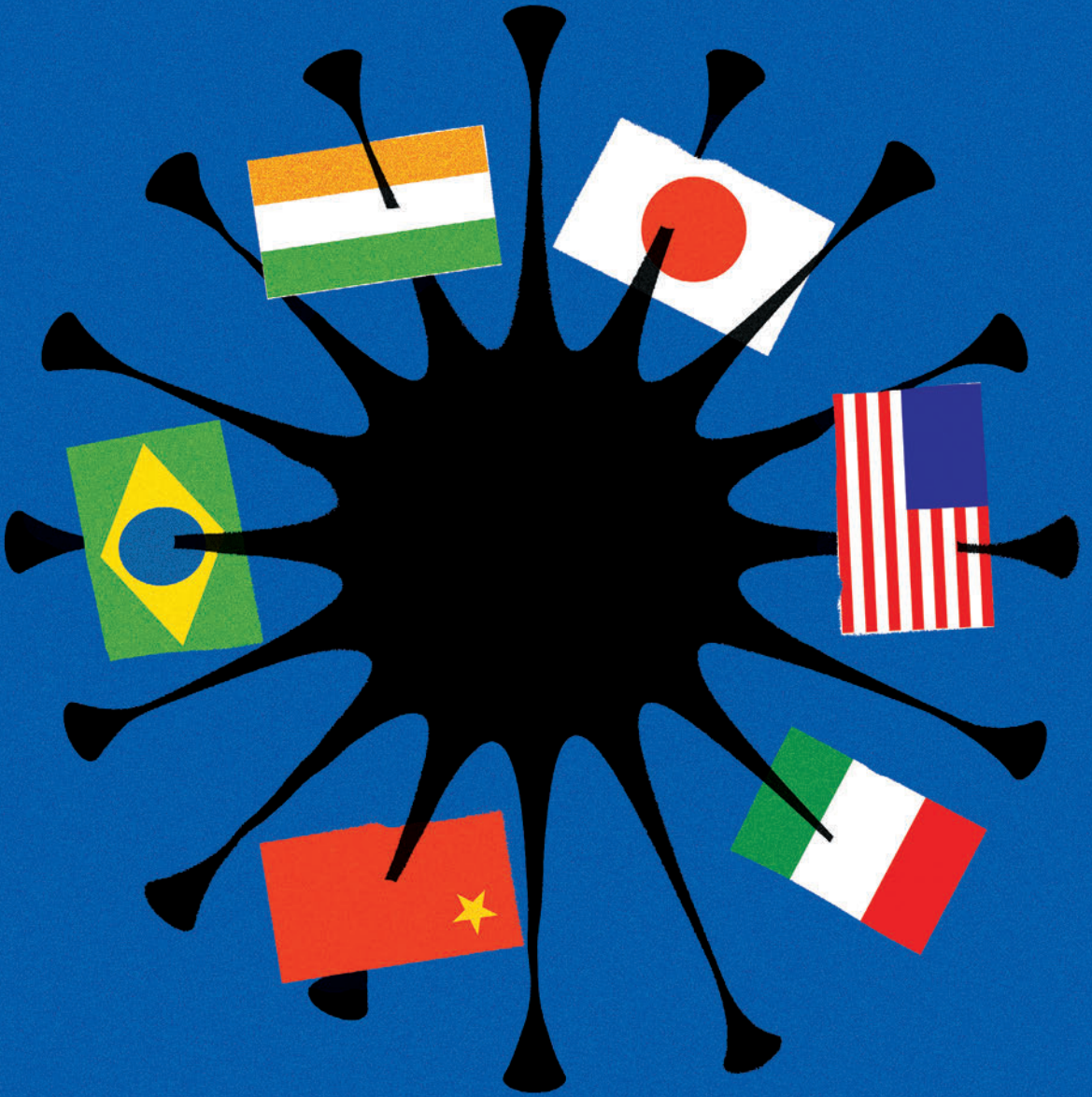
The more that is learned about COVID-19, the disease caused by the novel coronavirus, the more it seems the crisis will be protracted, measured in years rather than quarters. The virus appears less deadly than feared, but very contagious and often transmitted asymptotically. Ebola is highly lethal but hard to catch; victims die quickly, before they can pass it on. COVID-19 is the opposite, which means that people tend not to take it as seriously as they should, and so it has, and will continue to, spread widely across the globe, causing vast numbers of deaths. There will be no moment when countries will be able to declare victory over the disease; rather, economies will open up slowly and tentatively, with progress slowed by subsequent waves of infections. Hopes for a V-shaped recovery appear wildly optimistic. More likely is an L with a long tail curving upward or a series of Ws. The world economy will not go back to anything like its pre-COVID state anytime soon.

Economically, a protracted crisis will mean more business failures and devastation for industries such as shopping malls, retail chains, and travel. Levels of market concentration in the U.S. economy had been rising steadily for decades, and the pandemic will push the trend still further. Only large companies with deep pockets will be able to ride out the storm, with the technology giants gaining most of all, as digital interactions become ever more important.

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The political consequences could be even more significant. Populations can be summoned to heroic acts of collective self-sacrifice for a while, but not forever. A lingering epidemic combined with deep job losses, a prolonged recession, and an unprecedented debt burden will inevitably create tensions that turn into a political backlash—but against whom is as yet unclear.

The global distribution of power will continue to shift eastward, since East Asia has done better at managing the situation than Europe or the United States. Even though the pandemic originated in China and Beijing initially covered it up and allowed it to spread, China will benefit from the crisis, at least in relative terms. As it happened, other governments at first performed poorly and tried to cover it up, too, more visibly and with even deadlier consequences for their citizens. And at least Beijing has been able to regain control of the situation and is moving on to the next challenge, getting its economy back up to speed quickly and sustainably.

The United States, in contrast, has bungled its response badly and seen its prestige slip enormously. The country has vast potential state capacity and had built an impressive track record over previous epidemiological crises, but its current highly polarized society and incompetent leader blocked the state from functioning effectively. The president stoked division rather than promoting unity, politicized the distribution of aid, pushed responsibility onto governors for making key decisions while encouraging protests against them for protecting public health, and attacked international institutions rather than galvanizing them. The

world can watch TV, too, and has stood by in amazement, with China quick to make the comparison clear.

Over the years to come, the pandemic could lead to the United States' relative decline, the continued erosion of the liberal international order, and a resurgence of fascism around the globe. It could also lead to a rebirth of liberal democracy, a system that has confounded skeptics many times, showing remarkable powers of resilience and renewal. Elements of both visions will emerge, in different places. Unfortunately, unless current trends change dramatically, the general forecast is gloomy.

### **RISING FASCISM?**

Pessimistic outcomes are easy to imagine. Nationalism, isolationism, xenophobia, and attacks on the liberal world order have been increasing for years, and that trend will only be accelerated by the pandemic. Governments in Hungary and the Philippines have used the crisis to give themselves emergency powers, moving them still further away from democracy. Many other countries, including China, El Salvador, and Uganda, have taken similar measures. Barriers to the movement of people have appeared everywhere, including within the heart of Europe; rather than cooperate constructively for their common benefit, countries have turned inward, bickered with one another, and made their rivals political scapegoats for their own failures.

The rise of nationalism will increase the possibility of international conflict. Leaders may see fights with foreigners as useful domestic political distractions, or they may be tempted by the weakness or preoccupation of their oppo-



nents and take advantage of the pandemic to destabilize favorite targets or create new facts on the ground. Still, given the continued stabilizing force of nuclear weapons and the common challenges facing all major players, international turbulence is less likely than domestic turbulence.

Poor countries with crowded cities and weak public health systems will be hit hard. Not just social distancing but even simple hygiene such as hand washing is extremely difficult in countries where many citizens have no regular access to clean water. And governments have often made matters worse rather than better—whether by design, by inciting communal tensions and undermining social cohesion, or by simple incompetence. India, for example, increased its vulnerability by declaring a sudden nationwide shutdown without thinking through the consequences for the tens of millions of migrant laborers who crowd into every large city. Many went to their rural homes, spreading the disease throughout the country; once the government reversed its position and began to restrict movement, a large number found themselves trapped in cities without work, shelter, or care.

Displacement caused by climate change was already a slow-moving crisis brewing in the global South. The pandemic will compound its effects, bringing large populations in developing countries ever closer to the edge of subsistence. And the crisis has crushed the hopes of hundreds of millions of people in poor countries who have been the beneficiaries of two decades of sustained economic growth. Popular outrage will grow, and dashing citizens'

rising expectations is ultimately a classic recipe for revolution. The desperate will seek to migrate, demagogic leaders will exploit the situation to seize power, corrupt politicians will take the opportunity to steal what they can, and many governments will clamp down or collapse. A new wave of attempted migration from the global South to the North, meanwhile, would be met with even less sympathy and more resistance this time around, since migrants could be accused more credibly now of bringing disease and chaos.

Finally, the appearances of so-called black swans are by definition unpredictable but increasingly likely the further out one looks. Past pandemics have fostered apocalyptic visions, cults, and new religions growing up around the extreme anxieties caused by prolonged hardship. Fascism, in fact, could be seen as one such cult, emerging from the violence and dislocation engendered by World War I and its aftermath. Conspiracy theories used to flourish in places such as the Middle East, where ordinary people were disempowered and felt they lacked agency. Today, they have spread widely throughout rich countries, as well, thanks in part to a fractured media environment caused by the Internet and social media, and sustained suffering is likely to provide rich material for populist demagogues to exploit.

#### **OR RESILIENT DEMOCRACY?**

Nevertheless, just as the Great Depression not only produced fascism but also reinvigorated liberal democracy, so the pandemic may produce some positive political outcomes, too. It has often taken just such a huge external shock to break sclerotic political systems out of their

stasis and create the conditions for long-overdue structural reform, and that pattern is likely to play out again, at least in some places.

The practical realities of handling the pandemic favor professionalism and expertise; demagoguery and incompetence are readily exposed. This should ultimately create a beneficial selection effect, rewarding politicians and governments that do well and penalizing those that do poorly. Brazil's Jair Bolsonaro, who has steadily hollowed out his country's democratic institutions in recent years, tried to bluff his way through the crisis and is now floundering and presiding over a health disaster. Russia's Vladimir Putin tried to play down the importance of the pandemic at first, then claimed that Russia had it under control, and will have to change his tune yet again as COVID-19 spreads throughout the country. Putin's legitimacy was already weakening before the crisis, and that process may have accelerated.

The pandemic has shone a bright light on existing institutions everywhere, revealing their inadequacies and weaknesses. The gap between the rich and the poor, both people and countries, has been deepened by the crisis and will increase further during a prolonged economic stagnation. But along with the problems, the crisis has also revealed government's ability to provide solutions, drawing on collective resources in the process. A lingering sense of "alone together" could boost social solidarity and drive the development of more generous social protections down the road, just as the common national sufferings of World War I and the Depression stimulated the growth of welfare states in the 1920s and 1930s.

This might put to rest the extreme forms of neoliberalism, the free-market ideology pioneered by University of Chicago economists such as Gary Becker, Milton Friedman, and George Stigler. During the 1980s, the Chicago school provided intellectual justification for the policies of U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher, who considered large, intrusive government to be an obstacle to economic growth and human progress. At the time, there were good reasons to cut back many forms of government ownership and regulation. But the arguments hardened into a libertarian religion, embedding hostility to state action in a generation of conservative intellectuals, particularly in the United States.

Given the importance of strong state action to slow the pandemic, it will be hard to argue, as Reagan did in his first inaugural address, that "government is not the solution to our problem; government is the problem." Nor will anybody be able to make a plausible case that the private sector and philanthropy can substitute for a competent state during a national emergency. In April, Jack Dorsey, the CEO of Twitter, announced that he would contribute \$1 billion to COVID-19 relief, an extraordinary act of charity. That same month, the U.S. Congress appropriated \$2.3 trillion to sustain businesses and individuals hurt by the pandemic. Antistatism may linger among the lockdown protesters, but polls suggest that a large majority of Americans trust the advice of government medical experts in dealing with the crisis. This could increase support for government interventions to address other major social problems.



And the crisis may ultimately spur renewed international cooperation. While national leaders play the blame game, scientists and public health officials around the world are deepening their networks and connections. If the breakdown of international cooperation leads to disaster and is judged a failure, the era after that could see a renewed commitment to working multilaterally to advance common interests.

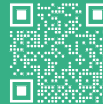
### **DON'T GET YOUR HOPES UP**

The pandemic has been a global political stress test. Countries with capable, legitimate governments will come through relatively well and may embrace reforms that make them even stronger and more resilient, thus facilitating their future outperformance. Countries with weak state capacity or poor leadership will be in trouble, set for stagnation, if not impoverishment and instability. The problem is that the second group greatly outnumbers the first.

Unfortunately, the stress test has been so hard that very few are likely to pass. To handle the initial stages of the crisis successfully, countries needed not only capable states and adequate resources but also a great deal of social consensus and competent leaders who inspired trust. This need was met by South Korea, which delegated management of the epidemic to a professional health bureaucracy, and by Angela Merkel's Germany. Far more common have been governments that have fallen short in one way or another. And since the rest of the crisis will also be hard to manage, these national trends are likely to continue, making broader optimism difficult.

Another reason for pessimism is that the positive scenarios assume some sort of rational public discourse and social

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learning. Yet the link between technocratic expertise and public policy is weaker today than in the past, when elites held more power. The democratization of authority spurred by the digital revolution has flattened cognitive hierarchies along with other hierarchies, and political decision-making is now driven by often weaponized babble. That is hardly an ideal environment for constructive, collective self-examination, and some polities may remain irrational longer than they can remain solvent.

The biggest variable is the United States. It was the country's singular misfortune to have the most incompetent and divisive leader in its modern history at the helm when the crisis hit, and his mode of governance did not change under pressure. Having spent his term at war with the state he heads, he was unable to deploy it effectively when the situation demanded. Having judged that his political fortunes were best served by confrontation and rancor rather than national unity, he has used the crisis to pick fights and increase social cleavages. American underperformance during the pandemic has several causes, but the most significant has been a national leader who has failed to lead.

If the president is given a second term in November, the chances for a broader resurgence of democracy or of the liberal international order will drop. Whatever the election result, however, the United States' deep polarization is likely to remain. Holding an election during a pandemic will be tough, and there will be incentives for the disgruntled losers to challenge its legitimacy. Even should the Democrats take the White House and both houses of Congress, they would inherit

a country on its knees. Demands for action will meet mountains of debt and die-hard resistance from a rump opposition. National and international institutions will be weak and reeling after years of abuse, and it will take years to rebuild them—if it is still possible at all.

With the most urgent and tragic phase of the crisis past, the world is moving into a long, depressing slog. It will come out of it eventually, some parts faster than others. Violent global convulsions are unlikely, and democracy, capitalism, and the United States have all proved capable of transformation and adaptation before. But they will need to pull a rabbit out of the hat once again. 🌐

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# A More Resilient Union

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## How Federalism Can Protect Democracy From Pandemics

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*Danielle Allen*

**W**hen the novel coronavirus arrived in the United States, it hit an economy, a society, and a constitutional democracy that were fundamentally unprepared. As the extent of the challenge became clear, the country simply could not deliver what was needed to confront it: a large-scale program of testing and contact tracing, which would have suppressed the virus and allowed the economy to remain open. Just as the 2008 financial crisis exposed blind spots in how countries thought about integrated markets, within the first three months of 2020, the spread of COVID-19, the disease caused by the virus—with the massive spike in deaths and the economic damage resulting from the shutdown—revealed that the United States was vulnerable to a more literal type of globalization-enabled contagion. What went wrong?

Many have blamed the United States' federal system, arguing that a decentralized government that devolves significant power to 50 states is no match for a fast-acting virus. Those who hold this view have pointed to China's prompt response to the outbreak as a model for

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decision-making under crisis, arguing that only a centralized, authoritarian state can act quickly and ruthlessly enough.

Yet federalism was not what held the United States back from a quick and effective response; the problem was governance. President Donald Trump deserves blame for failing at his central task of educating the public, but he wasn't acting in a vacuum. The virus has exposed that American democracy, although well equipped structurally, has lost its way in terms of its capacity to find a common purpose.

### **THE FEDERALISM FALLACY**

When the framers wrote the U.S. Constitution, they consciously chose a federal system of government. Recognizing that different functions should be handled at different levels, they assigned some responsibilities to the national level and others lower down, while charging the national government with maintaining harmony among the states. In the context of the coronavirus, this system of federalism should be an asset, not a liability. It provides flexibility and the ability to tailor responses to the context—just what the United States needed. Rural areas with no COVID-19 cases did not require the same response as cities with thousands.

In other parts of the world, the pandemic has been controlled most easily in population units smaller than a massive country like the United States. The Chinese contained the virus by specifically locking down Wuhan, the epicenter of the epidemic, and nearby cities. Island states with relatively small populations, such as Hong Kong, New Zealand, Singapore, and Taiwan, have fended off the virus

especially well. Iceland has also fared well: by April 11, it had managed to test ten percent of its 350,000 people. The town of Vò, Italy, tested every single one of its 3,000 residents, eradicating COVID-19 in less than two weeks. The smaller the administrative unit, the easier it is to roll out testing.

Why is this so? A big reason is that viruses spread through social networks. Efforts to control them that take into account existing social structures perform better than those that do not. Consider the difference in how Singapore and South Korea responded. Because Singapore was blind to the social networks of migrant communities, the government failed to test and trace the virus's spread adequately among them, and the country experienced an explosion of COVID-19 cases, starting in its migrant worker population. In South Korea, by contrast, when a member of a large church tested positive, the government moved swiftly to test the entire congregation to control the spread. The lesson for the United States is that authority for key public health decisions should be lodged with state and local authorities. After all, they are the ones who best understand the dynamics of community spread.

At the same time, however, the federal government needs to create the conditions for success. Small island nations have it much easier: they can both make policy at levels close to the ground and coordinate a national economy to support those policies. In the United States, city governments have no ability to, say, change monetary policy to support their budgets. Nor are states, for their part, in a position to activate a wartime-style

reorientation of the economy and force private companies to produce ventilators, masks, and test kits. Only the federal government, empowered by the Defense Production Act of 1950, can do this. But Trump was slow to invoke the act, losing precious weeks.

The United States is blessed with a tiered structure of government, with the authority for responding to an outbreak residing in officials from the president all the way down to the lowly county health officer. This setup is valuable because it makes it possible to implement custom-tailored policy on smaller scales. As public health authorities discovered during the HIV/AIDS crisis, contact-tracing programs work best when they are run by people who are trusted in the communities where they operate. Although Americans' distrust of the federal government has risen continuously over the last few decades, trust in local government remains high. In a 2018 Gallup poll, 72 percent of respondents said they have a "great deal" or a "fair amount" of confidence in their local government.

That's why, for example, a contact-tracing program that protects privacy is best introduced at the local level. If sensitive data about everyone a person has interacted with were funneled into a centralized national database, the potential for abuse would be high. No database is foolproof, but compared with a single national database, small pockets of data are a far less tempting target for hackers or profiteers. Although the federal government should surely help design the digital infrastructure used by local health officials, for the sake of benefiting from scale, it's reasonable to leave the use of that infrastructure in





*Ask your doctor: Trump with medical advisers at a White House briefing, April 2020*

the hands of local authorities, with oversight from state governments.

More broadly, Americans should expect the federal government to focus on the big picture: setting overarching goals and identifying promising practices for how best to respond to the pandemic in ways that save both lives and livelihoods. They should expect their state, county, metropolitan, and municipal governments to get into the nitty-gritty: contact tracing, testing, treating the ill, and supporting those who are self-isolating. That differentiated setup existed long before the coronavirus arrived. The United States' federal system, in other words, had all the elements needed to respond to such a crisis. What went wrong was a failure of governance.

### **THE GOVERNANCE GAP**

In times of crisis, a government's duty is to lead the public through a process of diagnosing the problem and identifying a shared plan for solving it. This is

fundamentally an act of public education. The presidency is the foremost teaching platform in the country. To implement the plan, leaders will need to activate the machinery of government and do the nuts-and-bolts work of setting policies and directing resources. But the machinery of government is greased by public acceptance. When the pandemic hit, none of this happened. Trump, the person with the greatest power to educate the public and motivate the whole country behind a common purpose, declined to use that power.

This was a personal failing, but it was not just that. For decades now, the American public's understanding of the demands and requirements of governance has atrophied. That point hit home after Trump was elected in 2016, when disgruntled Americans of all ages from around the country wrote to me asking how they could play a civic role and protect the values they cared about. (Evidently, being a historian of American constitutional democracy and a political

philosopher of democracy was enough to mark me as a civics “Dear Abby.”) What astonished me was how few people knew where to start. They did not know how to call a meeting, how to engage their fellow Americans in a conversation about diagnosing their circumstances and finding some sort of shared purpose. All that constitutional democracy is, is a set of institutions that give people the chance to do these things and, if they do them well, to shape their communities. Yet Americans no longer understood how to use the machinery sitting all around them.

As the pandemic grew, instead of endlessly debating Trump, more Americans should have asked, What questions need to be answered here? Had they done so, they might have realized that neither public health experts nor economists have a monopoly on how to respond. The former know how to fight diseases, but they know little about how to get supply chains to deliver a testing infrastructure on an unprecedented scale. The latter know how to revive a flagging economy, but they know little about which alternatives to stay-at-home orders are effective at controlling a disease. At a time when there was a need to take in advice from two silos of experts and make an integrated judgment, Americans settled into camps, defending the monofocal perspective of one category of expertise or another. Americans needed to shake off the shackles of obeisance to technocrats. Their elected leaders should have led them through the process of asking the right questions and then making judgment calls, taking into account the best advice experts could give.

There was a spark of such a moment in late March, when Trump tweeted about collective stay-at-home orders,

“WE CANNOT LET THE CURE BE WORSE THAN THE PROBLEM ITSELF.” He was right. That moment should have been greeted as a call for coming up with alternative ways of addressing the health problem that would not kill the economy. But most of the country did not hear his remark that way. Instead, they interpreted it as a refusal to reckon with the challenge of the disease itself.

A common purpose is not some airy-fairy thing. It is a practical tool that allows people to achieve something together. In effect, it is a map marked with a destination, a guide that permits collaborative navigation. A common purpose is perhaps the most powerful tool in the democratic toolkit, particularly in a crisis, because it can yield the solidarity that induces people to do hard things voluntarily rather than through authoritarian compulsion. Yet the tool is disintegrating from disuse.

### **CIVICS LESSON**

Why has Americans’ understanding of constitutional democracy and of individuals’ roles within it deteriorated? The answer probably goes back to another crisis. When the United States entered World War II, it mobilized behind the common purpose of defeating the Axis threat. As part of that effort, the U.S. military, intent on beating Germany to developing an atomic bomb, activated the scientific community through the Manhattan Project. That was the beginning of the scientification of American society.

After the Cold War began, and especially after the launch of Sputnik by the Soviet Union in 1957, the United States increasingly invested in scientific research and in education in the STEM

fields (science, technology, engineering, and math). The goal was to remain globally competitive in both economic and military terms. Americans were inspired afresh in 1983 by *A Nation at Risk*, a federal report that found that the United States' "once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world." More recently, the National Academy of Sciences' 2007 report *Rising Above the Gathering Storm* worried that "the scientific and technological building blocks critical to [the United States'] economic leadership are eroding at a time when many other nations are gathering strength."

The United States needs science. It needs technological innovation, and it needs scientists to advise elected leaders. But that is not all the country needs. It also needs people who can interpret the science and make judgment calls that take broader factors into account. The U.S. government's growing investments in scientific education have been accompanied by reductions in funding for civics education.

In the 1950s, most high schools offered students three separate civics courses; today, they usually offer only one, and 15 percent of students don't even get that. Eleven states have no civics education requirements whatsoever. The federal government spends \$54 per student per year on the STEM fields. The figure for civics education: five cents. No wonder, then, that in 2018, the National Assessment of Educational Progress, a set of exams administered by the U.S. Department of Education, found that only 24 percent of eighth graders were proficient in civics.

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What's more, science education is negatively correlated with political participation: researchers have discovered that the more hours of science courses college students take, the less likely they are to vote or partake in other aspects of civic life. Over the course of nearly eight decades of investing in scientific competitiveness, the United States neglected the civic side of the equation.

And the country is paying for it now. In the United States today, the art of governance is, at best, on life support. Paradoxically, Trump has delivered the best civics lesson in generations. Thanks to his impeachment trial, Americans have had to think about the proper bounds of executive power, the checks offered by the legislative and judicial branches, and precepts of the Constitution. Thanks to his failure to govern through this crisis, many have learned for the first time just how the United States' federal system is supposed to work.

If the country's constitutional democracy is to have a healthy future, Americans should finish this crisis intending not only to invest in health infrastructure but also to revive civics education. Schools need more time for history, civics, and social studies. What should go to make room? Sports, for one thing. Compared with other countries, the United States invests a disproportionate amount of time and money in sports. Americans appear to prefer football to democracy. It's time to cut back—and I say this as someone whose first professional ambition in life was to be a running back. The United States has made such sacrifices before. World War II saw the suspension of football and soccer seasons the world over.

Sporting events may be the last things Americans get back as they reopen their economy. They should use the extra time to double down on civics education.

This crisis has laid bare just how fragile and unsteady the United States' constitutional democracy is. Now, the country must get its house in order and prioritize its farthest-reaching hopes and aspirations. Americans had all the tools needed to respond to this crisis, except for the very thing that would have given them reason to use them: a common purpose. Let the search for one begin. 🌐



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# When the System Fails

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## COVID-19 and the Costs of Global Dysfunction

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*Stewart Patrick*

**T**he chaotic global response to the coronavirus pandemic has tested the faith of even the most ardent internationalists. Most nations, including the world's most powerful, have turned inward, adopting travel bans, implementing export controls, hoarding or obscuring information, and marginalizing the World Health Organization (WHO) and other multilateral institutions. The pandemic seems to have exposed the liberal order and the international community as mirages, even as it demonstrates the terrible consequences of faltering global cooperation.

A century ago, when pandemic influenza struck a war-torn world, few multilateral institutions existed. Countries fought their common microbial enemy alone. Today, an array of multilateral mechanisms exists to confront global public health emergencies and address their associated economic, social, and political effects. But the existence of such mechanisms has not stopped most states from taking a unilateral approach.

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It is tempting to conclude that multilateral institutions—ostensibly foundational to the rules-based international system—are, at best, less effective than advertised and, at worst, doomed to fail when they are needed most. But that conclusion goes too far. Weak international cooperation is a choice, not an inevitability.

The dismal multilateral response to the pandemic reflects, in part, the decisions of specific leaders, especially Chinese President Xi Jinping and U.S. President Donald Trump. Their behavior helps explain why the WHO struggled in the initial stages of the outbreak and why forums for multilateral coordination, such as the G-7, the G-20, and the UN Security Council, failed to rise to the occasion.

Just as important is the unique cooperation challenge that the novel coronavirus represents—and the distinctive weakness of the particular institution most central to addressing it. The WHO has a mandate that exceeds its capabilities. Member states have assigned it more and more tasks while limiting its independence and resources, setting the organization up for failure. To the extent that global health governance has failed, it has failed by design, reflecting the ambivalence of states torn between their desire for effective international institutions and their insistence on independent action.

The pandemic has revealed both the limits of the existing multilateral system and the horrific costs of the system's failure. If the current crisis causes policymakers to conclude that multilateralism is doomed and convinces them to provoke its unraveling, they will be setting humanity up for even more



costly calamities. If the crisis instead serves as a wake-up call—a spur to invest in a more effective multilateral system—the world will be far better prepared when the next global pandemic strikes, increasing the likelihood that the imperatives of cooperation will win out over the pressures of competition.

### **MISSING IN ACTION**

When the so-called Spanish flu ravaged the world in 1918, global health governance was still in its infancy. Public health had been a national or local matter until the mid-nineteenth century, when revolutions in transport deepened global integration to an unprecedented degree. In 1851, European countries hosted the first International Sanitary Conference, devoted to managing cholera. Over the next six decades, governments would hold 11 more such conferences, negotiate multilateral treaties on infectious disease, and establish new international organizations, including the Pan American Sanitary Bureau and the Office International d'Hygiène Publique.

Yet these arrangements, focused as they were on sanitation, were no match for the Spanish flu. The lack of meaningful international coordination to combat the pandemic left each government to fend for itself. The outbreak quickly became the deadliest public health emergency in modern times, killing an estimated 50 million people worldwide.

It was not until the decades after World War II that countries created a robust infrastructure to manage international public health emergencies. They established hundreds of multilateral organizations and signed thousands of treaties to manage the shared dilemmas

of rising interdependence. Among the most prominent of the new instruments was the WHO, which was created as a specialized UN agency in 1948.

Since 2000, the organization has risen markedly in importance, as various new and reemerging infectious diseases have threatened global health and security. The agency managed the global responses to the SARS epidemic in 2003, the H1N1 flu pandemic in 2009, the Ebola epidemic in 2014–16, and the Zika epidemic in 2015–16. In the wake of SARS, the World Health Assembly, the WHO's governing body, strengthened the International Health Regulations, the core legal prescriptions governing state conduct with respect to infectious disease. The new IHR gave the WHO's director general the authority to declare a "public health emergency of international concern" and required member states to increase their pandemic-response capacities.

Meanwhile, an entire multilateral ecosystem of global public health arrangements blossomed alongside the WHO and its IHR, including the Global Alliance for Vaccines and Immunization (now called GAVI, the Vaccine Alliance), the Global Health Security Agenda, the World Bank's Pandemic Emergency Financing Facility, and the Africa Centers for Disease Control and Prevention. The result is a global health infrastructure beyond the wildest dreams of the national leaders who confronted the 1918 influenza pandemic alone.

Amid the current pandemic, however, governments have repeatedly forsaken opportunities for consultation, joint planning, and collaboration, opting instead to adopt nationalist stances that have put them at odds with



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one another and with the WHO. The result has been a near-total lack of global policy coherence.

In China, the initial epicenter of the coronavirus pandemic, Xi's government was slow to report the outbreak to the WHO, and it resisted full transparency thereafter. What's more, Beijing initially rebuffed offers from the WHO and the U.S. Centers for Disease Control and Prevention to provide desperately needed scientific expertise in epidemiology and molecular virology. China was also slow to share transmission data and biological samples with the WHO.

Outside China, many countries responded to the novel coronavirus by implementing international travel restrictions. On January 31, Trump ordered the United States closed to foreigners who had recently traveled to China. On March 11, without consulting U.S. allies, he abruptly suspended air travel from Europe to the United States. Brazil, India, Israel, and Russia also implemented pandemic-related border restrictions that month. Other countries, such as France and Germany, either banned or imposed limits on the export of protective medical equipment.

Particularly disappointing on the global stage was the lack of concerted action by the G-7, the G-20, and the UN Security Council. The leaders of the G-7, representing the world's biggest advanced market democracies, failed to meet until early March. Even then, they did little more than highlight their respective border closures. Later that month, a meeting of G-7 foreign ministers dissolved into acrimony when U.S. partners rejected Washington's demand that the final communiqué

refer to the virus as "the Wuhan coronavirus," after the Chinese city where it was first discovered.

The G-20, which comprises the world's most important established and emerging economies, operated on a similar timeline, convening to discuss the pandemic for the first time in late March, nearly three months into the outbreak. At their virtual summit, the parties rejected requests from the International Monetary Fund to double its resources and suspend the debt obligations of poor nations. (They have since suspended low-income countries' debt service payments.)

Finally, the Security Council remained missing in action. China, which held the rotating presidency of the Security Council in March, blocked it from considering any resolution about the pandemic, arguing that public health matters fell outside the council's "geopolitical" ambit. (This is plainly untrue: in 2014, for instance, the body passed Resolution 2177, designating the West African Ebola epidemic a "threat to international peace and security.")

The most promising multilateral initiative was the most underresourced. On March 25, UN Secretary-General António Guterres launched a humanitarian response plan to mitigate the effects of the coronavirus on fragile and war-torn states, which are home to approximately a billion people and a majority of the world's poor, as well as most of its 70 million refugees and internally displaced people. Yet with a budget of just \$2 billion in UN funds, this plan had funding that was less than one-1,000th of what the United States had dedicated to its domestic response by early May.

## **PRIMAL INSTINCTS**

Such shortcomings have prompted observers to conclude that failure is inevitable—that in times of crisis, citizens will look to their own leaders, and governments will care for their own citizens at the expense of global concerns. But the record of other crises in recent years, especially the last global financial crisis, suggests that sovereign states are quite capable of coordinated responses to shared global challenges, provided that their leaders take an enlightened view of their countries' long-term national interests.

In 2008–9, first U.S. President George W. Bush and then President Barack Obama spearheaded a cooperative international response to the global credit crunch, helping prevent the world's descent into another Great Depression. Bush convened the first-ever meeting of the leaders of the G-20 in November 2008. The group met twice more in 2009, Obama's first year in office, coordinating massive stimulus packages to restore global liquidity, expanding the resources and mandates of the International Monetary Fund and the World Bank, and avoiding the type of discriminatory trade and monetary policies that had fragmented and weakened the world economy in the early 1930s. The lesson is clear: multilateral institutions are what states and their leaders make of them.

The late Richard Holbrooke, during his tenure as U.S. ambassador to the UN, made a similar point in criticizing the lazy habit of chastising the UN for failures of multilateralism. Such criticism, Holbrooke said, was akin to “blaming Madison Square Garden when the Knicks lose.” Even during

crises, international institutions do not spring autonomously into action. They need to be spurred by their member states, who invariably hold the whip hand. The secretariats of multilateral organizations can take some initiative, but they always do so within constraints, as agents of their sovereign principals. To the degree that global governance exists, states—especially major powers—remain the true governors.

Unfortunately, powerful countries such as the United States and China have failed to play that vital leadership role during the coronavirus crisis. In keeping with his past rhetoric and actions, Trump has followed his “America first” instincts and adopted a nationalist response to the pandemic, framing COVID-19, the disease caused by the new coronavirus, not as a threat to global public health but as an assault on the sovereignty of the United States and the safety of its citizens. As when he addresses the issue of immigrants and refugees, his first impulse was to harden U.S. borders against what he insisted on calling a “foreign” or “Chinese” virus. There was no sense in Trump's reaction that the United States had any responsibility to launch or even participate in a collective global response.

Chinese leaders, meanwhile, have refused to cooperate with their counterparts at the G-20 and the UN because they fear exposure and embarrassment. Deliberations in the UN Security Council, in particular, would have uncovered China's lack of transparency in handling the initial outbreak, as well as its campaign of misinformation regarding the virus's origins, sharpening international criticism and frustrating the Chinese Communist Party's geopolitical designs.

China's desire to avoid those outcomes and the United States' preoccupation with exposing Chinese mendacity prevented the Security Council from passing a powerful resolution on the coronavirus, one that would have had the binding force of international law, allowing it to cut through political obstacles to cooperation.

In a more cosmopolitan world, other leaders might have filled the vacuum left by Washington's delinquency and Beijing's obfuscation. But that is not the world in which the crisis took shape. Over the past dozen years, great-power competition has waxed, and democracy's fortunes have waned. Ascendant populism and nationalism have weakened the domestic foundations for multilateral cooperation by empowering authoritarian despots and weakening public support for liberal internationalism. Global public health, long insulated from geopolitical rivalry and nationalist demagoguery, has suddenly become a terrain of political combat, crippling the world's response to the pandemic.

Epidemiological dynamics have also stymied cooperation. Unlike the global financial crisis, which struck most countries at about the same time, the virus has spread gradually and unevenly. The WHO declared the coronavirus a pandemic on March 11, but even today, the contagion's spread and effects vary widely from country to country. This has frustrated policy coordination, as national and subnational authorities have responded to the outbreak's ever-shifting epicenter by adopting policies reflecting very different short-term threat assessments.

Infectious diseases evoke far more fear than most other international threats, reinforcing primal instincts to

impose barriers and withdraw into smaller groups, thus militating against multilateral responses. Pandemics may be transnational, but they are fought in the first instance within national jurisdictions, by local communities seeking to protect themselves.

## **RULES AND REGULATIONS**

The persistent weakness of the WHO has been a particular impediment to effective multilateral mobilization against the coronavirus. The WHO is an invaluable repository of scientific expertise, a focal point for global disease surveillance, and a champion of the human right to health. It has helped eradicate several diseases—most notably smallpox—and has put others, such as polio, on the ropes. It has also highlighted the growing threat from noncommunicable diseases of relative affluence, such as obesity and diabetes.

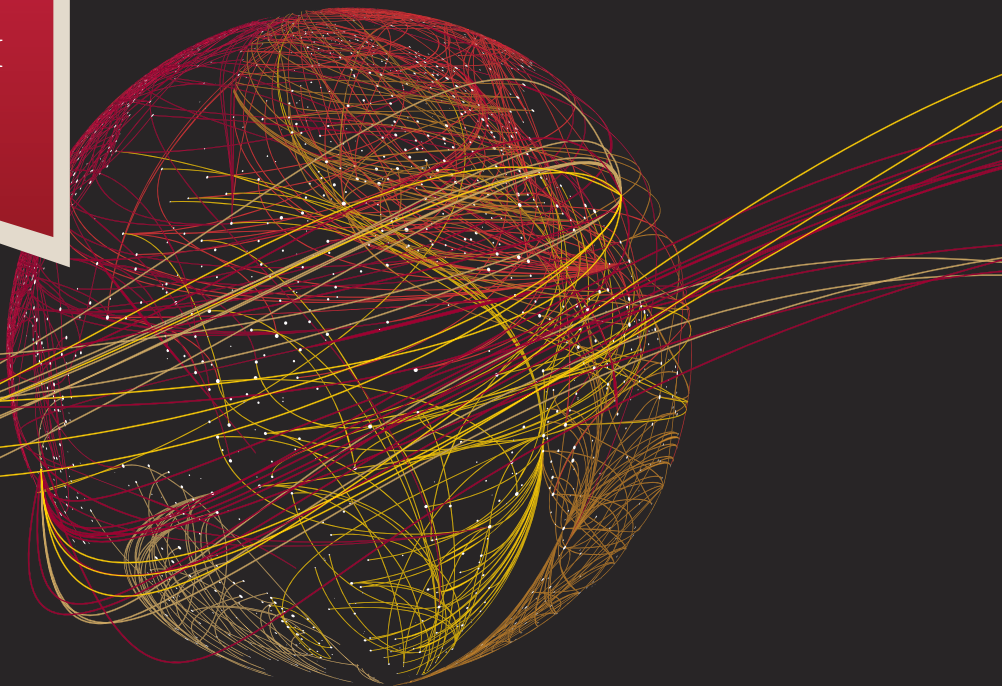
Yet the WHO remains deeply flawed, beset by multiple institutional shortcomings that hamstring its ability to coordinate a pandemic response. Blame rests partly with the WHO's largest funders, including the United States, the United Kingdom, Germany, and Japan, as well as large charities, such as the Bill & Melinda Gates Foundation, which have pressed the organization to expand its agenda without providing commensurate resources, all the while earmarking a growing share of its budget to address select diseases rather than to support robust public health capacities in member states. Bureaucratic impediments—such as a weak chain of command, an indecisive senior leadership, and a lack of accountability—have also undercut the organization's performance.





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The WHO's bungled response to the Ebola outbreak in West Africa in 2014 revealed many of these shortcomings. An independent review panel attributed the WHO's poor performance to crippling budget cuts, a paucity of deployable personnel and logistical capacity, and a failure to cultivate relationships with other UN agencies, the private sector, and nongovernmental organizations. Hoping to correct some of those flaws, the World Health Assembly authorized the creation of a new global health emergency workforce and a small contingency fund for rapid response. Neither reform resolved the WHO's deeper structural problems, which the coronavirus has again laid bare.

The biggest impediment to the WHO's success is the failure of its member states to comply fully with the IHR. Following the SARS crisis, in which China and other countries either refused or neglected to report epidemic data in a timely and transparent manner, the World Health Assembly revised the IHR. The new regulations bolstered the WHO's surveillance capacities, empowered its director general to declare an emergency, and required all member states to develop and maintain minimum core capabilities to prevent, detect, and respond to disease outbreaks.

The coronavirus pandemic has revealed how resistant member states remain to implementing their commitments and how little leverage the WHO has to ensure that they do so. Fifteen years after the IHR were revised, fewer than half of all countries are in compliance, and many nations still lack even rudimentary surveillance and laboratory capacities to detect outbreaks. Since national governments are permitted to

self-assess and self-report their progress in implementing the regulations, accountability is minimal.

Even more troubling, the revised IHR include a huge loophole that allows states to defect during emergencies. Countries can impose emergency measures that diverge from WHO guidelines if they believe these will produce superior results, provided they report their plans within 48 hours of implementation. In their early responses to the coronavirus, governments repeatedly used this clause to impose border closures, travel bans, visa restrictions, and quarantines on healthy visitors, regardless of whether these measures had WHO endorsement or any basis in science. Many did not even bother to inform the WHO, forcing it to glean information from media sources and obligating its director general, Tedros Adhanom Ghebreyesus, to dispatch letters reminding member states of their obligations.

The pandemic has also underscored flaws in the WHO's process for declaring an emergency. It was not until January 30 that the WHO finally designated the spread of the new coronavirus as a global emergency, after many countries had shut their borders and grounded commercial aircraft. On top of criticizing the agency's delay, commentators disparaged the WHO's binary, all-or-nothing approach to warnings, calling for a more nuanced spectrum of alerts.

More important, the coronavirus crisis has exposed the lack of protocols to ensure that all nations have access to vaccines. In past outbreaks, such wealthy countries as Australia, Canada, and the United States have hoarded vaccines for

domestic use. This continues today. In March, Trump attempted and failed to obtain exclusive U.S. access to a potential coronavirus vaccine that is under development in Germany. Even if governments do not hoard vaccines, there will be widespread disparities in access and distributional capacity.

Finally, the pandemic has raised the specter that some nations may decline to share virus samples, using the Nagoya Protocol on Access and Benefit-Sharing as their justification. The protocol, an international agreement that was adopted in 2010 and that has been ratified by more than 120 countries, serves a worthwhile function: granting nations sovereignty over their biological resources. But its application to human pathogens is an obvious perversion of that objective. During the 2005–7 avian influenza pandemic, Indonesia resisted sharing virus samples, citing the misguided concept of “viral sovereignty.” The Nagoya Protocol increases the likelihood that countries will act similarly today, risking unacceptable delays in scientific analysis of novel viruses and in the development of lifesaving vaccines to stop pandemics.

### **BOWING TO REALITY**

In the wake of this pandemic, one anticipates growing calls to renegotiate the IHR, to strengthen the authority of the WHO, and to increase the obligations of the organization’s member states. Doing so in the current populist climate would be risky, however. Governments might seize the opportunity to claw back even more sovereign prerogatives, weakening the legal foundations for a coordinated global response to a public health emergency.

Throughout the pandemic, the WHO has bent over backward to curry favor with important but difficult partners—no surprise given the power asymmetry between the agency and major donor states. Reliant on Chinese data and cooperation to stem the pandemic, Tedros went to extraordinary lengths early this year to ingratiate himself with Xi and to assuage Chinese sensibilities.

“Let me be clear: this declaration [of an emergency] is not a vote of no confidence in China,” the director general insisted on January 30. “In many ways, China is actually setting a new standard for outbreak response,” he said, gushing. “It’s not an exaggeration.” It was in fact a gross exaggeration, given how China mismanaged the early stages of the epidemic. Multiple critics have taken Tedros to task, labeling him Beijing’s “enabler.”

The WHO’s servility has not been limited to its approach to China, however. The agency has also largely avoided direct criticism of the United States, its largest donor. The reverse, needless to say, has not been true. At an April 7 news conference, Trump took aim at the WHO to deflect attention from his administration’s own poor response to the outbreak. He falsely accused the agency of stating in January that the coronavirus was “no big deal,” and he promised to “put a hold” on U.S. financial support for the international organization. Tedros pushed back, but ever so gently and obliquely, urging all WHO member states to avoid “politicizing” the coronavirus response. He did not directly refer to either Trump or the United States. For international institutions, it seems, kowtowing is just another way of bowing to reality.

### **GIVE AND YOU SHALL RECEIVE**

In the ensuing months, the WHO and other multilateral institutions have taken some meaningful steps to contain the pandemic and cushion its economic blows. The WHO has served as a leading source of expertise on the virus, sent teams to affected countries, helped poor nations build up their health capacities, advanced worldwide scientific collaboration, combated misinformation, and continued to promote the IHR. Simultaneously, it has shaped the responses of dozens of other UN agencies and affiliated organizations, including the International Civil Aviation Organization, the World Tourism Organization, the UN Refugee Agency, the UN Development Program, the International Monetary Fund, the World Bank, and many, many more.

But a truly empowered WHO could have done more. With enhanced political powers and a more flexible budget, the agency might have spearheaded a coherent multilateral response to the pandemic, persuaded nations to harmonize their border closures and travel restrictions, shamed laggards into fulfilling their binding treaty commitments under the IHR, and deployed significant resources and personnel to the shifting epicenter of the pandemic. The main obstacle to this outcome, and the reason for the haphazard global response, was the persistent ambivalence that all countries, particularly great powers, feel toward global health governance. All governments share a fundamental interest in a multilateral system that can respond quickly and effectively to stop potential pandemics in their tracks. They are less enthusiastic about delegating any of their sovereignty to the WHO, allowing it to circumscribe

their freedom of action, or granting it the authorities and capabilities it needs to coordinate a pandemic response.

One lesson that will emerge from the COVID-19 pandemic is that multilateral cooperation can seem awfully abstract, until you actually need it—whether you rely on it to flatten the curve of an epidemic, ensure the safety of airline travel, protect displaced people, or prevent another global economic meltdown. Another, harder lesson is that the multilateral system is not a self-regulating, autonomous machine that springs into action whenever needed. No amount of technocratic expertise or institutional reform can compensate for the current lack of political direction and sustained leadership in that system. Prominent member states must be wise benefactors to the multilateral system if they want to be its beneficiaries. 🌐



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*Asian countries do not want to be forced to choose between the United States and China.*

– *Lee Hsien Loong*



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# The Endangered Asian Century

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## America, China, and the Perils of Confrontation

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*Lee Hsien Loong*

“**I**n recent years, people have been saying that the next century will be the century of Asia and the Pacific, as if that were sure to be the case. I disagree with this view.” The Chinese leader Deng Xiaoping made that argument to Indian Prime Minister Rajiv Gandhi in 1988. More than 30 years later, Deng has proved prescient. After decades of extraordinary economic success, Asia today is the world’s fastest-growing region. Within this decade, Asian economies will become larger than the rest of the world’s economies combined, something that has not been true since the nineteenth century. Yet even now, Deng’s warning holds: an Asian century is neither inevitable nor foreordained.

Asia has prospered because Pax Americana, which has held since the end of World War II, provided a favorable strategic context. But now, the troubled U.S.-Chinese relationship raises profound questions about Asia’s future and the shape of the emerging international order. Southeast Asian countries, including Singapore, are especially concerned, as they live at the intersection of the interests of various major powers and must avoid being caught in the middle or forced into invidious choices.

The status quo in Asia must change. But will the new configuration enable further success or bring dangerous instability? That depends on the choices that the United States and China make, separately and together. The two powers must work out a modus vivendi that will be competitive in some areas without allowing rivalry to poison cooperation in others.

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**LEE HSIEN LOONG** is Prime Minister of Singapore.

Asian countries see the United States as a resident power that has vital interests in the region. At the same time, China is a reality on the doorstep. Asian countries do not want to be forced to choose between the two. And if either attempts to force such a choice—if Washington tries to contain China's rise or Beijing seeks to build an exclusive sphere of influence in Asia—they will begin a course of confrontation that will last decades and put the long-heralded Asian century in jeopardy.

### **THE TWO PHASES OF PAX AMERICANA**

Pax Americana in Asia in the twentieth century had two distinct phases. The first was from 1945 to the 1970s, during the early decades of the Cold War, when the United States and its allies competed with the Soviet bloc for influence. Although China joined the Soviet Union to confront the United States during the wars in Korea and Vietnam, its economy remained inwardly focused and isolated, and it maintained few economic links with other Asian countries. Meanwhile, elsewhere in Asia, free-market economies were taking off. Japan's was the earliest to do so, followed by the newly industrializing economies of Hong Kong, Singapore, South Korea, and Taiwan.

What made Asia's stability and prosperity possible was the United States. The United States championed an open, integrated, and rules-based global order and provided a security umbrella under which regional countries could cooperate and peacefully compete. American multinational corporations invested extensively in Asia, bringing with them capital, technology, and ideas. As Washington promoted free trade and opened U.S. markets to the world, Asian trade with the United States grew.

Two pivotal events in the 1970s shifted Pax Americana in Asia into a new phase: the secret visit to China in 1971 by Henry Kissinger, then the U.S. national security adviser, which laid the basis for U.S.-Chinese rapprochement after decades of hostility, and the launch, in 1978, of Deng's program of "reform and opening up," which allowed China's economy to take off. By the end of the decade, economic barriers were coming down, and international trade was growing rapidly. After the Vietnam War and the war in Cambodia ended, Vietnam and the other countries of Indochina were able to focus their energies and resources on economic development, and they started catching up with the rest of Asia.

Many Asian countries had long viewed the United States and other developed countries as their main economic partners. But they now increasingly seized the opportunities created by China's rapid development. Trade and tourism with China grew, and supply chains became tightly integrated. Within a few decades, China went from being economically inconsequential for the rest of Asia to being the region's biggest economy and major economic partner. China's influence in regional affairs grew correspondingly.

Still, Pax Americana held, and these radical changes in China's role took place within its framework. China was not in a position to challenge U.S. preeminence and did not attempt to do so. Indeed, it adopted as its guiding philosophy Deng's dictum "Hide your strength, bide your time" and prioritized the modernization of its agricultural, industrial, and science and technology sectors over building military strength.

Southeast Asian countries thus enjoyed the best of both worlds, building economic relationships with China while maintaining strong ties with the United States and other developed countries. They also deepened ties with one another and worked together to create an open architecture for regional cooperation rooted in the Association of South-east Asian Nations. ASEAN played a central role in forming the Asia-Pacific Economic Cooperation in 1989, establishing the ASEAN Regional Forum in 1994, and convening the annual East Asia Summit since 2005.

China participates fully in these processes. Every year, the Chinese premier travels to an ASEAN member state to meet the ASEAN countries' leaders, well prepared to explain how China sees the region and armed with proposals to enhance Chinese cooperation with the grouping's members. As China's stake in the region has grown, it has launched its own initiatives, including the Belt and Road Initiative and the Asian Infrastructure Investment Bank. These have helped deepen China's engagement with its neighbors and, of course, increased its influence.

But because the regional architecture is open, China's influence is not exclusive. The United States remains an important participant, underpinning regional security and stability and enhancing its economic engagement through initiatives such as the Asia Reassurance Initiative Act and the BUILD Act. ASEAN also has formal dialogue mechanisms with the European Union, as well as with India and many other countries. ASEAN believes that such a network of connections



creates a more robust framework for cooperation and more space to advance its members' collective interests internationally.

So far, this formula has worked well. But the strategic basis of Pax Americana has shifted fundamentally. In the four decades since it began to reform and open up, China has been transformed. As its economy, technological capabilities, and political influence have grown exponentially, its outlook on the world has changed, as well. Chinese leaders today no longer cite Deng's maxim about hiding one's strength and biding one's time. China sees itself as a continental power and aspires to become a maritime power, too; it has been modernizing its army and navy and aims to turn its military into a world-class fighting force. Increasingly, and quite understandably, China wants to protect and advance its interests abroad and secure what it sees as its rightful place in international affairs.

At the same time, the United States, which is still the preeminent power in many dimensions, is reassessing its grand strategy. As its share of global GDP diminishes, it is unclear whether the United States will continue to shoulder the burden of maintaining international peace and stability, or whether it might instead pursue a narrower, "America first" approach to protecting its interests. As Washington asks fundamental questions about its responsibilities in the global system, its relationship with Beijing has come under increased scrutiny.

## **THE FUNDAMENTAL CHOICES OF THE UNITED STATES AND CHINA**

The United States and China each face fundamental choices. The United States must decide whether to view China's rise as an existential threat and try to hold China back through all available means or to accept China as a major power in its own right. If it chooses the latter path, the United States must craft an approach to China that will foster cooperation and healthy competition wherever possible and not allow rivalry to poison the entire relationship. Ideally, this competition will take place within an agreed multilateral framework of rules and norms of the kind that govern the United Nations and the World Trade Organization (WTO).

The United States is likely to find this a painful adjustment, especially with the growing consensus in Washington that engaging Beijing has failed and that a tougher approach is necessary to preserve U.S. interests. But however difficult the task will be for the United

States, it is well worth making a serious effort to accommodate China's aspirations within the current system of international rules and norms. This system imposes responsibilities and restraints on all countries, strengthens trust, helps manage conflicts, and creates a safer and stabler environment for both cooperation and competition.

If the United States chooses instead to try to contain China's rise, it will risk provoking a reaction that could set the two countries on a path to decades of confrontation. The United States is

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*The United States and China are not necessarily set on a course of confrontation, but it cannot be ruled out.*

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not a declining power. It has great resilience and strengths, one of which is its ability to attract talent from around the world; of the nine people of Chinese ethnicity who have been awarded Nobel Prizes in the sciences, eight were U.S. citizens or subsequently became U.S. citizens. On the other side, the Chinese economy possesses

tremendous dynamism and increasingly advanced technology; it is far from being a Potemkin village or the tottering command economy that defined the Soviet Union in its final years. Any confrontation between these two great powers is unlikely to end as the Cold War did, in one country's peaceful collapse.

For its part, China must decide whether to try to get its way as an unencumbered major power, prevailing by dint of its sheer weight and economic strength—but at the risk of strong pushback, not just from the United States but from other countries, too. This approach is likely to increase tensions and resentment, which would affect China's standing and influence in the longer term. This is a real danger: a recent survey by the Pew Research Center found that people in Canada, the United States, and other Asian and western European countries have increasingly unfavorable views of China. Despite China's recent efforts to build soft power abroad—through its network of Confucius Institutes, for example, and through Chinese-owned international newspapers and television outlets—the trend is negative.

Alternatively, China could acknowledge that it is no longer poor and weak and accept that the world now has higher expectations of it. It is no longer politically justifiable for China to enjoy the concessions and privileges it won when it was smaller and less developed, such as the generous terms under which it joined the WTO in 2001. A larger

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***A global crisis like no other needs a global response like no other.***

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—Kristalina Georgieva

and more powerful China should not only respect global rules and norms but also take on greater responsibility for upholding and updating the international order under which it has prospered so spectacularly. Where the existing rules and norms are no longer fit for purpose, China should collaborate with the United States and other countries to work out revised arrangements that all can live with.

The path to creating a new order is not straightforward. Powerful domestic pressures impel and constrain both countries' foreign policy choices. Foreign policy has featured little in the current U.S. presidential campaign, and when it has, the prevailing focus has been variants of the theme of "America first." In China, the leadership's overriding priority is to maintain internal political stability and, after enduring nearly two centuries of weakness and humiliation, to manifest the confidence of an ancient civilization on the rise again. So it cannot be taken for granted that the United States and China will manage their bilateral relations based on rational calculations of their national interests or even share a desire for win-win outcomes. The countries are not necessarily set on a course of confrontation, but confrontation cannot be ruled out.

### **DYNAMICS IN THE ASIA-PACIFIC**

These dynamics will play out all over the world, but one crucial arena will be the Asia-Pacific. The United States has always had vital national interests in this region. It expended blood and treasure fighting the Pacific War to defeat Japan, a war in which the United States nearly lost three future presidents. It fought two costly wars in Korea and Vietnam, which bought precious time for noncommunist countries in Asia to consolidate their societies and economies and win the battle of hearts and minds against communism.

The United States' generous, open policies that have so greatly benefited the Asia-Pacific derived from deep-rooted political ideals and its self-image as "a city upon a hill" and "a light unto the nations," but they also reflected its enlightened self-interest. A stable and prospering Asia-Pacific was first a bulwark against the communist countries in the Cold War and then an important region of the world comprising many stable and prosperous countries well disposed toward the United States. To U.S. businesses, the Asia-Pacific offered sizable markets and important production bases. Unsurprisingly, several of the United States' staunchest allies are in Asia,



such as Australia, Japan, and South Korea, and so are some of its long-standing partners, such as Singapore.

China has vital interests in the region, too. In Northeast Asia, the Second Sino-Japanese War and the Korean War still cast long shadows. In Southeast Asia, China sees a source of energy and raw materials, economic partners, and important sea lines of communication. It also sees chokepoints in the Strait of Malacca and the South China Sea that must be kept open to protect China's energy security. But one critical difference with the United States is that China sees the Asia-Pacific as its "near abroad," to borrow a Russian expression, and thus as essential to its own security.

Chinese President Xi Jinping has said that the Pacific Ocean is big enough to accommodate both the United States and China. But he has also said that Asian security should be left to Asians. A natural question arises: Does Xi think that the Pacific Ocean is big enough for the United States and China to coexist peacefully, with overlapping circles of friends and partners, or that it is big enough to be divided down the middle between the two powers, into rival spheres of influence? Singapore and other Asia-Pacific countries have no doubt which interpretation they prefer. Although they may not have much influence over how things will turn out, they fervently hope not to be forced to choose between the United States and China.

The U.S. security presence remains vital to the Asia-Pacific region. Without it, Japan and South Korea would be compelled to contemplate developing nuclear weapons; both are nuclear threshold states, and the subject already regularly surfaces in their public discourse, especially given North Korea's growing nuclear weapons capabilities. Such developments are fortunately still hypothetical, but their prospect is conducive neither to stability in Northeast Asia nor to nonproliferation efforts globally.

In Southeast Asia, the U.S. Seventh Fleet has contributed to regional security since World War II, ensuring that sea lines of communication remain safe and open, which has enabled trade and stimulated economic growth. Despite its increasing military strength, China would be unable to take over the United States' security role. Unlike the United States, China has competing maritime and territorial claims in the South China Sea with several countries in the region, which will always see China's naval presence as an attempt to advance those claims.

Another obstacle that would prevent China from taking over the security role currently played by the United States stems from the fact that many Southeast Asian countries have significant ethnic Chinese minorities, whose relations with the non-Chinese majority are often delicate. These countries are extremely sensitive about any perception that China has an inordinate influence on their ethnic Chinese populations—especially recalling the history of China’s support for communist insurgencies in Southeast Asia until the early 1980s. Those sensitivities will constrain China’s role in Southeast Asian affairs for the foreseeable future.

Singapore is the only Southeast Asian country whose multiracial population is majority ethnic Chinese. In fact, it is the only sovereign state in the world with such demographics other than China itself. But Singapore has made enormous efforts to build a multiracial national identity and not a Chinese one. And it has also been extremely careful to avoid doing anything that could be misperceived as allowing itself to be used as a cat’s-paw by China. For this reason, Singapore did not establish diplomatic relations with China until 1990, making it the final Southeast Asian country, except for Brunei, to do so.

Of course, Singapore and all other Asian countries want to cultivate good relations with China. They hope to enjoy the goodwill and support of such a major power and to participate in its growth. Global supply chains—whether for aircraft, cellular phones, or surgical masks—link China and other Asian countries closely together. China’s sheer size has made it the largest trading partner of most other Asian countries, including every treaty ally of the United States in the region, as well as Singapore and nearly every other ASEAN country.

It would be very difficult, bordering on impossible, for the United States to replace China as the world’s chief supplier, just as it would be unthinkable for the United States itself to do without the Chinese market, which is the third-largest importer of U.S. goods, after Canada and Mexico. But neither can China displace the United States’ economic role in Asia. The global financial system relies heavily on U.S. financial institutions, and the renminbi will not replace the U.S. dollar as the world’s reserve currency anytime soon. Although the other Asian countries export more to China than to the United States, U.S. multinational corporations still form the largest source of foreign investments in many Asia-Pacific countries, including Singapore. China’s major companies are starting to invest abroad,

but it will be many years before China has multinational corporations of the same scale and sophistication as those based in the United States, which tie global production chains together, link Asia with the global economy, and create millions of jobs.

For these reasons, Asia-Pacific countries do not wish to be forced to choose between the United States and China. They want to cultivate good relations with both. They cannot afford to alienate China, and other Asian countries will try their best not to let any single dispute dominate their overall relationships with Beijing. At the same time, those Asian countries regard the United States as a resident power with vital interests in the region. They were supportive—some more overtly than others—when U.S. President Barack Obama declared that the United States intended to “rebalance” American foreign policy toward Asia. They take comfort that although the Trump administration has raised issues of cost and burden sharing with its friends and allies, it has also put forward a strategy for the Indo-Pacific region and announced its intention to build up the U.S. military’s Indo-Pacific Command.

But those Asian countries also recognize that the United States is a global hyperpower, with far-flung preoccupations and urgent priorities all over the world. They are realistic that should tensions grow—or, even worse, should conflict occur—they cannot automatically take U.S. support for granted. They expect to do their part to defend their countries and interests. They also hope that the United States understands that if other Asian countries promote ties with China, that does not necessarily mean that they are working against the United States. (And of course, these Asian countries hope for the same understanding from China, too, if they strengthen their ties with the United States.)

### **AN INCLUSIVE REGIONAL ARCHITECTURE**

The United States and China are not the only major countries with a great deal of influence in the region; other players also have significant roles. Japan, in particular, has much to contribute to the region, given the size and sophistication of its economy. Under Prime Minister Shinzo Abe, it has contributed more actively than before. For example, after the United States withdrew from the Trans-Pacific Partnership in 2017, Japan stepped up. It galvanized the remaining 11 members to complete the Comprehensive and Progressive Agreement for Trans-

Pacific Partnership (CPTPP), which brings together developed and developing countries on both sides of the Pacific Ocean and is a step toward free trade in the Asia-Pacific region.

India also enjoys a great deal of potential influence. Under Prime Minister Narendra Modi, India has declared a strategic shift through its Act East Policy, and other countries look forward to seeing this

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*It is great powers' capacity for cooperation that is the true test of statecraft.*

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policy put into action. The East Asia Summit includes India as a member because other members hoped that as India's economy grew, it would see more value in regional cooperation. India was also one of the original countries negotiating to form the Regional Comprehensive Economic Partnership, a proposed free-trade agreement that aims to integrate all the major economies in the Asia-Pacific, similar to the way that the North American Free Trade Agreement (now the U.S.-Mexico-Canada Agreement) linked together countries in North America. After extensive negotiations, India decided last year not to join the RCEP; the remaining 15 participating countries are moving forward, although without India, something significant has been lost.

As most Asian countries recognize, the value of such agreements goes beyond the economic gains they generate. They are platforms that enable Asia-Pacific countries to cooperate with one another, develop stakes in one another's success, and together mold the regional architecture and the rules that govern it. Such regional arrangements must be open and inclusive. They should not, whether by design or result, keep any party out, undermine existing cooperation arrangements, create rival blocs, or force countries to take sides. This is why CPTPP members have left the door open for the United States to sign on once again, and why the countries that are working to form the RCEP still hope that India will join one day.

This is also the basis on which Asia-Pacific countries support regional cooperation initiatives such as the various Indo-Pacific concepts proposed by Japan, the United States, and other countries, as well as China's Belt and Road Initiative. Many other Asian countries view supporting the Belt and Road Initiative as a constructive way to accommodate China's growing influence in the region. If implemented well and with financial discipline, the initiative's projects can strengthen regional and multilateral cooperation and address the



pressing need for better infrastructure and connectivity in many developing countries. Some such projects have been criticized for lacking transparency or viability, but there is no reason to believe that all of the initiative's projects, by definition, will impose unsustainable financial burdens on countries or prevent them from growing their links with other major economies. Such consequences would not serve China's interests, either, since they would undermine its international standing and influence.

Developing new regional arrangements does not mean abandoning or sidelining existing multilateral institutions. These hard-won multilateral arrangements and institutions continue to give all countries, especially smaller ones, a framework for working together and advancing their collective interests. But many existing multilateral institutions are in urgent need of reform: they are no longer effective, given current economic and strategic realities. For instance, since the conclusion of the Uruguay Round of trade negotiations in 1994, the WTO has found it increasingly difficult to reach meaningful trade agreements, because any deal requires consensus from its 164 members, which have hugely divergent interests and economic philosophies. And since last year, the WTO's Appellate Body has been paralyzed by the lack of a quorum. This is a loss for all countries, who should work constructively toward reforming such organizations rather than diminishing their effectiveness or bypassing them altogether.

### **A FERVENT HOPE**

The strategic choices that the United States and China make will shape the contours of the emerging global order. It is natural for big powers to compete. But it is their capacity for cooperation that is the true test of statecraft, and it will determine whether humanity makes progress on global problems such as climate change, nuclear proliferation, and the spread of infectious diseases.

The COVID-19 pandemic is a stark reminder of how vital it is for countries to work together. Diseases do not respect national borders, and international cooperation is desperately needed to bring the pandemic under control and reduce damage to the global economy. Even with the best relations between the United States and China, mounting a collective response to COVID-19 would be hugely challenging. Unfortunately, the pandemic is exacerbating the U.S.-Chinese rivalry, increasing mistrust, one-upmanship, and mutual

blame. This will surely worsen if, as now seems inevitable, the pandemic becomes a major issue in the U.S. presidential election. One can only hope that the gravity of the situation will concentrate minds and allow wiser counsel to prevail.

In the meantime, Asian countries have their hands full, coping with the pandemic and the many other obstacles to improving the lives of their citizens and creating a more secure and prosperous region. Their success—and the prospect of an Asian century—will depend greatly on whether the United States and China can overcome their differences, build mutual trust, and work constructively to uphold a stable and peaceful international order. This is a fundamental issue of our time. 🌐

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# The Age of Magic Money

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## Can Endless Spending Prevent Economic Calamity?

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*Sebastian Mallaby*

Crisis can drive change, but sometimes it takes two crises to cement a transformation. Alone, the Great Depression ushered in the New Deal, roughly tripling U.S. federal spending as a share of output. But it took World War II to push federal spending much higher, solidifying the role of the state in the U.S. economy. If federal interventions such as the creation of the interstate highway system felt natural by the mid-1950s, it was the result of two compounding shocks, not a single one.

American history offers many such examples. Alone, the Vietnam War might have triggered a decline of trust in the government. It took the compounding shock of Watergate to make that decline precipitous. Alone, the collapse of the Soviet Union would have enhanced U.S. power. It took the strong performance of the U.S. economy in the 1990s to spark talk of a “unipolar moment.” Alone, technological advances would have fueled inequality in the first decade of this century. Globalization reinforced that fracturing.

Today, the United States and other advanced countries are experiencing the second wave of an especially powerful twin shock. Taken individually, either the global financial crisis of 2008 or the global pandemic of 2020 would have been enough to change public finances, driving governments to create and borrow money freely. Combined, these two crises are set to transform the spending power of the state. A new era of assertive and expansive government beckons. Call it the age of magic money.

The twin shocks will change the balance of power in the world, because their effects will vary across countries, depending on the credibility and cohesion of each country’s economic institutions.

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Japan, with a long history of low inflation and a competent national central bank, has already shown that it can borrow and spend far more than one might have predicted given its already high levels of public debt. The United Kingdom, which has a worrisome trade deficit but strong traditions of public finance, should be able to manage an expansion of government spending without adverse consequences. The eurozone, an ungainly cross between an economic federation and a bickering assemblage of proud nation-states, will be slower to exploit the new opportunities. Meanwhile, emerging economies, which weathered the 2008 crisis, will enter a hard phase. Weaker states will succumb to debt crises.

The new era will present the biggest potential rewards—and also the greatest risks—to the United States. As the issuer of the world's most trusted financial assets, the United States will be able to use (and maybe abuse) the new financial powers most ambitiously. Thanks partly to the dollar's entrenched position as the world's reserve currency, the United States will be able to sustain an expansion in government spending on priorities as varied as scientific research, education, and national security. At the same time, the U.S. national debt will swell, and its management will depend crucially on the credibility of the Federal Reserve. In times of high national debt, U.S. presidents since Harry Truman have tried to subjugate the central bank. If the Fed loses its independence, the age of magic money could end in catastrophe.

### **"WHATEVER IT TAKES"**

The financial crisis of 2008 left its mark on the world by magnifying the power of central banks in the advanced economies. In the days immediately after Lehman Brothers filed for bankruptcy, in September of that year, Ben Bernanke, the U.S. Federal Reserve chair, offered an early glimpse of the economy's new rules by pumping \$85 billion of public funds into the American International Group (AIG), an insurer. When Representative Barney Frank, Democrat of Massachusetts, was informed of this plan, he skeptically inquired whether the Fed had as much as \$85 billion on hand. "We have \$800 billion," Bernanke answered simply. Armed with the nation's printing press, Bernanke was saying, the Fed can conjure as many dollars as it wants. The iron law of scarcity need not apply to central bankers.

The AIG rescue was only the beginning. The Fed scooped toxic assets off the balance sheets of a long list of failing lenders in order to stabilize them. It embraced the new tool of "quantitative easing," which



involves creating money to buy long-term bonds, thus suppressing long-term interest rates and stimulating the economy. By the end of 2008, the Fed had pumped \$1.3 trillion into the economy, a sum equivalent to one-third of the annual federal budget. The central bank's traditional toolkit, involving the manipulation of short-term interest rates, had been dramatically expanded.

These ambitious moves were mirrored in other advanced economies. The Bank of England also embraced quantitative easing, buying bonds on the same scale as the Fed (adjusting for the size of the British economy). The Bank of Japan had experimented with

quantitative easing since 2001, but following the financial crisis, it redoubled those efforts; since 2013, it has created more money relative to GDP than any other mature economy. The European Central Bank's response was halting for many years, owing to resistance from Germany and other northern member states, but in 2015, it joined the party. Combined, these "big four" central banks injected about \$13 trillion into their economies in the decade after the financial crisis.

The crisis brought on by the novel coronavirus has emboldened central banks still further. Before the pandemic, economists worried that quantitative easing would soon cease to be effective or politically acceptable. There were additional concerns that post-2008 legislation had constrained the power of the Fed to conduct rescues. "The government enjoys even less emergency authority than it did before the crisis," former Treasury Secretary Timothy Geithner wrote in these pages in 2017. But as soon as the pandemic hit, such fears were dispelled. "I was among many who were worried a month ago about the limited scope of the Fed arsenal," the respected investor Howard Marks confessed recently. "Now we see the vast extent of the Fed's potential toolkit."

The Fed rode into battle in March, promising that the range of its actions would be effectively limitless. "When it comes to lending, we are not going to run out of ammunition," declared Jerome Powell, the Fed chair. Whereas the Fed's first two rounds of quantitative easing, launched in 2008 and 2010, had involved a preannounced quantity of purchases, Powell's stance was deliberately open ended. In this, he was following the precedent set in 2012 by Mario Draghi, then the president of the European Central Bank, who pledged to do "whatever it takes"

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*The Fed has emerged as the biggest agent of big government, a sort of economics superministry.*

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to contain Europe's debt crisis. But Draghi's promise was an inspired bluff, since the willingness of northern European states to support limitless intervention was uncertain. In contrast, nobody today doubts that the Fed has the backing of the U.S. president and Congress to deliver on its maximalist rhetoric. This is "whatever it takes" on steroids.

The Fed's muscular promises have been matched with immediate actions. During March and the first half of April, the Fed pumped more than \$2 trillion into the economy, an intervention almost twice as vigorous as it delivered in the six weeks after the fall of Lehman Brothers. Meanwhile, market economists project that the central bank will buy more than \$5 trillion of additional debt by the end of 2021, dwarfing its combined purchases from 2008 to 2015. Other central banks are following the same path, albeit not on the same scale. As of the end of April, the European Central Bank was on track for \$3.4 trillion of easing, and Japan and the United Kingdom had promised a combined \$1.5 trillion.

The design of the Fed's programs is leading it into new territory. After Lehman's failure, the Fed was leery of bailing out nonfinancial companies whose stability was marginal to the functioning of the financial system. Today, the Fed is buying corporate bonds—including risky junk bonds—to ensure that companies can borrow. It is also working with the Treasury Department and Congress to get loans to small and medium-sized businesses. The Fed has emerged as the lender of last resort not just to Wall Street but also to Main Street.

As the Fed expands its reach, it is jeopardizing its traditional claim to be a narrow, technocratic agency standing outside politics. In the past, the Fed steered clear of Main Street lending precisely because it had no wish to decide which companies deserved bailouts and which should hit the wall. Such invidious choices were best left to democratically elected politicians, who had a mandate to set social priorities. But the old demarcation between monetary technicians and budgetary politics has blurred. The Fed has emerged as the biggest agent of big government, a sort of economics superministry.

## **MONEY FOR NOTHING**

This leads to the second expansion of governments' financial power resulting from the coronavirus crisis. The pandemic has shown that central banks are not the only ones that can conjure money out of thin air; finance ministries can also perform a derivative magic of



*Stimulator in chief: Powell at a press conference in Washington, D.C., January 2020*

their own. If authorized by lawmakers and backed by central banks, national treasuries can borrow and spend without practical limit, mocking the normal laws of economic gravity.

The key to this new power lies in the strange disappearance of inflation. Since the 2008 crisis, prices in the advanced economies have risen by less than the desired target of about two percent annually. As a result, one of the main risks of budget deficits has vanished, at least for the moment. In the pre-2008 world, governments that spent more than they collected in taxes were creating a risk of inflation, which often forced central banks to raise interest rates: as a form of stimulus, budget deficits were therefore viewed as self-defeating. But in the post-2008 world, with inflation quiescent, budget authorities can deliver stimulatory deficits without fear that central banks will counteract them. Increased inequality has moved wealth into the hands of citizens who are more likely to save than to spend. Reduced competition has allowed companies with market power to get away with spending less on investments and wages. Cloud computing and digital marketplaces have made it possible to spend less on equipment and hiring when launching companies. Thanks to these factors and perhaps others, demand has not outgrown supply, so inflation has been minimal.

Whatever the precise reasons, the disappearance of inflation has allowed central banks to not merely tolerate budget deficits but also facilitate them. Governments are cutting taxes and boosting spend-

ing, financing the resulting deficits by issuing bonds. Those bonds are then bought from market investors by central banks as part of their quantitative easing. Because of these central bank purchases, the interest rate governments must pay to borrow goes down. Moreover, because central banks generally remit their profits back

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*Despite a perception of U.S. decline, almost two-thirds of central bank reserves are still composed of dollars.*

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to government treasuries, these low interest payments are even lower than they seem, since they will be partially rebated. A finance ministry that sells debt to its national central bank is, roughly speaking, borrowing from itself. Just as central bankers are blurring the line between monetary policy

and budgetary policy, so, too, are budgetary authorities acquiring some of the alchemical power of central bankers.

If low inflation and quantitative easing have made budget deficits cheap, the legacy of 2008 has also made them more desirable. In the wake of the financial crisis, quantitative easing helped the economy recover, but it also had drawbacks. Holding down long-term interest rates has the effect of boosting equity and bond prices, which makes it cheaper for companies to raise capital to invest. But it also delivers a handout to holders of financial assets—hardly the most deserving recipients of government assistance. It would therefore be better to rouse the economy with lower taxes and additional budgetary spending, since these can be targeted at citizens who need the help. The rise of populism since 2008 underscores the case for stimulus tools that are sensitive to inequality.

Because budget deficits appear less costly and more desirable than before, governments in the advanced economies have embraced them with gusto. Again, the United States has led the way. In the wake of the financial crisis, in 2009, the country ran a federal budget deficit of 9.8 percent of GDP. Today, that number has roughly doubled. Other countries have followed the United States' "don't tax, just spend" policies, but less aggressively. At the end of April, Morgan Stanley estimated that Japan will run a deficit of 8.5 percent of GDP this year, less than half the U.S. ratio. The eurozone will be at 9.5 percent, and the United Kingdom, at 11.5 percent. China's government, which led the world in the size of its stimulus after 2008, will not come close to rivaling the United States this time. It is likely to end up with a 2020 deficit of 12.3 percent, according to Morgan Stanley.



As the world's strong economies borrow heavily to combat the coronavirus slump, fragile ones are finding that this option is off-limits. Far from increasing their borrowing, they have difficulty in maintaining their existing levels of debt, because their creditors refuse to roll over their loans at the first hint of a crisis. During the first two months of the pandemic, \$100 billion of investment capital fled developing countries, according to the International Monetary Fund, and more than 90 countries have petitioned the IMF for assistance. In much of the developing world, there is no magic, only austerity.

### **AMERICA'S ADVANTAGE**

Since the start of the pandemic, the United States has unleashed the world's biggest monetary stimulus and the world's biggest budgetary stimulus. Miraculously, it has been able to do this at virtually no cost. The pandemic has stimulated a flight to the relative safety of U.S. assets, and the Fed's purchases have bid up the price of U.S. Treasury bonds. As the price of Treasuries rises, their interest yield goes down—in the first four months of this year, the yield on the ten-year bond fell by more than a full percentage point, dropping below one percent for the first time ever. Consequently, even though the stimulus has caused U.S. government debt to soar, the cost of servicing that debt has remained stable. Projections suggest that federal debt payments as a share of GDP will be the same as they would have been without the crisis. This may be the closest thing to a free lunch in economics.

The world's top economies have all enjoyed some version of this windfall, but the U.S. experience remains distinctive. Nominal ten-year government interest rates are lower in Canada, France, Germany, Japan, and the United Kingdom than in the United States, but only Germany's is lower after adjusting for inflation. Moreover, the rate in the United States has adjusted the most since the pandemic began. Germany's ten-year government rate, to cite one contrasting example, is negative but has come down only marginally since the start of February—and has actually risen since last September. Likewise, China's ten-year bond rate has come down since the start of this year but by half as much as the U.S. rate. Meanwhile, some emerging economies have seen their borrowing costs move in the opposite direction. Between mid-February and the end of April, Indonesia's rate rose from around 6.5 percent to just under eight percent, and South Africa's jumped from under nine percent to over 12 percent, although that increase has since subsided.

The United States' ability to borrow safely and cheaply from global savers reflects the dollar's status as the world's reserve currency. In the wake of the 2008 crisis, when the failures of U.S. financial regulation and monetary policy destabilized the world, there was much talk that the dollar's dominance might end, and China made a concerted effort to spread the use of the yuan beyond its borders. A decade or so later, China has built up its government-bond market, making it the second largest in the world. But foreigners must still contend with China's capital controls, and the offshore market for yuan-denominated bonds, which Beijing promoted with much fanfare a decade ago, has failed to gain traction. As a result, the yuan accounts for just two percent of global central bank reserves. Private savers are starting to hold Chinese bonds, but these still represent a tiny fraction of their portfolios.

As China struggles to internationalize the yuan, the dollar remains the currency that savers covet. Despite the financial crisis and the widespread perception that U.S. influence in the world has declined, almost two-thirds of central bank reserves are still composed of dollars. Nor has the frequent U.S. resort to financial sanctions changed the picture, even though such sanctions create an incentive for countries such as Iran to develop ways around the dollar-based financial system. Issuing the global reserve currency turns out to be a highly sustainable source of power. The dollar continues to rally in times of uncertainty, even when erratic U.S. policies add to that uncertainty—hence the appreciation of the dollar since the start of the pandemic.

The dollar's preeminence endures because of powerful network effects. Savers all over the world want dollars for the same reason that schoolchildren all over the world learn English: a currency or a language is useful to the extent that others choose it. Just under half of all international debt securities are denominated in dollars, so savers need dollars to buy these financial instruments. The converse is also true: because savers are accustomed to transacting in dollars, issuers of securities find it attractive to sell equities or bonds into the dollar market. So long as global capital markets operate mainly in dollars, the dollar will be at the center of financial crises—failing banks and businesses will have to be rescued with dollars, since that will be the currency in which they have borrowed. As a result, prudent central banks will hold large dollar reserves. These network effects are likely to protect the status of the dollar for the foreseeable future.



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## **OUR CURRENCY, YOUR PROBLEM**

In the age of magic money, this advantage will prove potent. At moments of stress, the United States will experience capital inflows even as the Federal Reserve pushes dollar interest rates down, rendering capital plentiful and inexpensive. Meanwhile, other countries will be treated less generously by the bond markets, and some will be penalized by borrowing costs that rise at the least opportune moment.

A strong financial system has always given great powers an edge: a bit over two centuries ago, the United Kingdom's superior access to loans helped it defeat Napoleon. Today, finance has more sway over countries and people than ever before. But even as it bolsters U.S. power, finance has become riskier. The risk is evident in the ballooning U.S. federal debt burden. As recently as 2001, the federal debt held by the public amounted to just 31 percent of GDP. After the financial crisis, the ratio more than doubled. Now, thanks to the second of the twin shocks, federal debt held by the public will soon match the 106 percent record set at the end of World War II.

Whether this debt triggers a crisis will depend on the behavior of interest rates. Before the pandemic, the Congressional Budget Office expected the average interest rate on the debt to hover around 2.5 percent. The Fed's aggressive bond buying has pulled U.S. rates lower—hence the free lunch. But even if interest rates went back to what they were before, the debt would still be sustainable: higher than the average of 1.5 percent of GDP that the country has experienced over the past two decades but still lower than the peak of 3.2 percent of GDP that the country reached at the start of the 1990s.

Another way of gauging debt sustainability is to compare debt payments with the growth outlook. If nominal growth—real growth plus inflation—outstrips debt payments, a country can usually grow out of its problem. In the United States, estimates of real sustainable growth range from 1.7 percent to 2.0 percent; estimates of future inflation range from the 1.5 percent expected by the markets to the Fed's official target of 2.0 percent. Putting these together, U.S. nominal growth is likely to average around 3.6 percent. If debt service payments are 2.5 percent of GDP, and if the government meets those obligations by borrowing and so expanding the debt stock, nominal growth of 3.6 percent implies that the federal government can run a modest deficit in the rest of its budget and still whittle away at the debt-to-GDP ratio.

Japan's experience reinforces the point that high levels of debt can be surprisingly sustainable. The country's central government debt passed 100 percent of GDP in 2000, and the ratio has since almost doubled, to nearly 200 percent. Yet Japan has not experienced a debt crisis. Instead, interest rates have declined, keeping the cost of servicing the debt at an affordable level. Japan's track record also disproves the notion that high levels of debt impede vigorous emergency spending. The country's pandemic stimulus is large, especially relative to the scale of its health challenge.

In short, the recent prevalence of low interest rates across the rich world

encourages the view that U.S. debt levels will be manageable, even if they expand further. The more central banks embrace quantitative easing, the lower interest rates are likely to remain: the rock-bottom yields on Japan's government debt reflect the fact that the Bank of Japan has vacuumed up more than a third of it. In this environment of durably low interest rates, governments enter a looking-glass world: by taking on more debt, they can reduce the burden of the debt, since their debt-financed investments offset the debt by boosting GDP. Based on this logic, the age of magic money may usher in expanded federal investments in a wide range of sectors. When investors the world over clamor for U.S. government bonds, why not seize the opportunity?

The question is whether Tokyo's experience—rising debt offset by falling interest rates—anticipates Washington's future. For the moment, the two countries have one critical feature in common: a central bank that is eagerly engaged in quantitative easing. But that eagerness depends on quiescent inflation. Because of a strong tradition of saving, Japan has experienced outright deflation in 13 of the past 25 years, whereas the United States has experienced deflation in only one year over that period. The danger down the road is that the United States will face an unexpected price surge that in turn forces up interest rates faster than nominal GDP, rendering its debt unsustainable.

To see how this could work, think back to 1990. That year, the Fed's favorite measure of inflation, the consumer price index, rose to 5.2 percent after having fallen to 1.6 percent four years earlier—thus proving that inflation reversals do happen. As inflation built, the Fed pushed up borrowing costs; rates on ten-year Treasury bonds went from about seven percent in late 1986 to over nine percent in 1988, and they hov-

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*Today, finance has more sway over countries and people than ever before.*

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ered above eight percent in 1990. If a reversal of that sort occurred today, it could spell disaster. If long-term interest rates rose by two percentage points, the United States would face debt payments worth 4.5 percent of GDP rather than 2.5 percent. The burden of the national debt would hit a record.

That would have significant political consequences. In 1990, the unsustainable debt trajectory forced the adoption of a painful deficit-cutting package, causing President George H. W. Bush to renege on his “no new taxes” campaign pledge, arguably costing him the 1992 election. Given today’s political cynicism, it seems unwise to count on a repeat of such self-sacrifice. It is therefore worth recalling the other debt-management tactic that Bush’s administration attempted. By attacking the Fed chair, Alan Greenspan, with whispered slanders and open scolding, Bush’s advisers tried to bully the central bank into cutting interest rates. The way they saw things, lower rates, faster growth, and higher inflation would combine to solve the debt problem.

Greenspan stood his ground, and Bush was not reckless enough to get rid of him. But if a future president were more desperate, the Fed could be saddled with a leader who prioritized the stability of the national debt over the stability of prices. Considering the Fed’s recent business bailouts, it would be a small step to argue that the central bank also has a duty to protect citizens from budget austerity. Given its undershooting of the inflation target over the past few years, it would be easy to suggest that a bit of overshooting would be harmless. Unfortunately, if not checked fairly quickly, this seductive logic could open the way to a repeat of the 1970s, when U.S. financial mismanagement allowed inflation to reach double digits and the dollar came closer than ever in the postwar period to losing its privileged status.

The age of magic money heralds both opportunity and peril. The twin shocks of 2008 and 2020 have unleashed the spending power of rich-world governments, particularly in the United States. They have made it possible to imagine public investments that might speed growth, soften inequality, and tackle environmental challenges. But too much of a good thing could trigger a dollar crisis that would spread worldwide. As U.S. Treasury Secretary John Connally put it to his European counterparts in 1971, “The dollar is our currency but your problem.”

## **THE FED'S DILEMMA**

Nobody is sure why inflation disappeared or when it might return again. A supply disruption resulting from post-pandemic deglobalization could cause bottlenecks and a price surge; a rebound in the cost of energy, recently at absurd lows, is another plausible trigger. Honest observers will admit that there are too many unknowns to make forecasting dependable. Yet precisely because the future is uncertain and contingent, a different kind of prediction seems safe. If inflation does break out, the choices of a handful of individuals will determine whether finance goes over the precipice.

The United States experienced an analogous moment in 1950. China had sent 300,000 infantry across the frozen Yalu River, which marked its border with Korea; they swarmed U.S. soldiers sleeping on the frigid ground, stabbing them to death through their sleeping bags. The following month, with the fate of the Cold War as uncertain as it would ever be, U.S. President Harry Truman called Thomas McCabe, the Fed chair, at home and insisted that the interest rate on ten-year bonds stay capped at 2.5 percent. If the Fed failed to buy enough bonds to keep the interest rate at that level, "that is exactly what Mr. Stalin wants," the president lectured. In a time of escalating war, the government's borrowing capacity had to be safeguarded.

This presented the Fed with the kind of dilemma that it may confront again in the future. On the one hand, the nation was in peril. On the other hand, inflation was accelerating. The Fed had to choose between solving an embattled president's problem and stabilizing prices. To Truman's fury, McCabe resolved to put the fight against inflation first; when the president replaced McCabe with William McChesney Martin, a Treasury official Truman expected would be loyal, he was even more shocked to find that his own man defied him. In his first speech after taking office, Martin declared that inflation was "an even more serious threat to the vitality of our country than the more spectacular aggressions of enemies outside our borders." Price stability should not be sacrificed, even if the president had other priorities.

Years later, Truman encountered Martin on a street in New York City. "Traitor," he said, and then walked off. Before the age of magic money comes to an end, the United States might find itself in need of more such traitors. 🌐

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# How to Make Trade Work for Workers

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## Charting a Path Between Protectionism and Globalism

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*Robert E. Lighthizer*

**T**he new coronavirus has challenged many long-held assumptions. In the coming months and years, the United States will need to reexamine conventional wisdom in business, medicine, technology, risk management, and many other fields. This should also be a moment for renewed discussions—and, hopefully, a stronger national consensus—about the future of U.S. trade policy.

That debate should start with a fundamental question: What should the objective of trade policy be? Some view trade through the lens of foreign policy, arguing that tariffs should be lowered or raised in order to achieve geopolitical goals. Others view trade strictly through the lens of economic efficiency, contending that the sole objective of trade policy should be to maximize overall output. But what most Americans want is something else: a trade policy that supports the kind of society they want to live in. To that end, the right policy is one that makes it possible for most citizens, including those without college educations, to access the middle class through stable, well-paying jobs.

That is precisely the approach the Trump administration is taking. It has broken with the orthodoxies of free-trade religion at times, but contrary to what critics have charged, it has not embraced protectionism and autarky. Instead, it has sought to balance the benefits of trade liberalization with policies that prioritize the dignity of work.

Under this new policy, the Office of the U.S. Trade Representative, which I head, has taken aggressive and, at times, controversial

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**ROBERT E. LIGHTHIZER** is U.S. Trade Representative.

actions to protect American jobs. But it has done so without sparking unsustainable trade wars and while continuing to expand U.S. exporters' access to foreign markets. The U.S.-Mexico-Canada Agreement (USMCA), which was first signed in 2018 and is scheduled to enter into force this year, offers the best and most comprehensive illustration of this new approach. This new way of thinking has motivated the administration's policies toward China and the World Trade Organization (WTO), as well. In addressing the challenges that remain, the administration has the same goal: a balanced, worker-focused trade policy that achieves a broad, bipartisan consensus and better outcomes for Americans.

### **THE LIMITS OF INTERDEPENDENCE**

Before World War II, tariffs were high by contemporary standards. From the 1820s until the late 1940s, the weighted average U.S. tariff (which measures duties collected as a percentage of total imports) rarely dipped below 20 percent. President Franklin Roosevelt and the New Deal Congress ushered in a period of relative tariff liberalization in the 1930s, but the rate remained in the mid- to high teens throughout the decade. After the war, however, both Democrats and Republicans came to champion tariff reduction as a means of preventing yet another conflict, arguing that trade fostered interdependence between nations. Trade liberalization therefore came to be seen not just as a tool of economic policy but also as a path to perpetual peace.

Subsequent events seemed to vindicate this view. Exports to U.S. consumers helped Japan and West Germany rebuild and become responsible members of the world community. The tearing down of trade barriers within Europe, starting with the establishment of the European Coal and Steel Community in 1951, surely contributed to postwar security, as well, by bringing the democracies of Western Europe closer together and setting a template for future cooperation.

But interdependence does not always lead to peace. In the United States, economic ties between the North and the South did not prevent the Civil War. Global trade grew rapidly in the years right before World War I; exports as a percentage of global GDP peaked at nearly 14 percent in 1913, a record that would hold until the 1970s. Likewise, it would be hard to argue that the rise of Germany as a major exporter in the late nineteenth century helped pacify that country in the first half of the twentieth. Japan's dependence on raw

materials from the United States motivated its attack on Pearl Harbor. More recently, China's accession to the WTO in 2001—which was supposed to make the country a model global citizen—was followed by massive investments in its military capabilities and territorial expansion in the South China Sea.

On the flip side, conflict over trade is not always destabilizing or a threat to broader foreign policy objectives. The NATO alliance survived the tariff hikes associated with both the 1960s “chicken war,” when the

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*Conflict over trade is not  
always destabilizing.*

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United States clashed with France and West Germany over poultry duties, and the 1970s “Nixon shock,” when the United States effectively abandoned the Bretton Woods system. The United

States and Japan fought about trade in the 1980s, but their bilateral security alliance stayed strong. Countries, like people, compartmentalize.

There may be situations when it is appropriate to make concessions on trade in order to achieve broader diplomatic aims, but one should keep in mind that such bargains can prove costly in the long run. Letting India join the General Agreement on Tariffs and Trade (the precursor to the WTO) in 1948 with nearly a third of its industrial tariffs uncapped, for example, no doubt made sense to Cold Warriors, who thought that it would help bring India into the U.S. camp. Yet the negative repercussions of that decision persist to this day, now that India has become one of the world's largest economies and, at times, a troublesome trading partner for the United States. Over the years, such concessions have piled up.

Sometimes, the tendency to view trade through the lens of diplomacy has led to excess timidity. The most vivid example is the failure of the George W. Bush and Obama administrations to meaningfully confront China's market-distorting subsidies and policy of forcing foreign companies to share their technology. But there are many others. For instance, until the current administration took office, the United States had never invoked the procedures for enforcing environmental commitments it had bargained for in its free-trade agreements. The Trump administration has used those tools to crack down on illegal timber harvesting in Peru and illegal fishing in South Korea.

Although the United States should not wield its economic leverage blithely, fear of rocking the diplomatic boat cannot be an excuse for inaction. The Trump administration has demonstrated that it is pos-





*Made in U.S.A.: a General Motors worker in Romulus, Michigan, August 2019*

sible to take targeted yet aggressive trade actions while managing the risk of escalation. Despite the “sky is falling” rhetoric that has greeted many of the administration’s policies, the United States has remained the most open of the world’s major economies throughout Donald Trump’s presidency. Even with the recent tariffs imposed against China, along with efforts to rescue the domestic steel, aluminum, and solar power industries, the United States’ weighted average tariff was only 2.85 percent in 2019 (and 1.3 percent for imports from countries other than China). That’s slightly higher than the 1.5 percent rate that prevailed during the last year of the Obama administration but still lower than a comparable figure for the EU: the 3.0 percent weighted average rate it imposes on imports from other WTO members.

History will judge the ultimate effectiveness of the Trump administration’s targeted duties. But experience has already proved wrong the Cassandras who said that its actions would inevitably lead to a 1930s-style trade war.

### **THE EFFICIENCY OBSESSION**

The other dominant school of thought in trade policy is the economist’s perspective. For adherents of this faith, the sole objective of trade policy is market efficiency. Lower tariffs and nontariff barriers reduce the costs of producing and distributing goods and services;

that, in turn, makes society as a whole better off—so the argument goes. How such policies affect the men and women who do the producing and distributing is of little or no consequence.

Rather than envisioning the type of society desired and fashioning a trade policy to fit, economists tend to do the opposite: they start from the proposition that free trade should reign and then argue that society should adapt. Most

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*The outsourcing of jobs from high- to low-wage places has devastated communities in the American Rust Belt.*

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acknowledge that lowering trade barriers causes economic disruption, but very few suggest that the rules of trade should be calibrated to help society better manage those effects. On the right, libertarians deny that there is a problem, because the benefits of cheap consumer goods for the masses supposedly outweigh the costs. On the left, progressives promote trade adjustment assistance and other wealth-transfer schemes as a means of smoothing globalization's rough edges.

Neither response is satisfactory. Those obsessed with efficiency tend to see employment simply as a means of allocating resources and ensuring production. In so doing, they greatly undervalue the personal dignity that individuals derive from meaningful work. Commentators from Pope Leo XIII in the nineteenth century to Arthur Brooks and Oren Cass today have written eloquently about the central role of work in a well-ordered society. Doing honest work for a decent wage instills feelings of self-worth that come from being needed and contributing to society. Stable, remunerative employment reinforces good habits and discourages bad ones. That makes human beings better spouses, parents, neighbors, and citizens. By contrast, the loss of personal dignity that comes from the absence of stable, well-paying employment is not something that can be compensated for either by increased consumption of low-cost imported goods or by welfare checks.

None of this is to suggest that market efficiency should be irrelevant. But it should not be the sole factor in trade policy, and certainly not an object of idolatrous devotion, as some have made it. When it comes to taxes, health care, environmental regulation, and other issues, policymakers routinely balance efficiency with other competing goals. They should do the same for trade.

In recent years, however, the fixation on efficiency caused many to ignore the downsides of trade liberalization. Particularly as elites came to accept free trade as an article of faith, businesses found that they could send jobs abroad without attracting much negative publicity. General Electric's hard-charging CEO from 1981 to 2001, the late Jack Welch, told suppliers at one point that his company would stop doing business with them if they weren't outsourcing jobs. "Supply chain relocation" became a cure-all peddled by management consulting firms. Unfortunately—as COVID-19 has made painfully apparent—many companies caught up in the outsourcing frenzy failed to appreciate the risks.

Economic groupthink also led policymakers to stop worrying about trade deficits. In recent years, the U.S. trade deficit in goods has rivaled the size of many G-20 economies. In theory, if the United States could produce enough goods domestically to eliminate its \$345 billion goods deficit with China, that would be the equivalent in revenue terms of adding two and a half more General Motors to the U.S. economy. Yet in most policy circles, discussion of the trade deficit has been limited to why it supposedly doesn't matter.

Many take comfort in the following trope: "I run a trade deficit with my barber; since both of us are better off as a result, trade deficits are benign." This analogy is flawed. A deficit with the barber is one thing, but if I run a deficit with the barber, the butcher, the baker, the candlestick maker, and everyone else with whom I transact, the situation is altogether different. Moreover, long-term trade deficits must be financed through asset sales, which can prove unsustainable over time. To carry the analogy further, the trade deficit I run with providers of goods and services I consume is benign if it is offset by the surplus I run with my employer through the sale of my labor. But the situation may prove unsustainable if I'm funding my consumption by taking out a second mortgage on my home. And that is essentially what the United States has been doing over the past three decades by running a trade deficit year after year. These persistent deficits are financed by net inflows of capital—which means that every year, the country must sell U.S. assets to foreign investors in order to sustain the gap between exports and imports.

Academic theory also cannot hide the basic fact that if a country imports goods it could produce domestically, then domestic spending is employing people abroad rather than at home. This tradeoff

might be worth it if it frees up workers to move to more productive, higher-paying jobs. It might make sense, too, if reciprocal agreements for market access create new export-related jobs that replace those lost to competition from cheaper imports. But persistent trade deficits should, at the very least, cause policymakers to question the tradeoff and inquire as to the reasons behind the imbalance. Such scrutiny should increase with the size of the deficit. And particularly when trade deficits are the result of currency manipulation, a lack of reciprocity in market access, unfair labor practices, or subsidies, the United States should try to change the rules of trade.

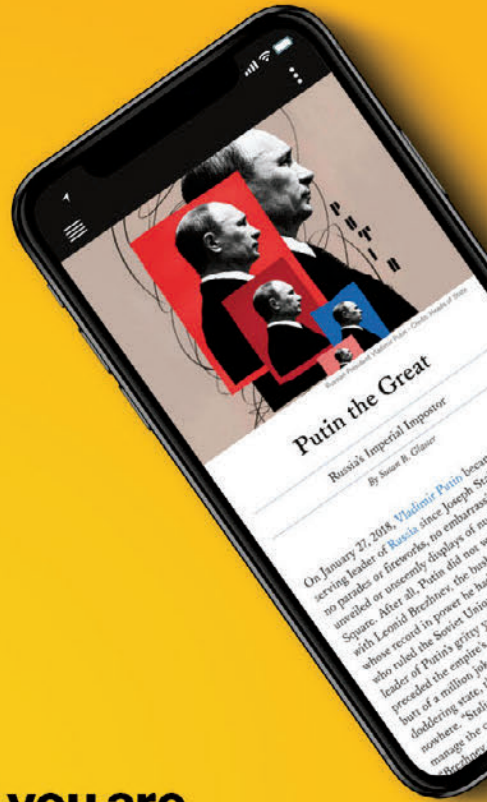
### **THE DARK SIDE OF FREE TRADE**

The trade policy of the future should be informed by a balanced assessment of the past. On the positive side of the ledger, lower trade barriers and the proliferation of free-trade agreements in recent decades swelled the profits of many multinational corporations. That benefited not only CEOs but also middle-class Americans who hold equities in their retirement accounts. Trade helped revive many of the country's great urban centers. Cheap imports and the rise of big-box and online retailers have made an ever-expanding class of consumer goods available to the masses. In China, India, and throughout the rest of the developing world, millions of people have been lifted out of poverty.

Yet the dark side is undeniable. Between 2000 and 2016, the United States lost nearly five million manufacturing jobs. Median household income stagnated. And in places prosperity left behind, the fabric of society frayed. Since the mid-1990s, the United States has faced an epidemic of what the economists Anne Case and Angus Deaton have termed "deaths of despair." They have found that among white middle-aged adults who lack a college education—a demographic that has borne much of the brunt of outsourcing—deaths from cirrhosis of the liver increased by 50 percent between 1999 and 2013, suicides increased by 78 percent, and drug and alcohol overdoses increased by 323 percent. From 2014 to 2017, the increase in deaths of despair led to the first decrease in life expectancy in the United States over a three-year period since the 1918 flu pandemic.

Trade has not been the sole cause of the recent loss of manufacturing jobs or of the attendant societal distress. Automation, productivity gains, foreign currency manipulation, and the financial crisis of 2008 have played key roles, as well. But it cannot be denied that the





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outsourcing of jobs from high- to low-wage places has devastated communities in the American Rust Belt and elsewhere.

Of course, economic upheaval is often the price of progress, and, economists insist, comparative advantage should encourage workers to move to more productive and higher-paying jobs. But this theoretical phenomenon has failed to materialize in recent years. Compared with those who lost their jobs in earlier periods of economic change, displaced workers in modern, developed economies typically have fewer and less attractive options. In the United Kingdom in the nineteenth century, for example, the repeal of the protectionist Corn Laws prompted agricultural workers to flee the countryside for industrializing urban areas where factory jobs were waiting. By contrast, the American factory workers who were displaced beginning in the 1990s either had nowhere to go or ended up working in low-skill, low-paying service jobs.

Rather than attempt to reverse these trends, some argue that mature economies should double down on services, the digital economy, and research and development. These sectors contribute greatly to the United States' competitive edge, and the service sector employs most Americans today and will likely continue to do so for the foreseeable future. At the same time, however, it is difficult to imagine that the U.S. economy can serve the needs of working people without a thriving manufacturing sector.

The technology sector, for all its virtues, simply is not a source of high-paying jobs for working people. Over half of the United States' roughly 250 million adults lack a college diploma. Historically, manufacturing jobs have been the best source of stable, well-paying employment for this cohort. Perhaps with massive new investments in education, former autoworkers could be taught to code. But even so, there probably wouldn't be enough jobs to employ them all. Apple, Facebook, Google, and Netflix collectively employ just over 300,000 people—less than half the number that General Motors alone employed in the 1960s.

Moreover, the service and technology jobs most accessible to working people, such as data entry and call center jobs, are themselves vulnerable to offshoring. Economists have estimated that nearly 40 million service-sector jobs in the United States could eventually be sent overseas—that's more than three times the number of current manufacturing jobs in the country.

Cheerleaders for globalization are quick to point out that many products manufactured abroad were designed by engineers and researchers located in the United States. But those jobs are not safe from offshoring, either. China is investing heavily in its universities, and India has no shortage of capable engineers. In the technology sector, in particular, there are valuable synergies from having engineers located close to manufacturing facilities. The back of today's iPhone reads "Designed by Apple in California. Assembled in China"; tomorrow, it easily could read "Designed and Assembled by Apple in China."

COVID-19 has exposed other problems with the erosion of the United States' manufacturing capacity. The country has found itself overly dependent on critical medical equipment, personal protective gear, and pharmaceuticals from abroad. Even Germany and South Korea, strong U.S. allies, have blocked exports of key medical products as their own citizens have fallen ill. The crisis also has demonstrated how overextended supply chains increase the risk of economic contagion when a single link in the chain is broken. Even before the crisis reached American shores, many U.S. companies were feeling the effects of China's economic shutdown. Now, as companies prepare to reopen their U.S. operations, many still can't produce what they want, since their overseas suppliers do not yet have government permission to reopen.

The United States should not attempt to wall itself off from the rest of the world in response to the current pandemic, but it should reinforce its determination to maintain and grow its manufacturing base. Trade policy alone cannot do that. But as part of a broader suite of tax and regulatory policies designed to encourage investment in the United States, reforms to the rules of trade can play an important role.

## **A MODEL DEAL**

A sensible trade policy strikes a balance among economic security, economic efficiency, and the needs of working people. When the administration began the task of renegotiating the North American Free Trade Agreement—one of the president's signature campaign promises—two things were clear. One was that the agreement had become wildly out of balance, badly out of date, and hugely unpopular. The second, however, was that undoing 25 years of economic integration in North America would be costly and disruptive. The challenge in negotiating the USMCA was to right NAFTA's wrongs while preserving trade with the United States' two largest trading partners.

We started by identifying the main imbalances, particularly in the automotive sector, which accounts for nearly 30 percent of North American trade. Before Trump was elected, nine of the last 11 auto plants built in North America were built in Mexico. Yet 80 percent of the cars manufactured in those facilities are sold in the United States. Over time, auto companies started to use Mexico as a place not only for assembling compact sedans but also for manufacturing

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*NAFTA had become wildly out of balance, badly out of date, and hugely unpopular.*

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high-value-added parts such as engines and transmissions, as well as for producing highly profitable trucks and SUVs. The net result was that the United States lost a third of its auto-industry jobs to Mexico: 350,000 since 1994, while Mexico gained 430,000.

This wage-driven outsourcing was not simply the work of Adam Smith's invisible hand. The gap between U.S. and Mexican wages exists in part as a result of widespread corrupt labor agreements in Mexico. "Protection contracts," as these deals are known, are struck between employers and unions, but the unions do not in fact represent workers. And the workers have no opportunity to vote on the contracts. No wonder predictions that NAFTA would cause American and Mexican wages to converge never came true. In fact, wages in Mexico are lower today in real terms than they were in 1994.

The USMCA requires Mexico to eliminate protection contracts, ensure basic union democracy, and establish independent labor courts. Rather than seek to micromanage labor policies in Mexico—as critics have charged—the USMCA sets reasonable standards that correct a major source of labor-market distortion in North America. Although the new labor provisions received a chilly reception by some parts of the Mexican business community, they were warmly embraced by President Andrés Manuel López Obrador and his government. The new obligations will not prevent companies from taking advantage of efficiencies in integrated North American supply chains. But they will eliminate a form of regulatory arbitrage that hurts American workers.

The USMCA also overhauls the "rules of origin" that govern trade in the automotive sector. All free-trade agreements contain rules of origin, which require goods to be made mostly with component materials sourced from within the free-trade area in order to qualify for

duty-free treatment. In theory, NAFTA's rules of origin specified that 62.5 percent of the value of an automobile had to be made up of parts manufactured in North America. But the rules contained a peculiar quirk: the only parts that counted in the equation were those listed on a schedule created in the early 1990s and frozen in time. As cars evolved, many expensive parts, such as dashboard electronics and navigation systems, simply didn't figure in the calculation of North American content. As a result, cars with more than half of their value composed of parts from outside the continent could still be exempt from duties. And the problem was only going to get worse over time, as electric and autonomous vehicles came online.

After discussions with the Canadian and Mexican governments, American labor unions, and the auto companies themselves, we arrived at a solution that will result in more investment throughout the region while still allowing manufacturers the flexibility to stay competitive. The USMCA sets a higher threshold for the minimum fraction of a car's value that must be produced within North America (75 percent). It also includes separate requirements for the minimum share of regional content in the highest-value-added parts, as well as for steel and aluminum. The USMCA makes these requirements meaningful by eliminating loopholes, and it includes a mechanism for revisiting the rules of origin in the future to keep up with industry trends.

For the first time in any trade agreement, the USMCA also includes provisions that discourage a race to the bottom in wages, by requiring that 40 percent of the value of a car and 45 percent of the value of a light truck be manufactured by workers who make at least \$16 per hour. This rate is aspirational for Mexico, where wages are closer to \$3 per hour, but it will create new incentives for companies to invest not only in Mexico but also in Canada and the United States. The U.S. International Trade Commission, an independent, nonpartisan federal agency, projects that increased demand for U.S.-sourced engines and transmissions alone will create roughly 30,000 new automotive-sector jobs. By my office's estimates, the effect on the entire supply chain will be close to 80,000 new jobs.

Critics have labeled these changes "managed trade," whereby governments set specific goals in lieu of letting market forces do their work. But rules of origin feature in all free-trade agreements. The key difference between those in the USMCA and those in NAFTA and other agreements is that the USMCA's rules have been designed to

actually work. They will ensure that the benefits of the agreement will flow principally to Canada, Mexico, and the United States, not to other countries that have not provided reciprocal market access. Indeed, NAFTA-enabled free-riding has long undermined U.S. leverage in negotiations with other trading partners. Until now, foreign automakers have been able to obtain duty-free access to the U.S. market by setting up assembly operations in Mexico, while manufacturing most of the high-value parts outside North America. With the loopholes closed, the United States will be in a stronger position to negotiate with China, the EU, and others.

The USMCA can be updated as circumstances change. It contains a sunset clause stating that it expires after 16 years. Every six years, however, the parties will have an opportunity to review the agreement and extend it for another 16 years. These periodic reviews will force policymakers in all three countries to avoid the temptation to defer maintenance of the agreement and will allow them to respond to unanticipated developments in their economies.

## **THE CHALLENGES AHEAD**

The principles of a worker-focused trade policy should be front and center as the United States confronts two of the most significant trade challenges it will face in the coming years: market-distorting state capitalism in China and a dysfunctional WTO.

No trade policy decision since the end of World War II proved more devastating to working people than the extension of permanent normal trade relations to China in 2000—a legal status entitling it to the lowest possible tariffs. Despite President Bill Clinton’s prediction that the move would allow the United States to “export products without exporting jobs,” the opposite occurred. The U.S. trade deficit with China ballooned to over half a trillion dollars at its peak, and economists have calculated that the loss of at least two million jobs between 1999 and 2011 was attributable to the influx of Chinese imports. At the same time, Beijing increasingly forced foreign companies to share their technology, a policy that resulted in the theft of billions of dollars in U.S. intellectual property and helped China become the world’s top exporter of high-tech products.

Without much success, the George W. Bush and Obama administrations tried to correct these problems at the WTO. Our team has taken a different approach. We spent much of the first year of the



Trump administration investigating China's history of intellectual property theft and forced technology transfer. Where the WTO rules provided a remedy—as was the case with China's discriminatory patent-licensing practices—we filed a complaint with the WTO. But where they did not, we turned to remedies available under U.S. trade law. We carefully identified products produced by Chinese companies that had benefited from China's market-distorting practices and imposed a 25 percent duty on those products.

We remained open to a negotiated solution, however, and in January, the administration reached a Phase 1 agreement with China under which it will stop forced technology transfer, refrain from manipulating its currency, strengthen protections for intellectual property, and eliminate a host of nontariff barriers to U.S. exports. For the first time, these commitments are in writing and enforceable through a dispute-resolution mechanism. The agreement by no means resolves all the outstanding issues, but in roughly three years, we've made more progress than the previous two administrations made in 16.

Most important—and often overlooked by knee-jerk, partisan critics of the deal—is that the administration has maintained pressure on China through a 25 percent tariff that remains on half of its exports to the United States, including nearly all high-tech products. These duties help offset the unfair advantage China has obtained through forced technology transfer and market-distorting subsidies. At the same time, China has made a series of purchasing commitments that will create long-term market access for U.S. exporters, particularly farmers. Whether there will be a Phase 2 depends on whether China complies with the terms of Phase 1 and whether it is willing to fundamentally change its model of state-run capitalism. Regardless, the policy in place today protects American jobs, blunts China's unfair advantages, and minimizes the pain to U.S. exporters and consumers.

The challenges in the WTO are also vexing. Like many international organizations, the WTO has strayed from its original mission. Designed as a forum for negotiating trade rules, it has become chiefly a litigation society. Until recently, the organization's dispute-resolution process was led by its seven-member Appellate Body, which had come to

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*No trade policy was more devastating to working people than the decision to extend permanent normal trade relations to China.*

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see itself as the promulgator of a new common law of free trade, one that was largely untethered from the actual rules agreed to by the WTO's members. The Appellate Body routinely issued rulings that made it harder for states to combat unfair trade practices and safeguard jobs. This was one of the reasons why the Trump administration refused to consent to new appointments to it, and on December 11, 2019, the Appellate Body ceased functioning when its membership dipped below the number needed to hear a case.

The United States should not agree to any mechanism that would revive or replace the Appellate Body until it is clear that the WTO's dispute-resolution process can ensure members' flexibility to pursue a balanced, worker-focused trade policy. Until then, the United States is better off resolving disputes with trading partners through negotiations—as it did from 1947, when the General Agreement on Tariffs and Trade was signed, until 1994, when the WTO was created—rather than under a made-up jurisprudence that undermines U.S. sovereignty and threatens American jobs.

In confronting these and other challenges, the path forward lies somewhere between the openness of the 1990s and the barriers of the 1930s. Navigating it successfully will require flexibility, pragmatism, a willingness to break with past practice, and the courage to take positions that sometimes are unpopular with international elites. The United States must avoid the stale, reductionist paradigm of free trade versus protectionism, which oversimplifies complex issues and stifles creative policymaking. This almost religious approach to trade policy also obscures the fact that trade is an issue on which it is possible to achieve broad, bipartisan consensus in an otherwise divided time. After all, the USMCA won the support of 90 percent of both the House and the Senate.

This powerful consensus should last, because it is rooted in deeply held values. Where trade is concerned, most Americans want the same thing: balanced outcomes that keep trade flows strong while ensuring that working people have access to steady, well-paying jobs. Neither old-school protectionism nor unbridled globalism will achieve that. Instead, as the United States confronts future trade challenges, it should chart a sensible middle course—one that, at long last, prizes the dignity of work. 🌐

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# Pinning Down Putin

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## How a Confident America Should Deal With Russia

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*Victoria Nuland*

Few nations elicit such fatalism among American policymakers and analysts as Vladimir Putin's Russia. For some, the country is an irredeemable pariah state, responsive only to harsh punishment and containment. Others see a wronged and resurgent great power that deserves more accommodation. Perspectives vary by the day, the issue, and the political party. Across the board, however, resignation has set in about the state of U.S.-Russian relations, and Americans have lost confidence in their own ability to change the game.

But today's Russia is neither monolithic nor immutable. Inside the country, low oil prices, the coronavirus pandemic, and Russians' growing sense of malaise all bring new costs and risks for the Kremlin. Abroad, Putin has played a weak hand well because the United States and its allies have let him, allowing Russia to violate arms control treaties, international law, the sovereignty of its neighbors, and the integrity of elections in the United States and Europe.

Washington and its allies have forgotten the statecraft that won the Cold War and continued to yield results for many years after. That strategy required consistent U.S. leadership at the presidential level, unity with democratic allies and partners, and a shared resolve to deter and roll back dangerous behavior by the Kremlin. It also included incentives for Moscow to cooperate and, at times, direct appeals to the Russian people about the benefits of a better relationship. Yet that approach has fallen into disuse, even as Russia's threat to the liberal world has grown.

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Whoever wins the U.S. presidential election this coming fall will—and should—try again with Putin. The first order of business, however, must be to mount a more unified and robust defense of U.S. and allied security interests wherever Moscow challenges them. From that position of strength, Washington and its allies can offer Moscow cooperation when it is possible. They should also resist Putin's attempts to cut off his population from the outside world and speak directly to the Russian people about the benefits of working together and the price they have paid for Putin's hard turn away from liberalism.

The fatalists may prove right that little will change inside Russia. But U.S. interests will be better protected by an activist policy that couples a strong defense with an open hand if the relationship improves. Such an approach would increase the costs of Putin's aggressive behavior, would keep democracies safer, and may even lead the Russian people to question their own fatalism about the prospects for a better future.

### **THE 20-YEAR SLIDE**

When Putin assumed the presidency in 2000, he set two goals to justify his policies and consolidate his power. Internally, he pledged to restore order, after years of chaos and impoverishment during the 1990s. Externally, he promised to restore greatness, following the humiliating loss of territory, global influence, and military dominance that had come with the collapse of the Soviet Union almost a decade earlier. Both ambitions resonated with the Russian people. Over the next two decades, Russians would steadily relinquish more and more of their rights—freedom of expression and assembly, political pluralism, judicial fairness, and an open economy (all of which were then new, tenuous, and unevenly shared)—in exchange for the stability of a strong state, a return to oil-fueled growth, and the prospect of middle-class prosperity.

In the United States and Europe, too, some hoped that Putin would put an end to the oligarchic excess, ruble crashes, dependency on foreign bailouts, and general lawlessness of the 1990s. Russia might, the thinking went, become more predictable and more reliable as an international partner. Western governments generally looked the other way as Putin's methods for reestablishing control became increasingly Soviet during his first decade in power: closing down opposition newspapers and TV stations; jailing, exiling, or killing political and economic rivals; and reestablishing single-party dominance in the



*“Russia Without Putin”: at a protest in Moscow, February 2020*

parliament and regional governments. The George W. Bush administration, preoccupied with terrorism after the 9/11 attacks, believed that Moscow’s internal affairs were its own business and of little consequence to the U.S.-Russian relationship.

When it came to Russian foreign policy, Putin had three initial priorities: reasserting Russian hegemony in neighboring states, rebuilding the military, and regaining influence at the global decision-making table. For the most part, the United States and its allies encouraged Russia in its pursuit of the third goal, bringing Moscow into the World Trade Organization and creating the G-8 and the NATO-Russia Council. They also made sure to take important decisions, such as whether to launch the U.S.-led war in Afghanistan in 2001 and whether to intervene in Libya in 2011, to the UN Security Council and the G-8 for debate, so that Russia could join in. The belief was that Russia, like China, would



become a more “responsible stakeholder” in global affairs by being integrated into rules-based international institutions.

U.S.-Russian nuclear reduction talks continued, but Washington paid too little attention to Moscow’s substantial military investments outside the nuclear realm. The Bush administration made an early blunder in 2000 by only cursorily consulting with Moscow before with-

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*Putin has played a weak hand well because the United States and its allies have let him.*

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drawing from the Anti-Ballistic Missile Treaty in order to build bigger missile defenses against Iran and North Korea. The Bush team later sought to rectify the mistake by offering transparency and collaboration in missile defense development to meet the growing threats from Tehran and Pyongyang, but Putin

rejected the offer. He had already knit the U.S. withdrawal from the ABM Treaty into a narrative of grievance against Washington. He later felt justified in cheating on two other pillars of 1980s arms control architecture, the Conventional Armed Forces in Europe Treaty and the Intermediate-Range Nuclear Forces Treaty, accusing Washington of having broken Moscow’s trust first. Taking lessons from the U.S. experience in Afghanistan and Iraq and from Russia’s own subpar performance in the 2008 war with Georgia, Putin also poured money into irregular warfare, cyber-capabilities, long-range conventional weapons, and hypersonic missiles. Washington and its allies would not wake up to the impact of these investments until Russia’s 2014 seizure of Crimea.

Both Democratic and Republican presidents worked closely with U.S. allies to prevent Putin from reestablishing a Russian sphere of influence in eastern Europe and from vetoing the security arrangements of his neighbors. Here, a chasm soon opened between liberal democracies and the still very Soviet man leading Russia, especially on the subject of NATO enlargement. No matter how hard Washington and its allies tried to persuade Moscow that NATO was a purely defensive alliance that posed no threat to Russia, it continued to serve Putin’s agenda to see Europe in zero-sum terms. If Russia couldn’t reclaim lands it had once dominated, only a zone of nonalignment stretching from eastern Germany to the Baltic and Black Seas would keep Russia safe, Putin asserted. But few in Washington considered it an option to slam the door on the new democracies of central and eastern Europe, which had worked for years to meet NATO’s rigorous admission stan-

dards and were now clamoring for membership. Leaving them in a geopolitical gray area would not have kept those states safe and free. Russia's brutal treatment of those countries that were left in security limbo—Georgia, Moldova, and Ukraine—has since made that clear.

Putin has always understood that a belt of increasingly democratic, prosperous states around Russia would pose a direct challenge to his leadership model and risk reinfecting his own people with democratic aspirations. This is why Putin was never going to take a “live and let live” approach to former Soviet lands and satellite states. Instead, he seized on practically every democratic struggle of the last 20 years—Kosovo's successful push for independence in 2008, the protests that set off the Syrian civil war in 2011, the Bolotnaya Square protests in Moscow in 2011–12, the Maidan uprising in Ukraine in 2014—to fuel the perception at home of Russian interests under siege by external enemies. For a long time, it worked. Russia's conquests in Ukraine and Syria were wildly popular at home and deflected attention from its internal problems. With these successes, Putin's geopolitical appetite grew. He came to believe that democratic states were weak and that Russia could corrode their political systems and social cohesion from the inside.

In no small measure, the United States and its allies have enabled Putin's boldness. Over the past 12 years, Putin and his cronies have paid a relatively small price for their actions. Russia has violated arms control treaties; fielded new, destabilizing weapons; threatened Georgia's sovereignty; seized Crimea and much of the Donbas; and propped up despots in Libya, Syria, and Venezuela. It has used cyberweapons against foreign banks, electrical grids, and government systems; interfered in foreign democratic elections; and assassinated its enemies on European soil. The United States, meanwhile, has drawn redlines it later erased, pulled out of treaties and territory it needed to pressure Russia, openly questioned its own commitment to NATO, strained its alliances with tariffs and recriminations, and even lent presidential credibility to Putin's disinformation campaigns. U.S. and allied sanctions, although initially painful, have grown leaky or impotent with overuse and no longer impress the Kremlin. Russian diplomats attend international negotiations on Syria, Ukraine, arms control, and other issues with instructions to stall any real agreement, thereby buying their country time to strengthen its ground position. Russia has also mastered the art of exploiting divisions in and between the United States and allied countries, thwarting their efforts at crafting a coherent counterstrategy.

## **RUSTING RUSSIA**

The United States and its allies have also lost focus on the one thing that should worry the Russian president: the mood inside Russia. Despite Putin's power moves abroad, 20 years of failing to invest in Russia's modernization may be catching up with him. In 2019, Russia's GDP growth was an anemic 1.3 percent. This year, the coronavirus pandemic and the free fall in oil prices could result in a significant economic contraction. International sanctions deter serious foreign investment in Russia from most countries except China. Putin's insistence on tight state control and on the renationalization of key sectors of the economy has suppressed innovation and diversification. Russia's roads, rails, schools, and hospitals are crumbling. Its citizens have grown restive as promised infrastructure spending never appears, and their taxes and the retirement age are going up. Corruption remains rampant, and Russians' purchasing power continues to shrink. In polls conducted in the country by the Levada Center last year, 59 percent of respondents supported "decisive, comprehensive change," up from 42 percent in 2017. A staggering 53 percent of 18- to 24-year-olds said they wanted to emigrate, the highest number since 2009.

Putin, meanwhile, is not going anywhere. A fourth-term president barred from running in the next election, set for 2024, he is technically a lame duck. But the Russian parliament and the Constitutional Court have already rubber-stamped constitutional amendments allowing him to run for two more six-year terms and potentially stay in power through 2036. To give the process a veneer of legitimacy, Putin announced a national referendum on the amendments before the coronavirus pandemic put those plans on hold. Another Levada poll, from March of this year, found that only 48 percent of Russians supported extending Putin's term, with 47 percent opposed, and 50 percent of those surveyed said they favored alternation of power and new faces in politics. Given those figures, Putin may reconsider holding the referendum at all.

More generally, the air of resignation and cynicism inside Russia today is reminiscent of past eras when Kremlin leaders focused too much on adventures abroad and too little on their own people's welfare, including the stagnant 1980s. The difference is that Putin still has money to throw around. Russia's two financial crises in the 1990s—and the need to keep his capos fat and happy—incentivized



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him to maintain a large rainy-day fund. Russia currently has \$150 billion in its National Wealth Fund and more than \$550 billion overall in gold and foreign reserves. It remains to be seen how much of this money Putin is willing to spend to support Russia's health system and the country's economic recovery from the coronavirus. Russians may prove less patient this time around if the pandemic hits their country hard and the oligarchs get bailouts while average Ivans get empty promises and overflowing hospitals.

### **A UNITED FRONT**

The challenge for the United States in 2021 will be to lead the democracies of the world in crafting a more effective approach to Russia—one that builds on their strengths and puts stress on Putin where he is vulnerable, including among his own citizens. To call this “great-power competition” or “a new Cold War” would be to give Putin too much credit: today's Russia pales in comparison to the Soviet adversary. Depicting Putin's Russia as a peer or an invincible enemy denigrates the United States' ability to deter and resist dangerous Kremlin policy. But the United States should not take this on alone. As in the past, it must mobilize its global alliances, shore up their internal defenses, and work jointly with others to rebuff Russian encroachments in hot spots around the world.

The effort should start among the democracies themselves. As the U.S. diplomat George Kennan counseled in his “Long Telegram” of 1946, when dealing with Moscow, “much depends on [the] health and vigor of our own society.” The first order of business is to restore the unity and confidence of U.S. alliances in Europe and Asia and end the fratricidal rhetoric, punitive trade policies, and unilateralism of recent years. The United States can set a global example for democratic renewal by investing in public health, innovation, infrastructure, green technologies, and job retraining while reducing barriers to trade. Free people around the world also need their leaders to provide a shot of inspiration and confidence in democracy itself.

Moscow should also see that Washington and its allies are taking concrete steps to shore up their security and raise the cost of Russian confrontation and militarization. That includes maintaining robust defense budgets, continuing to modernize U.S. and allied nuclear weapons systems, and deploying new conventional missiles and missile defenses to protect against Russia's new weapons systems. As the



United States improves in areas in which Russia seeks or has gained an edge—hypersonic missiles, undersea weapons, cybersecurity, and anti-access/area-denial capabilities—it needs to do more to bring its allies along. For example, it should develop more of its high-tech weapons systems jointly with its allies, establish permanent bases along NATO’s eastern border, and increase the pace and visibility of joint training exercises. U.S. requests for targeted military investment would also lead to better burden sharing among NATO allies than has endless political hectoring.

With its own strength reestablished, the United States will be better positioned to bring Russia to the negotiating table. The one lesson Putin appears to have learned from the Cold War is that U.S. President Ronald Reagan successfully bankrupted the Soviet Union by forcing a nuclear arms race. Not wanting Russia to suffer the same fate, he is eager to extend the 2010 New START treaty, which limits U.S. and Russian long-range nuclear weapons systems and is set to expire in 2021. Washington should use Putin’s sense of urgency to tie discussions over New START to wider negotiations on all aspects of military power—nuclear and conventional, space and cyberspace. To allow time for those talks, the treaty could be provisionally extended for a year or two, but Washington should not grant Moscow what it wants most: a free rollover of New START without any negotiations to address Russia’s recent investments in short- and medium-range nuclear weapons systems and new conventional weapons. Nor should it insist on including China in the talks right away, as the current administration advocates. If the United States and Russia reach an agreement, they can jointly pressure China to negotiate, but the United States should not sacrifice its immediate security needs in the hope that China will someday agree to trilateral talks. Doing so would just give Putin more time to build new weapons.

Russia’s weaponization of the Internet is no less dangerous. The U.S. president must lead a campaign to harden democratic societies against Russia’s efforts to interfere in free elections, spread disinformation, inflame societal tensions, and conduct political influence campaigns. Democracies around the world need to pool their resources and work more effectively with technology compa-

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*American leaders need to relearn how to communicate with the Russian people.*

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nies and researchers to expose and deter Russia's malign activities as they happen, not months or years later. In the meantime, governments and technology companies share a responsibility to educate citizens to recognize when they are being manipulated from abroad. They also need to negotiate changes to the profit structure of the Internet, which currently favors virality over truth and allows Putin's troll armies to get paid by Facebook, YouTube, and other digital platforms while prosecuting their covert war. And there is no reason why Washington and its allies shouldn't be more willing to give Putin a dose of his own medicine inside Russia, while maintaining the same deniability.

Ukraine is another battlefield for democracy that the United States must not cede to Putin. American and European support for the country have prevented its collapse or complete dismemberment, but the war in the Donbas continues, with Ukrainians dying almost every day. Russia has actually agreed to terms for its withdrawal from the Donbas, in contrast to the situation in Crimea, as laid out in the Minsk agreements of 2014 and 2015. What has been missing is a consistent diplomatic effort from Washington, Kyiv, Berlin, and Paris to implement the deal and pressure Putin to follow through. Instead, Putin has stalled and divided them, and key European leaders have blocked the United States from participating directly in the talks, against Ukraine's wishes. If the United States and its allies make clear to Russia that the road to better relations with all NATO and EU countries goes through Ukraine, Putin might get more serious. If Russia continues to stall, sanctions and other forms of political, economic, and military pressure should be increased. At the same time, the United States should offer Russia a road map for gradual sanctions relief if and as Putin meets his obligation to get out of Ukraine.

Russia's successes in the Middle East are another product of U.S. ambivalence and neglect. In Syria, Putin saw an opportunity to support a fellow autocrat under pressure from his people while protecting and extending Russia's regional influence. The United States, seeking to limit its own commitment, mistakenly expected that deeper Russian involvement in Syria would create an incentive for Moscow to help settle the conflict and support free elections. The theory was that with skin in the game, Russia would want the game to be played fairly. Instead, Russia's military intervention ensured the survival of Syria's dictator, Bashar al-Assad; further opened the door to Iranian influence; and sent hundreds of thousands of addi-

tional Syrian refugees into Jordan, Turkey, and Europe. The United States, meanwhile, made both Putin's and Assad's lives easier by neutralizing a shared threat, the Islamic State, or ISIS.

Today, Russia bombs hospitals and schools in Idlib Province to regain territory for Assad and uses the threat of new refugee waves to deter Turkey, European countries, and the United States from pushing back. Russian troops regularly test the few U.S. forces left in Syria to try to gain access to the country's oil fields and smuggling routes. If these U.S. troops left, nothing would prevent Moscow and Tehran from financing their operations with Syrian oil or smuggled drugs and weapons. The U.S. footprint in Syria need not be large, but it cannot be zero, unless Washington wants to ensure that Putin emerges as the Middle East's definitive power broker. Russia's recent inroads in Libya, where it is supporting the forces of General Khalifa Haftar with weapons and advice, demonstrate that its appetite in the region is not sated—and why would it be, if relatively cheap investments buy it territorial control, influence, and the ability to violate international humanitarian law with impunity?

### **AN OFFER OF SHARED PROSPERITY**

As it works on protecting its interests at home and abroad, the United States should also consider what Putin wants out of the U.S.-Russian relationship. He certainly wants sanctions relief, so U.S. and European leaders should be clearer about their conditions for rolling back or removing sanctions. Traditionally, they have also offered Russia affirmative incentives—political and economic—for better relations. In 2013, for example, as both the United States and Ukraine were negotiating free-trade agreements with the EU, Washington offered to drop some tariffs and regulatory barriers so that Russia, too, would obtain some benefit from the agreements being settled around it. Russia's seizure of Crimea froze those discussions.

It is possible that Putin's sense of security is by now so tightly tied to the Kremlin's control of the economy that American and European offers of free trade and investment would not interest him. He might also fear that opening the door to better economic relations would make him look weak and needy. That should not prevent Washington and its partners in the G-7 from trying—and offering to provide the Kremlin with an alternative to its growing dependence on China. The carrot could take the form of a joint investment fund, free-trade zones,

or the removal of tariffs on certain goods. It could also include public-private partnerships in sectors such as clean energy, a business-to-business roundtable, and internships for young Russians to work in American and European firms. NATO could offer Moscow a fresh start, including resuming joint military exercises in areas such as accident prevention and emergency response. The United States and Europe could reopen the question of a pan-European security dialogue of the kind then Russian President Dmitry Medvedev suggested in 2008, so long as doing so would not weaken existing institutions, such as NATO, the EU, or the Organization for Security and Cooperation in Europe. If the United States and its allies resume working together on their Iran and North Korea policies, they should invite Russia to be a constructive contributor.

Washington would want to start by placing those offers in the shop window. To seal the deal, Russia would need to demonstrate its commitment to ending its attacks on democracies and to negotiating in good faith on arms control, Ukraine, Syria, and other difficult issues. Any incentives would need to be reversible in the event that Russia reneged on its end of the deal.

In parallel, the United States and its allies should do more to reach out directly to the Russian people, especially younger citizens and those outside the major cities. A package of economic incentives with concrete benefits for ordinary Russians would help: it would undercut the Kremlin's argument that the United States seeks the continual impoverishment and encirclement of Russia and that win-wins are impossible. Putin has spent 20 years blaming the United States and NATO for his leadership failures at home and aggression abroad. By labeling as "foreign agents" any Russian nongovernmental organizations with collaborative programs with liberal democracies, he has cut off U.S. contact with Russian civil society activists, political opponents, doctors, journalists, and many others. He also closed down most academic exchanges. The clampdown has worked exactly as he intended: fewer Russians know Americans, work with them, or see a future in closer ties.

Washington and its allies could also offer Russians stronger inducements to break out of Putin's information stranglehold. With appropriate security screening, the United States and others could permit visa-free travel for Russians between the ages of 16 and 22, allowing them to form their own opinions before their life paths are set. Western states should also consider doubling the number of

government-supported educational programs at the college and graduate levels for Russians to study abroad and granting more flexible work visas to those who graduate. Putin may block his citizens from accepting these offers, but if he does, the blame for young Russians' lack of opportunities will fall squarely on him.

Finally, U.S. leaders need to relearn how to communicate with the Russian people. Reagan and President Bill Clinton spoke directly to them in speeches and interviews, offering a future of friendship and shared security and prosperity if the two nations overcame their differences. Not only have today's leaders forgotten how to do this, but they have acceded to Putin's view that any outreach to average Russians constitutes interference in Russia's internal affairs, even as Moscow runs massive influence campaigns in the United States and Europe.

In the Soviet era, the United States defeated the Kremlin's censorship by disseminating its messages through Voice of America and Radio Free Europe broadcasts, *Amerika* magazine, and regular contact with dissidents. Despite Putin's best efforts, today's Russia is more permeable. Young Russians are far more likely to consume information and news via the Internet than through state-sponsored TV or print media. Washington should try to reach more of them where they are: on the social networks Odnoklassniki and VKontakte; on Facebook, Telegram, and YouTube; and on the many new Russian-language digital platforms springing up. Although no one should expect this group to rise up and demand change anytime soon, the United States should not let Putin remain the primary shaper of young Russians' understanding of democratic policies and values. Washington and its allies must keep making the case that the relationship need not be zero-sum.

### **THE CHOICE IS THEIRS**

Overall, a more coherent approach to Russia will take unity, resources, confidence, and focus. In the United States' past dealings with Putin, one or all of these elements have faltered. Washington has paid too little attention, underinvested, and allowed itself to be divided from its allies or seduced into appeasement in one area by the promise of progress in another (trading Iran for Syria, Syria for Ukraine, and so on).

Some—myself included—have been overly optimistic in expecting that with more integration with the free world, Russia would become a better and more democratic partner. Others have been overly fatalistic, citing Russia's unique set of interests, its geography, or its his-



tory to justify its aggression and violations of international law. Others still have been ahistorical in their outlook, asserting that if NATO just reversed its enlargement and offered Russia hegemony over Ukraine and a larger sphere of influence, Putin's appetite would be sated. None of these lenses has given U.S. policymakers better vision.

The coming U.S. presidential election offers the United States a chance to get off defense, restore the strength and confidence of the democratic world, and close the holes in its security after years of drift and division. Once that resolve is firmly on display, the United States can seize the moment of renewal at home and stagnation in Russia to stretch out a hand again. Putin may not want or be able to take it. But the Russian people should know that Washington and its allies are giving him and Russia a choice. 🌐

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# The Rise of Strategic Corruption

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## How States Weaponize Graft

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*Philip Zelikow, Eric Edelman, Kristofer Harrison, and Celeste Ward Gventer*

**G**raft is nothing new; it may be the second-oldest profession. Powerful people and those with access to them have always used kickbacks, pay-to-play schemes, and other corrupt practices to feather their nests and gain unfair advantages. And such corruption has always posed a threat to the rule of law and stood in the way of protecting basic civil and economic rights.

What is new, however, is the transformation of corruption into an instrument of national strategy. In recent years, a number of countries—China and Russia, in particular—have found ways to take the kind of corruption that was previously a mere feature of their own political systems and transform it into a weapon on the global stage. Countries have done this before, but never on the scale seen today.

The result has been a subtle but significant shift in international politics. Rivalries between states have generally been fought over ideologies, spheres of influence, and national interests; side payments of

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one kind or another were just one tactic among many. Those side payments, however, have become core instruments of national strategy, leveraged to gain specific policy outcomes and to condition the wider political environment in targeted countries. This weaponized corruption relies on a specific form of asymmetry. Although any government can hire covert agents or bribe officials elsewhere, the relative openness and freedom of democratic countries make them particularly vulnerable to this kind of malign influence—and their nondemocratic enemies have figured out how to exploit that weakness.

The fight against corruption has generally been marginalized in public and academic discussions of foreign policy. The problem is usually treated as a law enforcement challenge or a good-government issue—something that holds back political or economic development but that does not rise to the level of national strategy. Today, however, weaponized corruption has become an important form of political warfare. Defenses against it must move into the mainstream of international policy work in every vulnerable government, including in the United States.

### **CORRUPTION ERUPTION**

Strategic corruption differs in important ways from the more traditional forms that scholars call “bureaucratic corruption” and “grand corruption.” Bureaucratic corruption is the pervasive conversion of ordinary public service into a “bid for service”: for example, in many countries, simple steps such as getting a driver’s license or passing a building inspection require paying a bribe. This is the sort of graft that hobbles economic development by allowing well-connected insiders to profit from investment at the expense of genuine growth.

Grand corruption occurs when business leaders or major criminals (or oligarchs, who are a combination of the two) directly pay off top government officials in exchange for favors, such as a preferential position or control of a key economic sector that presents opportunities for high-margin plunder—often banking, telecommunications, or natural resources such as oil and gas. Both forms of traditional corruption erode weak states, leading to breakdown and civil conflict—a process playing out right now in countries such as Algeria, Bolivia, Iran, Iraq, Lebanon, and Venezuela.

In bureaucratic and grand corruption, the payer and the payee are mainly just trying to get rich. In strategic corruption, by contrast, the greed is still there, for at least some of the players, but the corrupt

inducements are wielded against a target country by foreigners as a part of their own country's national strategy. Sometimes, but not always, these schemes entail violations of the law, including by citizens of the target country. In other cases, the conduct may be technically legal but still involves "the perversion or destruction of integrity in the discharge of public duties," as the venerable *Oxford English Dictionary's* definition of "corruption" puts it. For that reason, some corrupt acts are punishable by law; other kinds must be left to the judgment of citizens, if they are brought to light.

The first great effort to counter strategic corruption in the United States sought to do just that. The Foreign Agents Registration Act (FARA), signed into law in 1938, arose from congressional investigations into communist and Nazi propaganda in the United States. The law required representatives of foreign sponsors to register, allowing what the legislation's authors called "the spotlight of pitiless publicity" to do its work.

In the 1960s, more congressional investigations led to a set of major amendments to FARA, which focused the legislation more on foreign sponsorship of political lobbying rather than propaganda. For the next few decades, foreign influence peddling remained a relatively marginal phenomenon, characterized by the efforts of a handful of dictators and their cronies to buy influence in Washington and other Western capitals.

Things began to change in the 1990s. Suddenly, there were many more buyers. The collapse of communism put more than 20 new governments into the marketplace. All of them, and many more, were eager to make friends and influence people in Washington, the capital of the world's sole remaining superpower. There, they found many consultants and lawyers ready to offer high-priced advice. A particularly lucrative new line of business was helping funnel U.S. or global investment to countries newly opened to business. And as the United States and others leaned more on economic sanctions as a policy tool, foreigners needed more and more help navigating the regulatory machinery.

Meanwhile, because of the deregulation of the global financial system during the 1970s and 1980s, it was much easier to move and invest money in all directions and be able to get it back out again. Open and prosperous countries such as Canada, the United Kingdom, and the United States were becoming the preferred shelters for the billions of dollars that every year are laundered through anonymized companies, real estate investments, and other schemes. As early as 2001, the Organization for Economic Cooperation and Development identified

anonymized companies as a primary means for hiding illicit transactions around the world. The United States, lacking national legislation that requires transparency about the “ultimate beneficial owner” of corporate entities, gradually became a financial haven for money launderers, terrorist financiers, kleptocrats, and smugglers. For that reason, the striking growth of transnational criminal networks during the post–Cold War era has aided not just traditional corruption but also the strategic kind; after all, as the journalist Oliver Bullough memorably put it, “the evil money always mixes with the naughty money.”

The cumulative result of all these shifts has been an exponential increase in the scale of U.S. commerce involving foreign interest groups. Americans with connections (real or merely claimed) to decision-makers now enjoy opportunities that can lead to all sorts of corrupt behavior. Political consultants and former U.S. officials who spend time in the large, lucrative, and lightly regulated marketplace of influence peddling face frequent tests of their ethics, integrity, and patriotism. Some handle these challenges with care and dutiful propriety. Others do not.

### **RUDY AND DMYTRO’S EXCELLENT ADVENTURE**

Perhaps the most prominent case of strategic corruption in recent years is the Ukraine imbroglio that led to the impeachment of U.S. President Donald Trump in 2019. Many Americans may think of this as primarily a domestic political scandal. But it is crucial to understand its foreign roots.

Trump was impeached because over the summer of 2019, he sought to condition his and his administration’s future relations with Ukraine on Kyiv’s willingness to help him dig up dirt on his political opponent Joe Biden, blame former Ukrainian government officials (and not the Kremlin) for hacking the Democratic National Committee during the 2016 U.S. presidential campaign, and cast doubt on evidence that U.S. prosecutors had used to put one of Trump’s 2016 campaign managers, Paul Manafort, in prison. But the story actually started long before Trump did any of those things, and its primary authors were not Americans.

Beginning in 2018, a group of plotters launched a concerted effort to smear the U.S. ambassador to Ukraine, Marie Yovanovitch, and push for her removal from office. The group included two naturalized American citizens with ties to Ukraine, Lev Parnas and Igor Fruman; their American lawyer and partner Rudy Giuliani (who also



works as a personal lawyer to Trump); and two former Ukrainian law enforcement officials, Yuriy Lutsenko and Viktor Shokin. Parnas, Lutsenko, and Shokin passed on derogatory information about Yovanovitch and Biden—including allegations later proved to be false—to Giuliani and Pete Sessions, then a Republican congressman from Texas. Giuliani encouraged media coverage of the claims, which were then amplified by Trump and his son Donald Trump, Jr.

But behind this group were bigger players with deeper pockets, and it was their agenda that was driving the campaign. According to federal prosecutors in New York who indicted Parnas and Fruman last fall on charges of conspiracy to violate campaign finance laws, the pair, who had little money of their own, had been donating hundreds of thousands of dollars to U.S. political action commit-

tees through a shell company backed by foreign funds. They had other plans, as well. The Associated Press reported that in March 2019, Parnas and Fruman proposed a deal to Andrew Favorov, an ex-

executive at the state-owned Ukrainian gas company Naftogaz, in which the company would import U.S. liquefied natural gas. As part of the deal, Favorov would replace the company's widely admired chief executive, Andriy Kobolyev. Parnas and Fruman told Favorov that the U.S. ambassador, Yovanovitch, would likely oppose the deal—but they assured him that she would soon be removed from office.

The men, it seems, were hardly freelancing. As the journalist Catherine Belton writes in her recent book, *Putin's People*, Parnas and Fruman were working for Dmytro Firtash, a Ukrainian tycoon “who'd taken over the Turkmenistan-Ukraine-Russia gas trade with the backing of the Kremlin.” (The federal prosecutors in New York revealed that Firtash has provided at least \$1 million to Parnas.) According to *The Washington Post*, under Parnas and Fruman's proposal, Naftogaz would agree to write off hundreds of millions of dollars in debt that Firtash owed the company.

The plot's political objectives and Firtash's apparent involvement elevates this sordid tale from the level of ordinary sleaze to that of strategic corruption. Firtash is a well-known figure in Ukraine. For many years, he managed trade with Ukraine for Gazprom, the state-controlled Russian gas company that is, in the words of the economist and Russia expert Anders Aslund, “probably Russia's foremost

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*It is critical to understand the impeachment scandal's foreign roots.*

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geopolitical tool in the former Soviet Union and Eastern Europe.” For Russia, effective control of the gas trade in and through Ukraine is a national objective of paramount importance. And Firtash was Gazprom’s man in Kyiv; indeed, according to Aslund, “Firtash appears to have been a Kremlin influence agent rather than a businessman.”

Firtash was arrested in Vienna in 2014 after federal prosecutors in the United States charged him with attempting to bribe officials in India. A Russian businessman close to Russian President Vladimir Putin loaned Firtash 125 million euros to cover his bail. Firtash has since fought his extradition from Austria with the help of many American lawyers, including former officials from both political parties. Among them are Joseph diGenova and Victoria Toensing, two attorneys with close ties to Giuliani; Firtash has said that he has paid the pair more than \$1 million to represent him. DiGenova and Toensing have denied that Firtash was involved in Parnas and Fruman’s dealings, and according to *The Washington Post*, the lawyers were able to arrange an unusual meeting with the U.S. attorney general, William Barr, to plead Firtash’s extradition case. (Meanwhile, money may not be the only thing of value that Firtash’s American associates have gotten out of the relationship: according to *The New York Times*, Firtash’s legal team in Austria has supplied Giuliani with documents that he claims show wrongdoing by Biden.)

DiGenova and Toensing have also appeared on Fox News, not to explain Firtash’s side of the story but to warn millions of American viewers that a supposedly wicked banker, George Soros, was trying to take over U.S. foreign policy in Ukraine. Soros, they claimed, was manipulating American diplomats there. Firtash’s lawyers were referring to the work of the foundations that Soros has funded to pursue his vision of an “open society.” Whatever one thinks of Soros’s preferences in U.S. politics, his foundations have done enormous good in supporting transparency and law enforcement initiatives in eastern Europe. The Kremlin and its friends have prioritized undoing that progress and so have targeted Soros with vicious and often anti-Semitic propaganda.

The Ukraine scandal, Belton writes, “exposed both the fragility of the American political system and how it had been corroded from within. ‘It looks like the whole of U.S. politics is for sale,’ said a former senior Russian banker with ties to the security services. . . . ‘It turned out everything depended on money, and all these [Western] values were pure hypocrisy.’”



*Smoke-filled room: Giuliani (right) with Parnas (far left) in London, July 2019*

The upshot is that by spending millions of dollars and dangling bait about information to help Trump, Firtash and his associates are apparently trying to keep him from being extradited, put control of Ukraine's energy sector in more pliable hands, get rid of the American officials who stand in the way, and propagate conspiracy theories that have long been a staple of Russian propaganda. It is no coincidence that these aims almost completely match the Kremlin's. It's quite an agenda—and little of it originated in the United States.

### **CORRUPTION WITH CHINESE CHARACTERISTICS**

Putin's regime is hardly the only one that has weaponized corruption to advance its national interests; Beijing has gotten in the game, as well. Consider the case of a once high-flying Chinese energy conglomerate, CEFC China Energy. The actual character of the company's operations and its chief executive, Ye Jianming, remains mysterious. Ye had invested and arranged official connections around the world, including

in the Czech Republic. In 2018, an expert in Prague who was tracking Ye's efforts told *The New York Times* that "it's been clear for some time that this is not just a Chinese commercial company, that they had some intelligence ties." As a CNN report put it, "at its height, [the company] aligned itself so closely with the Chinese government that it was often

hard to distinguish between the two."

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*China's BRI involves graft  
and bribery on an epic scale.*

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The mystery deepened in November 2017, when U.S. authorities arrested a CEFC executive named Patrick Ho on charges of bribery and money launder-

ing. A former Hong Kong government minister, Ho was well known for speeches extolling China's Belt and Road Initiative (BRI), a massively ambitious infrastructure plan intended to link China to Africa and Europe through road, rail, and maritime networks that China believes will stimulate trade and economic development.

Ho was not just relying on his oratorical gifts. In 2014, he offered President Idriss Déby of Chad \$2 million, hidden in gift boxes. Two years later, he arranged for a bribe of \$500,000 for the president of Uganda, Yoweri Museveni. The bribes were meant to open the oil and gas markets in those countries to Chinese business. And the BRI wasn't the only thing Ho was promoting: U.S. federal prosecutors also alleged that he had arranged for illicit arms sales to Libya and Qatar and had offered to help Iran move sanctioned money out of China.

A few months after Ho's arrest, the chief executive of CEFC China Energy, Ye, disappeared. He is believed to be detained in China, and the company has been formally taken over by a Chinese state enterprise.

Owing to China's history of conflict with the British Empire, China's leaders are familiar with the way the British operated in the nineteenth century, and they seem to appreciate how the empire's power did not rely solely on soldiers or warships; it came, rather, from the empire's control of ports, canals, railroads, mines, shipping routes, telegraph cables, commercial standards, and financial exchanges. Students of British imperial history could only shake their heads with recognition last year when they heard Mahmoud Ali Youssouf, the foreign minister of strategically located Djibouti, tell *The Washington Post*, "Yes, our debt to China is 71 percent of our GDP, but we needed that infrastructure." China now fosters land and sea connectivity in a global system built to Chinese norms and standards of cooperation, financed by a network of Chinese-funded banks, and enabled by Chinese graft and bribery on an epic scale.



Experts disagree about whether, on balance, the BRI poses a threat to U.S. interests. Regardless of one's judgment on that question, however, it's essential to see that corruption is central to the BRI, which involves little transparency and lots of money and which puts officials all over the world in hock to the Chinese Communist Party. It also connects infrastructure on three continents to an authoritarian government in Beijing known for collecting personal information and suppressing dissent. Not all local officials take the same insouciant view as the foreign minister of Djibouti; some may need to be influenced in other ways.

That may be why China has taken a more systematic approach to strategic corruption in Australia. During the last few years, revelations of Chinese efforts to reshape Australia's political environment have dominated headlines in the country. Wealthy donors with ties to Chinese authorities have funded Australian political organizations and election campaigns, organized efforts to influence public opinion, and contributed to politicians who have praised China. In 2018, after media accounts revealed one such donor's under-the-table contributions to an Australian senator—who then provided countersurveillance advice to the Chinese donor—the senator was forced to resign his seat.

In 2005, a Chinese diplomat named Chen Yonglin defected to Australia and later wrote that “the Communist Party of China had begun a structured effort to infiltrate Australia in a systematic way.” The Australian authorities agree. After retiring last year as director general of Australia's main intelligence agency, Duncan Lewis went public with a warning about China's “insidious” agenda. “Not only in politics but also in the community or in business, [such foreign interference] takes over, basically, pulling the strings from offshore,” Lewis said. What Australia is experiencing is a version of the strategic corruption that alarmed Americans in the 1930s and led to the passage of FARA. In 2018, Australia enacted the Foreign Influence Transparency Scheme Act, which is based on FARA but improves on it.

### **“A LITTLE CONFLICT OF INTEREST”**

U.S. adversaries are not the only ones that have weaponized corruption. Turkey is just one example of a nominal ally that has also tried its hand at the technique. Last year, U.S. federal prosecutors charged the second-largest state-owned bank in Turkey, Halkbank, with organizing a massive scheme to evade international sanctions on Iran by shipping gold to the Islamic Republic in exchange for oil and gas. After initially



protesting that U.S. courts had no jurisdiction, Halkbank pleaded not guilty, and the case is awaiting trial in New York. But Turkey wasn't just trying to undermine the effort to isolate and weaken the Iranian regime, which is one of Washington's most important foreign policy goals; it was also attempting to produce a specific policy outcome.

In 2016, an Iranian Turkish businessman involved in the conspiracy, Reza Zarrab, was arrested in the United States. There was a significant chance that he might plead guilty and talk, perhaps about the involvement of senior Turkish officials in his scheme. Before Zarrab entered his plea, however, Giuliani and his longtime friend Michael Mukasey, who served as attorney general in the George W. Bush administration, agreed to represent Zarrab and worked hard to free him.

Before allowing the two lawyers to represent Zarrab, the judge in the case held a number of hearings to explore their potential conflicts of interest. Giuliani's law firm was a registered agent for Turkey, and the judge noted that Giuliani might be barred from reaching a resolution to the case "that would be contrary to Turkey's interests." In February 2017, Giuliani and Mukasey traveled to Turkey to discuss Zarrab's case with Turkish President Recep Tayyip Erdogan. Then, according to *The Washington Post*, in the fall of that year, the two lawyers secured a meeting with Trump in which they lobbied the president to release Zarrab; the bait was the idea of swapping him for Andrew Brunson, an American pastor whom the Turks had arrested on pretextual charges.

According to the *Post*, Trump was tempted, and then Secretary of State Rex Tillerson was called over to the Oval Office. He was surprised to find Giuliani and Mukasey there and refused to go along with the deal. Nor would the Justice Department. The White House chief of staff at the time, John Kelly, was also reportedly quite concerned about the Giuliani-Mukasey-Trump effort to interfere in a criminal investigation. The swap never occurred (Brunson was released anyway in 2018), and Zarrab eventually pleaded guilty and spilled vital evidence that led to the indictment of Halkbank.

Ever since, Halkbank and Turkish officials have worked on Trump, trying to protect the bank from having to pay the kind of huge, multibillion-dollar fines levied in a similar case against the French firm BNP Paribas. Their task has been made easier by the fact that Tillerson, Kelly, and many other potential objectors are now gone and that there seems to be no shortage of willing interlocutors in addition to Giuliani. Trump's son-in-law and senior adviser, Jared Kushner, has

become a key go-between for relatives of Turkish leaders—including one of Erdogan’s sons-in-law. Last year, Lindsey Graham, a Republican U.S. senator from South Carolina, was fooled by a prank caller posing as the defense minister of Turkey, who recorded Graham’s assurances that Trump was “very sensitive” to Turkey’s concerns about the Halkbank case and that Trump wanted “to be helpful.”

It’s impossible to say for certain what Turkey has offered through its informal channels to Trump. But in November 2019, Trump’s former national security adviser John Bolton delivered an off-the-record speech to a private group in which he reportedly expressed his belief that “there is a personal or business relationship dictating Trump’s position on Turkey.” Other evidence suggests this may be true: Trump has been remarkably deferential to Erdogan and has treated the Turkish president with a leniency that stands in stark contrast to the manner in which Trump has dealt with the leaders of close U.S. allies, such as former British Prime Minister Theresa May and German Chancellor Angela Merkel. In 2012, when Trump Towers Istanbul opened, Trump’s daughter Ivanka Trump tweeted her thanks to Erdogan for attending the opening ceremony. And according to the *Washington Examiner*, Trump himself once remarked in regard to Turkey, “I have a little conflict of interest, because I have a major, major building in Istanbul.”

It is surprising that a state-owned bank of a nominal U.S. ally defied Washington by helping Iran thwart sanctions. But what is far more dismaying is that when this activity came to light, those involved looked for and found American proxies who could plead their case to prevent the U.S. government from punishing their behavior. That goes well beyond pay-to-play. It is pay-for-policy; it is strategic corruption. And so far, it has succeeded. Halkbank has not paid significant fines for its massive violations of the sanctions against Iran.

## **LONDON’S CAUTIONARY TALE**

For the United States and its partners, strategic corruption poses three dangers. First, there is the direct and obvious threat of bad policy outcomes. Then, there is the more general risk that stems from rivals adopting corruption as a technique for global influence building, as the Chinese have done in developing the BRI. Such efforts amount to a steady reversal of the post–Cold War effort led by the United States and its allies to promote prosperity in developing countries through transparency, political reforms, and economic liberalization. In the

past, by following such advice, countries could enhance their status in Western institutions and join the community of nations. In contrast, the new Beijing-centered system has built a global network of oligarchs who owe their positions and livelihoods to their Chinese patrons. As the Chinese system grows in influence and expands its geographic

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*To see what happens when strategic corruption goes unchecked, Americans need look no further than the United Kingdom.*

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reach, it corrodes not only the development prospects of the affected countries but also their participation in open trade relationships and their security cooperation with others.

The third and final danger comes from countries such as China and Russia leveraging state-directed enterprises and illicit money flows to directly

penetrate Western governments and institutions. Canadian banks, British real estate companies, and American lobbying and public relations firms, among others, now serve the interests of authoritarian states—wittingly or otherwise. In the United States, a steady drip of revelations about this foreign influence has fed citizens' tendency to view their political system as corrupt and to conclude that U.S. policy is for sale to the highest bidders—even overseas rivals.

This is, of course, by design. As a 2016 study published by the Center for Strategic and International Studies put it, "Russian influence centers on weakening the internal cohesion of societies and strengthening the perception of the dysfunction of the Western democratic and economic system. . . . This is achieved by influencing and eroding democratic governance from within its own institutions." That is why, as the scholar Larry Diamond recently warned, "large-scale endemic corruption poses the single most urgent internal threat to democracy—and renders it all the more vulnerable to external subversion."

For a cautionary tale about what happens when strategic corruption goes unchecked, Americans need look no further than the United Kingdom. Putin believes that he has so neutered Washington's closest strategic partner that he feels secure deploying exotic clandestine weapons there to conduct political assassinations. To amass this staggering degree of freedom to maneuver, Putin and his cronies exploited a number of weaknesses in the British system. The United Kingdom's anonymous property registry allowed Russian oligarchs to swamp London and its financial sector, where they stashed dirty money.

British libel law favors plaintiffs far more than the equivalent U.S. statutes and doctrines do, and Russian oligarchs have ruthlessly exploited that advantage with the goal of censoring speech that exposes their schemes. In 2014, for example, Cambridge University Press backed away from plans to publish the American political scientist Karen Dawisha's book *Putin's Kleptocracy* out of fear that Russians named in the book would unleash an avalanche of frivolous libel lawsuits—with the help of high-powered British lawyers, of course.

## **HOW TO CLEAN HOUSE**

The growing threat from strategic corruption has gone largely unnoticed or underappreciated in the Pentagon and the State Department. It is not enough to subcontract the problem out to federal prosecutors and hope for the best; the response needs to move to the center of foreign and national security policy. That will require public and private campaigns to monitor corruption, efforts by lawmakers to eliminate vulnerabilities in the U.S. legal and political systems, and an end to Washington's overreliance on economic sanctions, which will become less and less effective if U.S. rivals can offer alternative means of support.

The policy moves that Washington needs to take to avoid London's fate are not glamorous; they will rarely involve precision munitions or SEAL teams. But they are nevertheless vital. For starters, the traditional agenda of promoting transparency needs to be updated and reinforced. A first step would be for the federal government and state capitals to tighten their regulation of limited liability companies, the anonymous nature of which allows them to hide funds of questionable origin and the ownership of luxury properties. Last year, the House of Representatives passed the Corporate Transparency Act, which would, among other things, require disclosure of the beneficial owners of registered firms or corporations. This is a step in the right direction. Congress should also conduct fresh hearings on the scope and enforcement of FARA, which needs another round of amendments.

The United States also needs legislation to make it harder to pursue baseless libel claims designed to harass and censor critics. Twenty-nine states have already passed such laws, but that is not enough. Federal legislation may be a better route.

The fight against strategic corruption sometimes blurs the traditional lines between counterintelligence, law enforcement, and diplomacy. That can pose problems even when the federal government is in the

hands of a normal presidential administration and is functioning well. Corruption investigations can overreach; they can become politicized. But U.S. intelligence and foreign policy agencies must be alert to the danger posed by strategic corruption. The defense against this threat cannot simply be left to a U.S. attorney's office or to the Treasury Department.

A normal U.S. presidential administration would have already opened a national security investigation into the campaign against Yovanovitch, taking a hard look at Firtash and his associates and using resources that extend beyond those available to the FBI. But even without any inside knowledge of the Trump White House, it is not difficult to imagine the difficulties such an investigation would currently pose for career officials. The Halkbank case presents some analogous problems. And there may be similar situations that are not yet publicly known.

But the means to fight strategic corruption exist, and a future administration might decide to use them in an honest manner. A conscientious executive branch could take advantage of tools such as the Privacy and Civil Liberties Oversight Board, which was established in 2004 to help check the dangers of overzealous or politicized investigations. And of course, there are older methods for cleaning house, such as agency inspector generals (now being targeted by the current president) and congressional oversight (if Congress ever manages to earn back the public's trust, which has almost entirely eroded in recent decades).

The danger of strategic corruption does not have to be a partisan issue. An anticorruption agenda could unite those on the left and the right who favor economic transparency—which protects consumers, investors, and citizens alike—and who want to stamp out crony capitalism. Those shared values explain why anticorruption is an animating issue for civil society groups across the political spectrum, from Transparency International to the Hudson Institute's Kleptocracy Initiative.

Although Trump's impeachment has receded into the rearview mirror, the Ukraine debacle that precipitated it still presents an opportunity. Instead of merely contributing to the polarization and dysfunction that plagues Washington, that scandal and others can help reset the agenda for policy action. The Ukraine scandal is not just an alarm about the current U.S. president. It is a warning that drives home how vulnerable governments have become to a new form of political warfare, a strategy that takes advantage of freedoms in order to discredit them. 🌐



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# The Overmilitarization of American Foreign Policy

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## The United States Must Recover the Full Range of Its Power

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*Robert M. Gates*

**U**.S. President Donald Trump's decision to go it alone in responding to the coronavirus pandemic is but the latest manifestation of the United States' waning global leadership. Even before the virus struck, there was broad bipartisan agreement that Washington should reduce its commitments abroad and focus on problems at home. The economic and social toll of the pandemic will only reinforce that position. Many Americans—and not just the president's supporters—believe that the United States' allies have taken advantage of the country. They think that the costs associated with international leadership have been too high. They have lost patience with endless wars and foreign interventions.

The United States remains the most powerful country in the world, in both economic and military terms. Yet nearly three decades since its victory in the Cold War and the collapse of the Soviet Union, it faces challenges on multiple fronts. China and Russia are strengthening their militaries and seeking to extend their influence globally. North Korea poses an increasingly sophisticated nuclear threat in East Asia, and Iran remains a determined adversary in the Middle East. After 19 years of war, thousands of U.S. troops remain in Afghanistan and Iraq, and the Islamic State (or ISIS) continues to conduct terrorist attacks. Deep divisions have beset the United States' strongest allies in Europe. And now, nearly every country on earth is grappling with the devastating consequences of the pandemic.

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Without a return of U.S. leadership, these challenges will only grow, moving us closer to a dog-eat-dog, might-makes-right world and further from one shaped by international cooperation and the peaceful resolution of differences. But such a return would depend on first addressing the fundamental flaws in U.S. foreign policy since the end of the Cold War. Washington has become overly dependent on military tools and has seriously neglected its nonmilitary instruments of power, which have withered and weakened as a result. And it has attempted to develop and implement policy using a national security structure and bureaucracy that was designed for the Cold War and has changed remarkably little since the 1940s. Without greater military restraint and far-reaching institutional restructuring and reform, U.S. politicians and policymakers will have an increasingly hard time persuading Americans to support the global leadership role so essential to protecting the security and economy of the United States. And without American leadership, there will be truly dark days ahead.

### **RESTORING BRAIN TO BRAWN**

A strong military underpins every other instrument of American power, and so every president must ensure that the U.S. military is the strongest and most technologically advanced in the world, capable of dealing with threats from both nonstate actors and great powers. Fulfilling that responsibility will become ever more difficult as the pandemic pushes the government toward curbing defense spending.

As essential as it is to build and maintain a strong military, it's just as—or more—important to know when and how to use it. When facing a decision of whether to use the military, presidents must better define the objective. What are troops expected to do, and are the resources adequate for the mission? If the mission changes, as it did in Somalia under President Bill Clinton (from famine relief to peace-making and improving governance) and in Iraq under President George W. Bush (from toppling Saddam Hussein to occupation, fighting an insurgency, and nation building), is there a commensurate change in the resources applied? Is there a mismatch between U.S. aspirations and U.S. capabilities, as in Afghanistan?

Finding the right answers to these questions has proved difficult in recent decades. The objective of any military intervention must be clear, and the strategy and resources committed must be adequate to fulfill the objective. Sensitive to domestic politics, presidents some-

times are tempted to use just enough military force to avoid failure but not enough to achieve success. Such an approach is not only strategically unwise but also immoral. The lives of American men and women in uniform must not simply be thrown at a problem and squandered in halfhearted or impulsive efforts. In the use of military force, the words of Yoda from *Star Wars* apply: “Do. Or do not. There is no try.”

Presidents must be especially wary of mission creep, the gradual expansion of a military effort to achieve new and more ambitious objectives not originally intended. Often, once they have achieved the established objectives, leaders feel emboldened to pursue broader goals. Such overreach is what happened under Clinton after the United States sent troops into Somalia in 1993 to forestall humanitarian disaster and after it overthrew the military dictatorship in Haiti in 1994, and it is what happened under Bush after the United States toppled the Taliban in Afghanistan in 2001 and Saddam in Iraq in 2003.

Intervention to prevent the slaughter of innocent civilians became one of the more frequent reasons for the use of force after the end of the Cold War. But such conflicts raise thorny questions of their own. Before intervening militarily, leaders must assess whether core U.S. interests are really threatened, how realistic the objectives are, the willingness of others to help, the potential human and financial costs of intervention, and what might go wrong when U.S. troops hit the ground. These are hard questions, but they must be addressed with eyes wide open. The bar for the use of the U.S. military for purposes short of protecting vital national interests should be very high.

Some on the left are convinced that the United States should intervene to safeguard civilians, as in Libya, Sudan, and Syria. Some on the right advocate the use of force against China, Iran, or North Korea or want to provide large-scale military assistance to Ukraine or to the opposition in Syria. A president who ignores one or the other camp is considered either morally bereft or a wimp.

The consequences of an insufficiently planned military intervention can be devastating. Take, for example, the U.S. intervention in Libya in 2011, which I opposed. Once President Barack Obama decided to go in, the administration made two strategic mistakes. The first was agreeing to expand the original NATO humanitarian mission from simply protecting the people of eastern Libya against the forces of Libyan President Muammar al-Qaddafi to toppling the regime. NATO could have drawn a proverbial line in the sand somewhere be-

tween the capital, Tripoli, and the eastern city of Benghazi; a no-fly zone and attacks on Qaddafi's ground forces could have protected the rebels in the East without destroying the government in Tripoli. Under those circumstances, perhaps some kind of political accommodation could have been worked out.

As I said at the time, Qaddafi had given up his nuclear program and posed no threat to U.S. interests. There is no question he was a loathsome and vicious dictator, but the total collapse of his government allowed more than 20,000 shoulder-fired surface-to-air missiles and countless other weapons from his arsenal to find their way across both Africa and the Middle East, sparked a civil war in 2014 that plunged Libya into years of turmoil, opened the door to the rise of ISIS in the country, and created the opportunity for Russia to claim a role in determining Libya's future. The country remains in a shambles. As happened in Somalia, Haiti, Afghanistan, and Iraq, expanding the U.S. military mission in Libya beyond the original objective created nothing but trouble.

The second strategic mistake was the Obama administration's failure to plan in any way for an international role in reestablishing order and a working government post-Qaddafi. (This is ironic in light of Obama's earlier criticism of Bush's alleged failure to plan properly for a post-Saddam Iraq.) Drawing on nonmilitary tools, the government could have taken a number of useful steps, including sending a U.S. training mission to help restructure the Libyan army, increasing the advisory role of the UN Support Mission in Libya, helping design a better electoral system that would not have inflamed social and regional divisions, and restraining Egypt and the Gulf states from their meddling in the lead-up to and after the outbreak of the 2014 civil war.

The United States did provide limited assistance to Libya after Qaddafi fell, much of it for treating victims of the fighting and locating weapons stockpiles. A September 2012 Wilson Center report suggested 30 different nonmilitary U.S. programs to help Libya, focusing on areas such as developing a new constitution, building a transparent judicial system, improving financial governance, promoting economic growth, and improving chemical weapons security and destruction. But the U.S. government never put together sufficient funding for these measures, even though their estimated cost, according to the Wilson Center, for the three years between the intervention in 2011 and the beginning of the civil war in 2014 was \$230 million. By comparison, the cost of U.S.





*Another fine mess: in the wake of NATO airstrikes in Tripoli, Libya, June 2011*

military operations in Libya between March and October 2011 was about \$1 billion. If ever there was a mismatch between the importance of the nonmilitary mission and its available funding, this was it.

There were a number of nonmilitary ways in which the United States (and its allies) might have been able to stop the fighting and help stabilize Libya in the summer and fall of 2011. But there was no plan, no funding, and no desire. Washington's use of nonmilitary instruments of power, as so often after the Cold War, was hesitant, inadequately funded, and poorly executed. The NATO-Arab coalition bombed Libya and then just went home, leaving Libyans to fight over the ruins and thus creating another source of instability in the region and a new base for terrorists. Obama himself supplied the harshest judgment about the intervention, characterizing the failure to plan for a post-Qaddafi Libya as the worst mistake of his presidency.



## THE ENTIRE ARSENAL

What is so striking about the overmilitarization of the period following the Cold War is just how much U.S. policymakers failed to learn the lessons of the seven previous decades. One of the United States' greatest victories of the twentieth century relied not on military might but on subtler tools of power. The Cold War took place against the backdrop of the greatest arms race in history, but there was never actually a significant direct military clash between the two superpowers—despite proxy wars in Korea, Vietnam, and elsewhere. Indeed, most historians calculate that fewer than 200 U.S. troops died due to direct Soviet action. Because nuclear weapons would have made any war between the two countries catastrophic for both sides, the U.S.-Soviet contest was waged through surrogates and, crucially, through the use of nonmilitary instruments of power.

Most of those instruments have withered or been abandoned since the end of the Cold War. But as the great powers today expand and modernize their militaries, if the United States is smart, and lucky, the long competition ahead with China, in particular, will play out in the nonmilitary arena. Those nonmilitary instruments must be revived and updated.

Like a strong military, diplomacy is an indispensable instrument of national power. For many years now, Congress has starved the State Department of sufficient resources (except for brief periods under the George W. Bush administration), and the White House has often sidelined the agency and failed to support its budgetary needs. The State Department's critics, including those inside the department, are right that the organization has become too bureaucratic and requires far-reaching reform. Still, any effort to strengthen the United States' nonmilitary toolkit must position a stronger State Department at its core.

The United States' economic power offers further nonmilitary means of courting partners and pressuring rivals. After World War II, the United States presided over the creation of institutions designed to strengthen international economic coordination largely on American terms, including the International Monetary Fund and the International Bank for Reconstruction and Development (later part of the World Bank). Throughout the Cold War, the United States was a principal advocate for free trade and a more tightly knit global trading system.

Attitudes changed, however, in the early 1990s. It became increasingly difficult to get Congress to approve free-trade agreements,

even when they were negotiated with friendly countries such as Canada and Mexico. U.S. presidents came to see economic power mainly as an instrument to mete out punishment. Since the end of the Cold War, Washington has applied economic sanctions—mostly in the form of targeted trade and financial restrictions—against dozens of countries in an effort to alter their behavior. Trump, in particular, has been hostile to nearly all multilateral organizations and has weaponized U.S. economic power, starting tariff wars with both allies and rivals.

The Trump administration has also tried to slash foreign aid. Such assistance remains a useful tool, even though the public has always been skeptical of spending money abroad rather than at home. With little popular support, the U.S. Agency for International Development has shrunk since the end of the Cold War. When I retired as director of the CIA, in 1993, USAID had more than 15,000 employees, most of them career professionals, many working in developing countries in dangerous and inhospitable environments. When I returned to government as secretary of defense, in 2006, USAID had been cut to about 3,000 employees, most of whom were managing contractors.

In shrinking USAID, the United States unilaterally gave up an important instrument of power. By contrast, China has been especially adept at using its development projects to cultivate foreign leaders and buy access and influence. Its boldest gambit on this front has been the Belt and Road Initiative, which in 2019 encompassed projects in 115 countries with an estimated cost of over \$1 trillion.

Another casualty of the collapse of the Soviet Union was the U.S. Information Agency and the United States' overall strategic communications capabilities. During the Cold War, the USIA established a global network of libraries and outposts stocked with books and magazines about democracy, history, American culture, and a broad array of other subjects. The agency's Voice of America broadcast news and entertainment around the world, presenting an objective view of current events to millions who would otherwise have been dependent on government-controlled outlets. The USIA and its many outlets and programs reached every corner of the planet. It was a sophisticated instrument, and it worked.

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*The State Department has become too bureaucratic and requires reform.*

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Nevertheless, the USIA was abolished in 1999, with its residual efforts folded into the State Department. That had real consequences. By 2001, U.S. public diplomacy was a pale shadow of its Cold War self. Unlike China and Russia, the United States now lacks an effective strategy for communicating its message and countering those of its competitors.

Governments have always tried to interfere in other countries' affairs. What is new today is the availability of technology that makes earlier tools seem prehistoric. Russia, for example, mounted sophisticated hacking and disinformation campaigns to interfere in the 2016 Brexit vote in the United Kingdom, the 2016 presidential election in the United States, and the 2017 presidential election in France. The United States possesses the same the technologies; it just lacks a strategy for applying them.

Cyberwarfare has become one of the most powerful weapons in a nation's arsenal, giving countries' the ability to penetrate an adversary's military and civil infrastructure, interfere with democratic processes, and aggravate domestic divisions. The Russians are particularly skilled in this arena, having launched cyberattacks against Estonia, Georgia, Ukraine, and others. The United States is developing the capability to defend itself against cyberattacks, but it also needs to take the offensive from time to time, especially against its primary adversaries. Authoritarian governments must get a taste of their own medicine.

## **TIME FOR RENOVATIONS**

U.S. policymakers have many nonmilitary tools at their disposal. But those tools will remain inadequate for the challenges ahead if Washington does not overhaul its outdated national security apparatus. The current structure, established by the National Security Act of 1947—which created the Department of Defense, the U.S. Air Force (as a separate military service), the CIA, and the National Security Council (NSC)—has outlived its usefulness. Under the current structure, for example, there is no formal place at the table for any of the departments or agencies overseeing international economic policies. Presidents have routinely invoked a “whole-of-government approach” to tackle problems, suggesting that all relevant departments and agencies will bring their vast resources to bear in a shared effort. But apart from when it involves military matters, this collective action is largely smoke and mirrors. The government in fact has little ability to orchestrate all its instruments of power.

The State Department should be the central nonmilitary instrument of U.S. national security policy. Although the State Department and USAID traditionally have been staffed by some of the most talented people in government, in organizational terms, the two entities are nightmares. The State Department has a stultifying bureaucracy that frustrates its best people and greatly impedes its agility. It doesn't always allocate its resources well—for instance, it still has too many people in comfortable postings such as Berlin, London, Paris, and Rome and not nearly enough in Ankara, Beijing, Cairo, or New Delhi or in the capitals of other key developing countries. The bureaucratic culture stifles creativity, which explains why more than a few secretaries of state have, for all practical purposes, walled themselves off from the professionals in the department. To gain strength, the State Department must reform the way it recruits and trains people and change its culture so as to attract young independent thinkers. The State Department needs a dramatic bureaucratic restructuring and cultural shakeup—and then significantly more funding and personnel.

A restructured and strengthened State Department would serve as the hub for managing all the spokes of the government involved in directing nonmilitary resources to address national security problems. A good example of how this might work is George W. Bush's project to combat HIV/AIDS in Africa, in which a number of agencies had a role to play but the president empowered a single officer in the State Department to control the budget and coordinate all the agencies in an effective campaign. Some might argue that the NSC and its staff should play this role. Having worked on the NSC staff under four presidents, I disagree. The kind of integration and centralization needed must involve day-to-day management and operational and budgetary integration and coordination—endeavors beyond the capabilities and writ of the NSC.

Successive U.S. presidents have been frustrated by the inadequacies and failures of USAID. That was one reason why Bush established the Millennium Challenge Corporation in 2004 as a separate entity, to provide assistance that would reward countries that were “ruling justly, investing in their people, and encouraging economic freedom.”

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*Successive U.S. presidents have been frustrated by the inadequacies and failures of USAID.*

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Even if the MCC doesn't take over all U.S. development assistance efforts, as some conservatives have called for, the principles it uses to guide the selection of recipient countries and projects ought to be adopted more broadly. If the recipients of American aid were subjected to greater vetting, particularly when it comes to their values and attitudes toward the United States, then Congress might prove more willing to support such programs. Self-interest in apportioning scarce resources for development would not be a sin (although the United States must continue to offer humanitarian assistance after natural disasters or emergencies wherever it is needed).

Reviving and restructuring U.S. development assistance is all the more urgent in light of China's Belt and Road Initiative and its other efforts to bring developing countries into its orbit. The establishment, in 2019, of the U.S. International Development Finance Corporation, an independent government agency that helps finance private-sector investment in development projects was a good start to expanding U.S. efforts to encourage private investment in developing countries. China may be able to loan billions of dollars to countries, but the United States has a vastly more powerful private sector that can not only invest in but also select economically viable projects that will truly serve the long-term interests of the recipient countries. The United States is well practiced in the art of economic punishment, but it needs to get a lot smarter about using economic tools to win over other countries.

In the United States' nonmilitary competition with China and Russia, U.S. officials also need to look at how to reform the alliances and international organizations Washington helped create to make them better serve U.S. objectives today. When it comes to NATO, for example, the United States should keep pressuring other members to spend more on defense but also help allies find ways to collaborate in modernizing their military capabilities. The International Monetary Fund and the World Bank also merit a hard look. There is no reason to leave them, but the United States should be aggressive in making sure that they serve U.S. interests and that they are operating effectively and fairly.

In addition, if the United States wants to compete effectively with authoritarian governments, it will have to overhaul its public messaging. The current effort is an embarrassment. Many entities have a hand in strategic communications, including the White House, the



State Department, the Defense Department, the Treasury Department, the CIA, and the U.S. Agency for Global Media, but for the most part, each goes its own way. The result is many lost opportunities. The United States has failed to appeal to the nationalist sentiments of people in Europe and elsewhere to resist Chinese and Russian efforts to interfere in the internal affairs of their countries. U.S. policymakers have also done a lousy job communicating to the rest of the world the scale and impact of U.S. development assistance and humanitarian assistance programs, including programs that have benefited people ruled by enemy governments. Who knew, for example, that in 1999, during the North Korean famine, the United States provided more food aid than the rest of the world combined and three times what China offered? The United States needs to trumpet its foreign aid, to act less like a monastic order and more like Madison Avenue.

What's needed is a new top-level organization—akin to the USIA on steroids and located within the State Department but empowered by the president—to enable consistent strategic communication using all available venues. It would oversee all traditional and electronic messaging, including social media, and all public statements and other communication efforts by other parts of the U.S. government relating to foreign policy.

### **THE FULL SYMPHONY OF AMERICAN POWER**

Strengthening the nonmilitary tools of U.S. foreign policy would advance U.S. national interests and create new, more cost-effective, and less risky ways to exercise American power and leadership internationally. Americans want the strongest military in the world, but they want it used sparingly and only when vital national interests are at stake. Across the political spectrum, there is a belief that post-Cold War presidents have turned too often to the military to resolve challenges abroad. The United States must always be prepared to defend its interests, but in order to revive domestic support for the United States' global leadership role, U.S. leaders must exercise greater restraint in sending the world's finest military into combat. It should not be the mission of the U.S. military to try to shape the future of other countries. Not every outrage, every act of aggression, every oppression, or every crisis should elicit a U.S. military response.

Finally, most Americans want their country to stand for something beyond just military strength and economic success. They want it to

be seen admiringly by others as the world's strongest advocate for liberty. In formulating a foreign policy that the American public will support, U.S. leaders should recognize that it is important to use every nonmilitary instrument of power possible to encourage both friends and rivals to embrace freedom and reform, because those objectives serve the U.S. national interest. With restructuring and more resources, Washington's nonmilitary instruments can contribute to a remarkable symphony of power. These tools will be essential as the United States faces the prospect of a long and multifaceted competition with China. But even if U.S. officials get all the right military and nonmilitary tools in place, it will still be up to American leaders, American legislators, and the broader American public to understand that the long-term self-interest of the United States demands that it accept the burden of global leadership. 🌐

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# The Next Liberal Order

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## The Age of Contagion Demands More Internationalism, Not Less

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*G. John Ikenberry*

**W**hen future historians think of the moment that marked the end of the liberal world order, they may point to the spring of 2020—the moment when the United States and its allies, facing the gravest public health threat and economic catastrophe of the postwar era, could not even agree on a simple communiqué of common cause. But the chaos of the coronavirus pandemic engulfing the world these days is only exposing and accelerating what was already happening for years. On public health, trade, human rights, and the environment, governments seem to have lost faith in the value of working together. Not since the 1930s has the world been this bereft of even the most rudimentary forms of cooperation.

The liberal world order is collapsing because its leading patrons, starting with the United States, have given up on it. U.S. President Donald Trump, who declared in 2016 that “we will no longer surrender this country . . . to the false song of globalism,” is actively undermining 75 years of American leadership. Others in the U.S. foreign policy establishment have likewise packed their bags and moved on to the next global era: that of great-power competition. Washington is settling in for a protracted struggle for dominance with China, Russia, and other rival powers. This fractured world, the thinking goes, will offer little space for multilateralism and cooperation. Instead, U.S. grand strategy will be defined by what international relations theorists call “the problems of anarchy”: hegemonic struggles, power transitions, competition for security, spheres of influence, and reactionary nationalism.

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But this future is not inevitable, and it is certainly not desirable. The United States may no longer be the world's sole superpower, but its influence has never been premised on power alone. It also depends on an ability to offer others a set of ideas and institutional frameworks for mutual gain. If the United States abandons that role prematurely, it will be smaller and weaker as a result. A return to great-power competition would destroy what is left of the global institutions that governments rely on for tackling common problems. Liberal democracies would further descend into disunion and thereby lose their ability to shape global rules and norms. The world that would emerge on the other side would be less friendly to such Western values as openness, the rule of law, human rights, and liberal democracy.

In the short term, the new coronavirus (and the resulting economic and social wreckage) will accelerate the fragmentation and breakdown of global order, hastening the descent into nationalism, great-power rivalry, and strategic decoupling. But the pandemic also offers the United States an opportunity to reverse course and opt for a different path: a last-chance effort to reclaim the two-centuries-old liberal international project of building an order that is open, multilateral, and anchored in a coalition of leading liberal democracies.

For guidance, today's leaders should look to the example of U.S. President Franklin Roosevelt. The collapse of the world economy and the rapid spread of fascism and totalitarianism in the 1930s showed that the fates of modern societies were tied to one another and that all were vulnerable to what Roosevelt, using a term that seems eerily prescient today, called "contagion." The United States, Roosevelt and his contemporaries concluded, could not simply hide within its borders; it would need to build a global infrastructure of institutions and partnerships. The liberal order they went on to build was less about the triumphant march of liberal democracy than about pragmatic, cooperative solutions to the global dangers arising from interdependence. Internationalism was not a project of tearing down borders and globalizing the world; it was about managing the growing complexities of economic and security interdependence in the pursuit of national well-being. Today's liberal democracies are the bankrupt heirs to this project, but with U.S. leadership, they can still turn it around.

## **THE PROBLEMS OF MODERNITY**

The rivalry between the United States and China will preoccupy the world for decades, and the problems of anarchy cannot be wished away. But for the United States and its partners, a far greater challenge lies in what might be called “the problems of modernity”: the deep, worldwide transformations unleashed by the forces of science, technology, and industrialism, or what the sociologist Ernest Gellner once described as a “tidal wave” pushing and pulling modern societies into an increasingly complex and interconnected world system. Washington and its partners are threatened less by rival great powers than by emergent, interconnected, and cascading transnational dangers. Climate change, pandemic diseases, financial crises, failed states, nuclear proliferation—all reverberate far beyond any individual country. So do the effects of automation and global production chains on capitalist societies, the dangers of the coming revolution in artificial intelligence, and other, as-yet-unimagined upheavals.

The coronavirus is the poster child of these transnational dangers: it does not respect borders, and one cannot hide from it or defeat it in war. Countries facing a global outbreak are only as safe as the least safe among them. For better or worse, the United States and the rest of the world are in it together.

Past American leaders understood that the global problems of modernity called for a global solution and set about building a worldwide network of alliances and multilateral institutions. But for many observers, the result of these efforts—the liberal international order—has been a failure. For some, it is tied to the neoliberal policies that produced financial crises and rising economic inequality; for others, it evokes disastrous military interventions and endless wars. The bet that China would integrate as a “responsible stakeholder” into a U.S.-led liberal order is widely seen to have failed, too. Little wonder that the liberal vision has lost its appeal.

Liberal internationalists need to acknowledge these missteps and failures. Under the auspices of the liberal international order, the United States has intervened too much, regulated too little, and delivered less than it promised. But what do its detractors have to offer? Despite its faults, no other organizing principle currently under debate comes close to liberal internationalism in making the case for a decent and cooperative world order that encourages the enlightened pursuit of national interests. Ironically, the critics’ complaints make sense only within a



system that embraces self-determination, individual rights, economic security, and the rule of law—the very cornerstones of liberal internationalism. The current order may not have realized these principles across the board, but flaws and failures are inherent in all political orders. What is unique about the postwar liberal order is its capacity for self-correction. Even a deeply flawed liberal system provides the institutions through which it can be brought closer to its founding ideals.

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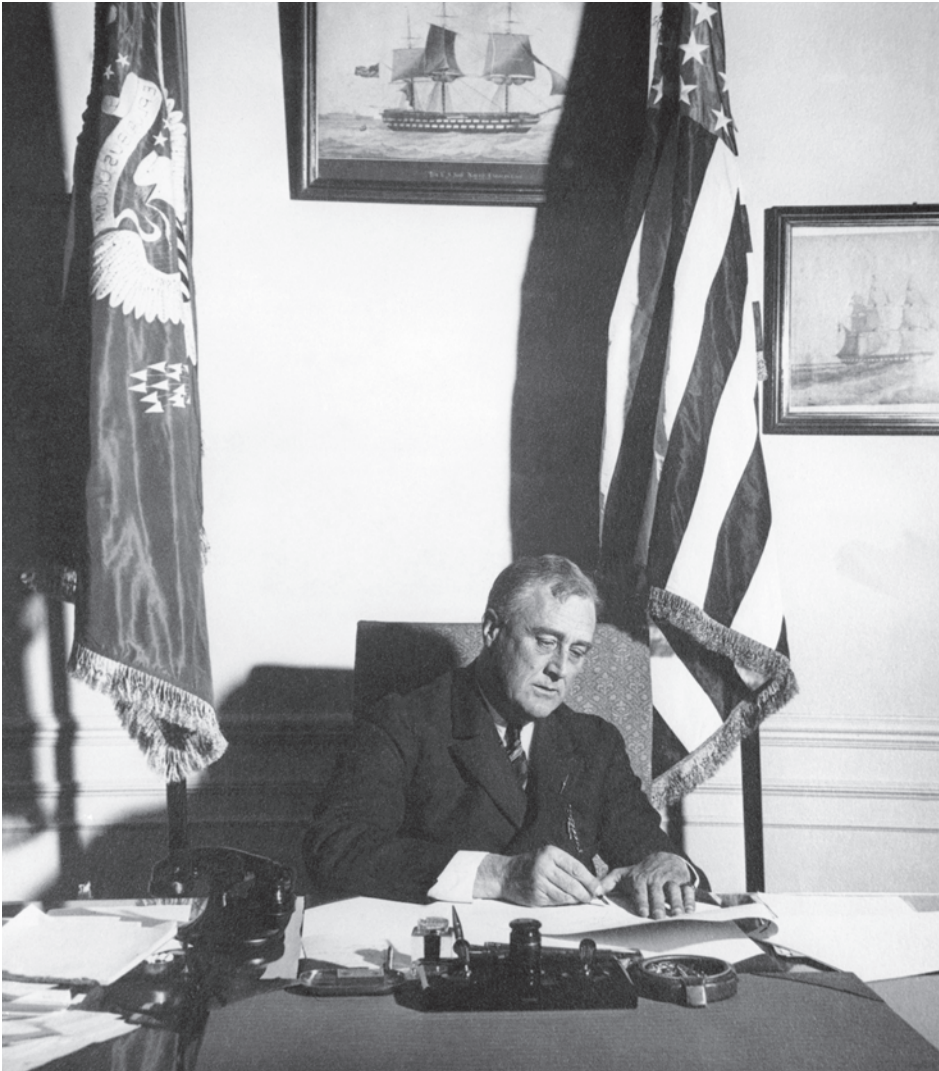
*A return to great-power competition is neither inevitable nor desirable.*

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However serious the liberal order's shortcomings may be, they pale in comparison to its achievements. Over seven decades, it has lifted more boats—manifest in economic growth and rising in-

comes—than any other order in world history. It provided a framework for struggling industrial societies in Europe and elsewhere to transform themselves into modern social democracies. Japan and West Germany were integrated into a common security community and went on to fashion distinctive national identities as peaceful great powers. Western Europe subdued old hatreds and launched a grand project of union. European colonial rule in Africa and Asia largely came to an end. The G-7 system of cooperation among Japan, Europe, and North America fostered growth and managed a sequence of trade and financial crises. Beginning in the 1980s, countries across East Asia, Latin America, and eastern Europe opened up their political and economic systems and joined the broader order. The United States experienced its greatest successes as a world power, culminating in the peaceful end to the Cold War, and countries around the globe wanted more, not less, U.S. leadership. This is not an order that one should eagerly escort off the stage.

To renew the spirit of liberal internationalism, its proponents should return to its core aim: creating an environment in which liberal democracies can cooperate for mutual gain, manage their shared vulnerabilities, and protect their way of life. In this system, rules and institutions facilitate cooperation among states. Properly regulated trade benefits all parties. Liberal democracies, in particular, have an incentive to work together—not only because their shared values reinforce trust but also because their status as open societies in an open system makes them more vulnerable to transnational threats. Gaining the benefits of interdependence while guarding against its dangers requires collective action.



*The master builder: Roosevelt in Washington, D.C., 1933*

## **THE ROOSEVELT REVOLUTION**

This tradition of liberal internationalism is often traced to U.S. President Woodrow Wilson, but the great revolution in liberal thinking actually occurred under Roosevelt in the 1930s. Wilson believed that modernity naturally favored liberal democracy, a view that, decades later, led some liberals to anticipate “the end of history.” In contrast, Roosevelt and his contemporaries saw a world threatened by violence, depravity, and despotism. The forces of modernity were not on the side of liberalism; science, technology, and industry could be harnessed equally for good and evil. For Roosevelt, the order-building project was not an idealistic attempt to spread democracy but a des-

perate effort to save the democratic way of life—a bulwark against an impending global calamity. His liberalism was a liberalism for hard times. And it is this vision that speaks most directly to today.

Roosevelt's core impulse was to put the liberal democratic world on a more solid domestic footing. The idea was not just to establish peace but also to build an international order that would empower governments to deliver a better life for their citizens. As early as August 1941, when the United States had not yet entered World War II, Roosevelt and British Prime Minister Winston Churchill articulated this vision in the Atlantic Charter, writing that if the United States and other democracies vanquished the Nazi threat, a new international order would secure "improved labor standards, economic advancement and social security." In the words of a Chicago journalist writing at the time, the New Deal at home was to lead to a "New Deal for the world."

Roosevelt's vision arose from the belief that interdependence generated new vulnerabilities. Financial crises, protectionism, arms races, and war could each spread like a contagion. "Economic diseases are highly communicable," Roosevelt wrote in a letter to the Bretton Woods conference in 1944. "It follows, therefore, that the economic health of every country is a proper matter of concern to all its neighbors, near and distant." To manage such interdependence, Roosevelt and his contemporaries envisioned permanent multilateral governance institutions. The idea was not new: since the nineteenth century, liberal internationalists had championed peace congresses, arbitration councils, and, later on, the League of Nations. But Roosevelt's agenda was more ambitious. International agreements, institutions, and agencies would lie at the heart of the new order. On issue after issue—aviation, finance, agriculture, public health—multilateral institutions would provide a framework for international collaboration.

Another innovation was to redefine the concept of security. In the United States, the Great Depression and the New Deal brought into existence the notion of "social security," and the violence and destruction of World War II did the same for "national security." Both were more than terms of art. They reflected new ideas about the state's role in ensuring the health, welfare, and safety of its people. "You and I agree that security is our greatest need," Roosevelt told Americans in one of his fireside chats in 1938. "Therefore," he added, "I am determined to do all in my power to help you attain that security." Social security meant building a social safety net. National security meant

shaping the external environment: planning ahead, coordinating policies with other states, and fostering alliances. From now on, national governments would need to do much more to accomplish the twin goals of social and national security—both at home and abroad.

What also made Roosevelt's internationalism unique was that it was tied to a system of security cooperation among the big liberal democracies. The collapse of the post-1919 order had convinced internationalists on both sides of the Atlantic that liberal capitalist democracies would need to come together as a community for their common defense. Free societies and security partnerships were two sides of the same political coin. Even before U.S. President Harry Truman and his successors built on this template, Roosevelt-era internationalists envisaged a grouping of like-minded states with the United States as, in Roosevelt's words, "the great arsenal of democracy." With the rise of the Cold War, the United States and its fellow democracies formed alliances to check the Soviet threat. The United States took the lead in fashioning a world of international institutions, partnerships, client states, and regional orders—and it put itself at the center of it all.

### **CLUBS AND SHOPPING MALLS**

In the face of today's breakdown in world order, the United States and other liberal democracies must reclaim and update Roosevelt's legacy. As a start, this means learning the right lessons about the failures of the liberal international order in the past three decades. Ironically, it was the success of the U.S.-led order that sowed the seeds of the current crisis. With the collapse of the Soviet Union, the last clear alternative to liberalism disappeared. As the liberal order grew from being one-half of a bipolar system to a truly global order, it began to fragment, in part because it no longer resembled a club. Indeed, today's liberal international order looks more like a sprawling shopping mall: states can wander in and pick and choose what institutions and regimes they want to join. Security cooperation, economic cooperation, and political cooperation have become unbundled, and their benefits can be obtained without buying into a suite of responsibilities, obligations, and shared values. These circumstances have allowed China and Russia to cooperate with the liberal system on an opportunistic, ad hoc basis. To name just one example, membership in the World Trade Organization has given China access to Western markets on favorable terms, but Beijing has not implemented significant measures to pro-



tect intellectual property rights, strengthen the rule of law, or level the playing field for foreign companies in its own economy.

To prevent this sort of behavior, the United States and other liberal democracies need to reconstitute themselves as a more coherent and functional coalition. The next U.S. president should call a gathering of the world's liberal democracies, and in the spirit of the Atlantic Charter, these states should issue their own joint statement, outlining broad principles for strengthening liberal democracy and reforming global governance institutions. The United States could work with its G-7 partners to expand that group's activities and membership, adding countries such as Australia and South Korea. It could even turn the G-7 into a D-10, a sort of steering committee of the world's ten leading democracies that would guide the return to multilateralism and rebuild a global order that protects liberal principles. The leaders of this new group could begin by forging a set of common rules and norms for a restructured trading system. They could also establish an agenda for relaunching global cooperation on climate change and confer about preparing for the next viral pandemic. And they should better monitor and respond to China's efforts to use international organizations to advance its national economic champions and promote its authoritarian mode of governance.

This club of democracies would coexist with larger multilateral organizations, chief among them the United Nations, whose only entry requirement is to be a sovereign state, regardless of whether it is a democracy or a dictatorship. That inclusive approach has its merits, because in many realms of international relations—including arms control, environmental regulation, management of the global commons, and combating pandemic diseases—regime type is not relevant. But in the areas of security, human rights, and the political economy, today's liberal democracies have relevant interests and values that illiberal states do not. On these fronts, a more cohesive club of democracies, united by shared values, tied together through alliances, and oriented toward managing interdependence, could reclaim the liberal internationalist vision.

A key element of this effort will be to reconnect international cooperation with domestic well-being. Put simply, "liberal internationalism" should not be just another word for "globalization." Globalization is about reducing barriers and integrating economies and societies. Liberal internationalism, by contrast, is about managing interdependence. States once valued the liberal international order because its rules tamed



the disruptive effects of open markets without eliminating the efficiency gains that came from them. In giving governments the space and tools they needed to stabilize their economies, the order's architects tried to reconcile free trade and free-market capitalism with social protections and economic security. The result was what the scholar John Ruggie has called the compromise of "embedded liberalism": unlike the economic nationalism of the 1930s, the new system would be multilateral in nature, and unlike the nineteenth-century visions of global free trade, it would give countries some leeway to stabilize their economies if necessary. But by the end of the 1990s, this compromise had begun to break down as borderless trade and investment overran national systems of social protection, and the order became widely seen as a platform for global capitalist and financial transactions.

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*"Liberal internationalism" should not be just another word for "globalization."*

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To counteract this perception, any new liberal international project must rebuild the bargains and promises that once allowed countries to reap the gains from trade while making good on their commitments to social welfare. Economic openness can last in liberal democracies only if its benefits are widely shared. Without sparking a new era of protectionism, liberal democracies need to work together to manage openness and closure, guided by liberal norms of multilateralism and nondiscrimination. "Democracies have a right to protect their social arrangements," the economist Dani Rodrik has written, "and, when this right clashes with the requirements of the global economy, it is the latter that should give way." If liberal democracies want to ensure that this right to protection does not trigger destructive trade wars, they should decide its exact reach collectively.

How, then, to deal with China and Russia? Both are geopolitical rivals of the United States, and both seek to undermine Western liberal democracies and the U.S.-led liberal order more generally. Their revisionism has put blunt questions of military power and economic influence back on the diplomatic agenda. But on a deeper level, the threat emanating from these states—particularly from China—only gives more urgency to the liberal international agenda and its focus on the problems of modernity. The struggle between the United States and China is ultimately over which country offers a better road to progress. Chinese President Xi Jinping's great project is to define an

alternative path, a model of capitalism without liberalism and democracy. The jury is out on whether a totalitarian regime can pull this off, and there is reason to be skeptical. But in the meantime, the best way to respond to this challenge is for liberal democracies to work together to reform and rebuild their own model.

### **“BRACE UP”**

It would be a grave mistake for the United States to give up any attempt to rescue the liberal order and instead reorient its grand strategy entirely toward great-power competition. The United States would be forfeiting its unique ideas and capacity for leadership. It would become like China and Russia: just another big, powerful state operating in a world of anarchy, nothing more and nothing less. But in its geography, history, institutions, and convictions, the United States is different from all other great powers. Unlike Asian and European states, it is an ocean away from other great powers. In the twentieth century, it alone among the great powers articulated a vision of an open, postimperial world system. More than any other state, it has seen its national interest advanced by promulgating multilateral rules and norms, which amplified and legitimized American power. Why throw all this away?

There simply is no other major state—rising, falling, or muddling through—that can galvanize the world around a vision of open, rules-based multilateral cooperation. China will be powerful, but it will tilt the world away from democratic values and the rule of law. The United States, for its part, needed the partnership of other liberal states even in earlier decades, when it was more capable. Now, as rival states grow more powerful, Washington needs these partnerships more than ever. If it continues to disengage from the world or engages in it only as a classic great power, the last vestiges of the liberal order will disappear.

And so it is left to the United States to lead the way in reclaiming the core premise of the liberal international project: building the international institutions and norms to protect societies from themselves, from one another, and from the violent storms of modernity. It is precisely at a moment of global crisis that great debates about world order open up and new possibilities emerge. This is such a moment, and the liberal democracies should regain their self-confidence and prepare for the future. As Virgil has Aeneas say to his shipwrecked companions, “Brace up, and save yourself for better times.”🌐

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# How Hegemony Ends

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## The Unraveling of American Power

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*Alexander Cooley and Daniel H. Nexon*

**M**ultiple signs point to a crisis in global order. The uncoordinated international response to the COVID-19 pandemic, the resulting economic downturns, the resurgence of nationalist politics, and the hardening of state borders all seem to herald the emergence of a less cooperative and more fragile international system. According to many observers, these developments underscore the dangers of U.S. President Donald Trump’s “America first” policies and his retreat from global leadership.

Even before the pandemic, Trump routinely criticized the value of alliances and institutions such as NATO, supported the breakup of the European Union, withdrew from a host of international agreements and organizations, and pandered to autocrats such as Russian President Vladimir Putin and the North Korean leader Kim Jong Un. He has questioned the merits of placing liberal values such as democracy and human rights at the heart of foreign policy. Trump’s clear preference for zero-sum, transactional politics further supports the notion that the United States is abandoning its commitment to promoting a liberal international order.

Some analysts believe that the United States can still turn this around, by restoring the strategies by which it, from the end of World War II to the aftermath of the Cold War, built and sustained a successful international order. If a post-Trump United States could reclaim the responsibilities of global power, then this era—including the pandemic that will define it—could stand as a temporary aberration rather than a step on the way to permanent disarray.

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After all, predictions of American decline and a shift in international order are far from new—and they have been consistently wrong. In the middle of the 1980s, many analysts believed that U.S. leadership was on the way out. The Bretton Woods system had collapsed in the 1970s; the United States faced increasing competition from European and East Asian economies, notably West Germany and Japan; and the Soviet Union looked like an enduring feature of world politics. By the end of 1991, however, the Soviet Union had formally dissolved, Japan was entering its “lost decade” of economic stagnation, and the expensive task of integration consumed a reunified Germany. The United States experienced a decade of booming technological innovation and unexpectedly high economic growth. The result was what many hailed as a “unipolar moment” of American hegemony.

But this time really is different. The very forces that made U.S. hegemony so durable before are today driving its dissolution. Three developments enabled the post–Cold War U.S.-led order. First, with the defeat of communism, the United States faced no major global ideological project that could rival its own. Second, with the disintegration of the Soviet Union and its accompanying infrastructure of institutions and partnerships, weaker states lacked significant alternatives to the United States and its Western allies when it came to securing military, economic, and political support. And third, transnational activists and movements were spreading liberal values and norms that bolstered the liberal order.

Today, those same dynamics have turned against the United States: a vicious cycle that erodes U.S. power has replaced the virtuous cycles that once reinforced it. With the rise of great powers such as China and Russia, autocratic and illiberal projects rival the U.S.-led liberal international system. Developing countries—and even many developed ones—can seek alternative patrons rather than remain dependent on Western largess and support. And illiberal, often right-wing transnational networks are pressing against the norms and pieties of the liberal international order that once seemed so implacable. In short, U.S. global leadership is not simply in retreat; it is unraveling. And the decline is not cyclical but permanent.

## **THE VANISHING UNIPOLAR MOMENT**

It may seem strange to talk of permanent decline when the United States spends more on its military than its next seven rivals combined and maintains an unparalleled network of overseas military bases.

Military power played an important role in creating and maintaining U.S. preeminence in the 1990s and early years of this century; no other country could extend credible security guarantees across the entire international system. But U.S. military dominance was less a function of defense budgets—in real terms, U.S. military spending decreased during the 1990s and only ballooned after the September 11 attacks—than of several other factors: the disappearance of the Soviet Union as a competitor, the growing technological advantage enjoyed by the U.S. military, and the willingness of most of the world's second-tier powers to rely on the United States rather than build up their own military forces. If the emergence of the United States as a unipolar power was mostly contingent on the dissolution of the Soviet Union, then the continuation of that unipolarity through the subsequent decade stemmed from the fact that Asian and European allies were content to subscribe to U.S. hegemony.

Talk of the unipolar moment obscures crucial features of world politics that formed the basis of U.S. dominance. The breakup of the Soviet Union finally closed the door on the only project of global ordering that could rival capitalism. Marxism-Leninism (and its offshoots) mostly disappeared as a source of ideological competition. Its associated transnational infrastructure—its institutions, practices, and networks, including the Warsaw Pact, the Council for Mutual Economic Assistance, and the Soviet Union itself—all imploded. Without Soviet support, most Moscow-affiliated countries, insurgent groups, and political movements decided it was better to either throw in the towel or get on the U.S. bandwagon. By the middle of the 1990s, there existed only one dominant framework for international norms and rules: the liberal international system of alliances and institutions anchored in Washington.

The United States and its allies—referred to in breezy shorthand as “the West”—together enjoyed a de facto patronage monopoly during the period of unipolarity. With some limited exceptions, they offered the only significant source of security, economic goods, and political support and legitimacy. Developing countries could no longer exert leverage over Washington by threatening to turn to Moscow or point to the risk of a communist takeover to shield themselves from having to make domestic reforms. The sweep of Western power and influence was so untrammelled that many policymakers came to believe in the permanent triumph of liberalism. Most governments saw no viable alternative.



With no other source of support, countries were more likely to adhere to the conditions of the Western aid they received. Autocrats faced severe international criticism and heavy demands from Western-controlled international organizations. Yes, democratic powers continued to protect certain autocratic states (such as oil-rich Saudi Arabia) from such demands for strategic and economic reasons. And

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*During the 1990s, most governments saw no viable alternative to Western sources of support.*

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leading democracies, including the United States, themselves violated international norms concerning human, civil, and political rights, most dramatically in the form of torture and extraordinary renditions during the so-called war on terror. But even these hypocritical exceptions reinforced the

hegemony of the liberal order, because they sparked widespread condemnation that reaffirmed liberal principles and because U.S. officials continued to voice commitment to liberal norms.

Meanwhile, an expanding number of transnational networks—often dubbed “international civil society”—propped up the emerging architecture of the post-Cold War international order. These groups and individuals served as the foot soldiers of U.S. hegemony by spreading broadly liberal norms and practices. The collapse of centrally planned economies in the postcommunist world invited waves of Western consultants and contractors to help usher in market reforms—sometimes with disastrous consequences, as in Russia and Ukraine, where Western-backed shock therapy impoverished tens of millions while creating a class of wealthy oligarchs who turned former state assets into personal empires. International financial institutions, government regulators, central bankers, and economists worked to build an elite consensus in favor of free trade and the movement of capital across borders.

Civil society groups also sought to steer postcommunist and developing countries toward Western models of liberal democracy. Teams of Western experts advised governments on the design of new constitutions, legal reforms, and multiparty systems. International observers, most of them from Western democracies, monitored elections in far-flung countries. Nongovernmental organizations (NGOs) advocating the expansion of human rights, gender equality, and environmental protections forged alliances with sympathetic states and media outlets. The work of transnational activists, scholarly communities,



*Another BRIC in the wall: Putin and Xi in Vladivostok, Russia, September 2018*

and social movements helped build an overarching liberal project of economic and political integration. Throughout the 1990s, these forces helped produce an illusion of an unassailable liberal order resting on durable U.S. global hegemony. That illusion is now in tatters.

### **THE GREAT-POWER COMEBACK**

Today, other great powers offer rival conceptions of global order, often autocratic ones that appeal to many leaders of weaker states. The West no longer presides over a monopoly of patronage. New regional organizations and illiberal transnational networks contest U.S. influence. Long-term shifts in the global economy, particularly the rise of China, account for many of these developments. These changes have transformed the geopolitical landscape.

In April 1997, Chinese President Jiang Zemin and Russian President Boris Yeltsin pledged “to promote the multipolarization of the world and the establishment of a new international order.” For years, many Western scholars and policymakers downplayed or dismissed such challenges as wishful rhetoric. Beijing remained committed to the rules and norms of the U.S.-led order, they argued, pointing out

that China continued to benefit from the current system. Even as Russia grew increasingly assertive in its condemnation of the United States in the first decade of this century and called for a more multipolar world, observers didn't think that Moscow could muster support from any significant allies. Analysts in the West specifically doubted that Beijing and Moscow could overcome decades of mistrust and rivalry to cooperate against U.S. efforts to maintain and shape the international order.

Such skepticism made sense at the height of U.S. global hegemony in the 1990s and even remained plausible through much of the following decade. But the 1997 declaration now looks like a blueprint for how Beijing and Moscow have tried to reorder international politics in the last 20 years. China and Russia now directly contest liberal aspects of the international order from within that order's institutions and forums; at the same time, they are building an alternative order through new institutions and venues in which they wield greater influence and can de-emphasize human rights and civil liberties.

At the United Nations, for example, the two countries routinely consult on votes and initiatives. As permanent members of the UN Security Council, they have coordinated their opposition to criticize Western interventions and calls for regime change; they have vetoed Western-sponsored proposals on Syria and efforts to impose sanctions on Venezuela and Yemen. In the UN General Assembly, between 2006 and 2018, China and Russia voted the same way 86 percent of the time, more frequently than during the 78 percent voting accord the two shared between 1991 and 2005. By contrast, since 2005, China and the United States have agreed only 21 percent of the time. Beijing and Moscow have also led UN initiatives to promote new norms, most notably in the arena of cyberspace, that privilege national sovereignty over individual rights, limit the doctrine of the responsibility to protect, and curtail the power of Western-sponsored human rights resolutions.

China and Russia have also been at the forefront of creating new international institutions and regional forums that exclude the United States and the West more broadly. Perhaps the most well known of these is the BRICS grouping, which includes Brazil, Russia, India, China, and South Africa. Since 2006, the group has presented itself as a dynamic setting for the discussion of matters of international order and global leadership, including building alternatives to Western-controlled

institutions in the areas of Internet governance, international payment systems, and development assistance. In 2016, the BRICS countries created the New Development Bank, which is dedicated to financing infrastructure projects in the developing world.

China and Russia have each also pushed a plethora of new regional security organizations—including the Conference on Interaction and Confidence Building Measures in Asia, the Collective Security Treaty Organization, and the Quadrilateral Cooperation and Coordination Mechanism—and economic institutions, including the Chinese-run Asian Infrastructure Investment Bank (AIIB) and the Russian-backed Eurasian Economic Union (EAEU). The Shanghai Cooperation Organization (SCO)—a security organization that promotes cooperation among security services and oversees biennial military exercises—was founded in 2001 at the initiative of both Beijing and Moscow. It added India and Pakistan as full members in 2017. The net result is the emergence of parallel structures of global governance that are dominated by authoritarian states and that compete with older, more liberal structures.

Critics often dismiss the BRICS, the EAEU, and the SCO as “talk shops” in which member states do little to actually resolve problems or otherwise engage in meaningful cooperation. But most other international institutions are no different. Even when they prove unable to solve collective problems, regional organizations allow their members to affirm common values and boost the stature of the powers that convene these forums. They generate denser diplomatic ties among their members, which, in turn, make it easier for those members to build military and political coalitions. In short, these organizations constitute a critical part of the infrastructure of international order, an infrastructure that was dominated by Western democracies after the end of the Cold War. Indeed, this new array of non-Western organizations has brought transnational governance mechanisms into regions such as Central Asia, which were previously disconnected from many institutions of global governance. Since 2001, most Central Asian states have joined the SCO, the Russian-led Collective Security Treaty Organization, the EAEU, the AIIB, and the Chinese infrastructure investment project known as the Belt and Road Initiative (BRI).

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*China and Russia have been at the forefront of creating new forums that exclude the United States.*

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China and Russia are also now pushing into areas traditionally dominated by the United States and its allies; for example, China convenes the 17+1 group with states in central and eastern Europe and the China-CELAC (Community of Latin American and Caribbean States) Forum in Latin America. These groupings provide states in these regions with new arenas for partnership and support while also challenging the cohesion of traditional Western blocs; just days before the 16+1 group expanded to include the EU member Greece in April 2020, the European Commission moved to designate China a “systemic rival” amid concerns that BRI deals in Europe were undercutting EU regulations and standards.

Beijing and Moscow appear to be successfully managing their alliance of convenience, defying predictions that they would be unable to tolerate each other’s international projects. This has even been the case in areas in which their divergent interests could lead to significant tensions. Russia vocally supports China’s BRI, despite its inroads into Central Asia, which Moscow still considers its backyard. In fact, since 2017, the Kremlin’s rhetoric has shifted from talking about a clearly demarcated Russian “sphere of influence” in Eurasia to embracing a “Greater Eurasia” in which Chinese-led investment and integration dovetails with Russian efforts to shut out Western influence. Moscow followed a similar pattern when Beijing first proposed the formation of the AIIB in 2015. The Russian Ministry of Finance initially refused to back the bank, but the Kremlin changed course after seeing which way the wind was blowing; Russia formally joined the bank at the end of the year.

China has also proved willing to accommodate Russian concerns and sensitivities. China joined the other BRICS countries in abstaining from condemning Russia’s annexation of Crimea in 2014, even though doing so clearly contravened China’s long-standing opposition to separatism and violations of territorial integrity. Moreover, the Trump administration’s trade war with China has given Beijing additional incentives to support Russian efforts to develop alternatives to the Western-controlled SWIFT international payment system and dollar-denominated trade so as to undermine the global reach of U.S. sanctions regimes.

### **THE END OF THE PATRONAGE MONOPOLY**

China and Russia are not the only states seeking to make world politics more favorable to nondemocratic regimes and less amenable to U.S. hegemony. As early as 2007, lending by “rogue donors” such as



then oil-rich Venezuela raised the possibility that such no-strings-attached assistance might undermine Western aid initiatives designed to encourage governments to embrace liberal reforms.

Since then, Chinese state-affiliated lenders, such as the China Development Bank, have opened substantial lines of credit across Africa and the developing world. In the wake of the 2008 financial crisis, China became an important source of loans and emergency funding for countries that could not access, or were excluded from, Western financial institutions. During the financial crisis, China extended over \$75 billion in loans for energy deals to countries in Latin America—Brazil, Ecuador, and Venezuela—and to Kazakhstan, Russia, and Turkmenistan in Eurasia.

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*Chinese state-affiliated lenders have opened substantial lines of credit across the developing world.*

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China is not the only alternative patron. After the Arab Spring, Gulf states such as Qatar lent money to Egypt, allowing Cairo to avoid turning to the International Monetary Fund during a turbulent time. But China has been by far the most ambitious country in this regard. An AidData study found that total Chinese foreign aid assistance between 2000 and 2014 reached \$354 billion, nearing the U.S. total of \$395 billion. China has since surpassed annual U.S. aid disbursements. Moreover, Chinese aid undermines Western efforts to spread liberal norms. Several studies suggest that although Chinese funds have fueled development in many countries, they also have stoked blatant corruption and habits of regime patronage. In countries emerging from war, such as Nepal, Sri Lanka, Sudan, and South Sudan, Chinese development and reconstruction aid flowed to victorious governments, insulating them from international pressure to accommodate their domestic foes and adopt more liberal models of peacemaking and reconciliation.

The end of the West's monopoly on patronage has seen the concurrent rise of fiery populist nationalists even in countries that were firmly embedded in the United States' economic and security orbit. The likes of Hungarian Prime Minister Viktor Orbán, Turkish President Recep Tayyip Erdoğan, and Philippine President Rodrigo Duterte have painted themselves as guardians of domestic sovereignty against liberal subversion. They dismiss Western concerns about democratic backsliding in their countries and emphasize the growing importance of their economic and security relationships with China and Russia. In the case of

the Philippines, Duterte recently terminated a two-decade-old military treaty with the United States after Washington canceled the visa of the former national chief of police, who is accused of human rights violations in the Philippines' bloody and controversial war on drugs.

Of course, some of these specific challenges to U.S. leadership will wax and wane since they stem from shifting political circumstances and the dispositions of individual leaders. But the expansion of “exit options”—of alternative patrons, institutions, and political models—now seems a permanent feature of international politics. Governments have much more room to maneuver. Even when states do not actively switch patrons, the possibility that they could provides them with greater leverage. As a result, China and Russia have the latitude to contest U.S. hegemony and construct alternative orders.

### **CENTRIFUGAL FORCES**

Another important shift marks a break from the post–Cold War unipolar moment. The transnational civil society networks that stitched together the liberal international order no longer enjoy the power and influence they once had. Illiberal competitors now challenge them in many areas, including gender rights, multiculturalism, and the principles of liberal democratic governance. Some of these centrifugal forces have originated in the United States and western European countries themselves. For instance, the U.S. lobbying group the National Rifle Association worked transnationally to successfully defeat a proposed antigun referendum in Brazil in 2005, where it built an alliance with domestic right-wing political movements; over a decade later, the Brazilian political firebrand Jair Bolsonaro tapped into this same network to help propel himself to the presidency. The World Congress of Families, initially founded by U.S.-based Christian organizations in 1997, is now a transnational network, supported by Eurasian oligarchs, that convenes prominent social conservatives from dozens of countries to build global opposition to LGBTQ and reproductive rights.

Autocratic regimes have found ways to limit—or even eliminate—the influence of liberal transnational advocacy networks and reform-minded NGOs. The so-called color revolutions in the post-Soviet world in the first decade of this century and the 2010–11 Arab Spring in the Middle East played a key role in this process. They alarmed authoritarian and illiberal governments, which increasingly saw the protection of human rights and

the promotion of democracy as threats to their survival. In response, such regimes curtailed the influence of NGOs with foreign connections. They imposed tight restrictions on receiving foreign funds, proscribed various political activities, and labeled certain activists “foreign agents.”

Some governments now sponsor their own NGOs both to suppress liberalizing pressures at home and to contest the liberal order abroad.

For example, in response to Western support of young activists during the color revolutions, the Kremlin founded the youth group Nashi to mobilize young people in support of the state. The Red Cross Society of China, China’s oldest government-organized NGO, has delivered medical supplies to Euro-

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*Some of the forces driving the unraveling of the liberal order have originated in the United States itself.*

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pean countries in the midst of the COVID-19 pandemic as part of a carefully orchestrated public relations campaign. These regimes also use digital platforms and social media to disrupt antigovernment mobilization and advocacy. Russia has likewise deployed such tools abroad in its information operations and electoral meddling in democratic states.

Two developments helped accelerate the illiberal turn in the West: the Great Recession of 2008 and the refugee crisis in Europe in 2015. Over the last decade, illiberal networks—generally but not exclusively on the right—have challenged the establishment consensus within the West. Some groups and figures question the merits of continued membership in major institutions of the liberal order, such as the European Union and NATO. Many right-wing movements in the West receive both financial and moral support from Moscow, which backs “dark money” operations that promote narrow oligarchic interests in the United States and far-right political parties in Europe with the hope of weakening democratic governments and cultivating future allies. In Italy, the anti-immigrant party Lega is currently the most popular party despite revelations of its attempt to win illegal financial support from Moscow. In France, the National Rally, which also has a history of Russian backing, remains a powerful force in domestic politics.

These developments echo the ways in which “counter-order” movements have helped precipitate the decline of hegemonic powers in the past. Transnational networks played crucial roles in both upholding and challenging prior international orders. For example, Protestant networks helped erode Spanish power in early modern Europe, most

notably by supporting the Dutch Revolt in the sixteenth century. Liberal and republican movements, especially in the context of the revolutions across Europe in 1848, played a part in undermining the Concert of Europe, which tried to manage international order on the continent in the first half of the nineteenth century. The rise of fascist and communist transnational networks helped produce the global power struggle of World War II. Counter-order movements achieved political power in countries such as Germany, Italy, and Japan, leading those nations to break from or try to assail existing structures of international order. But even less successful counter-order movements can still undermine the cohesion of hegemonic powers and their allies.

Not every illiberal or right-wing movement that opposes the U.S.-led order seeks to challenge U.S. leadership or turns to Russia as an exemplar of strong cultural conservatism. Nonetheless, such movements are helping polarize politics in advanced industrial democracies and weaken support for the order's institutions. One of them has even captured the White House: Trumpism, which is best understood as a counter-order movement with a transnational reach that targets the alliances and partnerships central to U.S. hegemony.

### **CONSERVING THE U.S. SYSTEM**

Great-power contestation, the end of the West's monopoly on patronage, and the emergence of movements that oppose the liberal international system have all altered the global order over which Washington has presided since the end of the Cold War. In many respects, the COVID-19 pandemic seems to be further accelerating the erosion of U.S. hegemony. China has increased its influence in the World Health Organization and other global institutions in the wake of the Trump administration's attempts to defund and scapegoat the public health body. Beijing and Moscow are portraying themselves as providers of emergency goods and medical supplies, including to European countries such as Italy, Serbia, and Spain, and even to the United States. Illiberal governments worldwide are using the pandemic as cover for restricting media freedom and cracking down on political opposition and civil society. Although the United States still enjoys military supremacy, that dimension of U.S. dominance is especially ill suited to deal with this global crisis and its ripple effects.

Even if the core of the U.S. hegemonic system—which consists mostly of long-standing Asian and European allies and rests on norms

and institutions developed during the Cold War—remains robust, and even if, as many champions of the liberal order suggest will happen, the United States and the European Union can leverage their combined economic and military might to their advantage, the fact is that Washington will have to get used to an increasingly contested and complex international order. There is no easy fix for this. No amount of military spending can reverse the processes driving the unraveling of U.S. hegemony. Even if Joe Biden, the presumptive Democratic nominee, knocks out Trump in the presidential election later this year, or if the Republican Party repudiates Trumpism, the disintegration will continue.

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*U.S. policymakers must plan for the world after global hegemony.*

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The key questions now concern how far the unraveling will spread. Will core allies decouple from the U.S. hegemonic system? How long, and to what extent, can the United States maintain financial and monetary dominance? The most favorable outcome will require a clear repudiation of Trumpism in the United States and a commitment to rebuild liberal democratic institutions in the core. At both the domestic and the international level, such efforts will necessitate alliances among center-right, center-left, and progressive political parties and networks.

What U.S. policymakers can do is plan for the world after global hegemony. If they help preserve the core of the American system, U.S. officials can ensure that the United States leads the strongest military and economic coalition in a world of multiple centers of power, rather than finding itself on the losing side of most contests over the shape of the new international order. To this end, the United States should reinvigorate the beleaguered and understaffed State Department, rebuilding and more effectively using its diplomatic resources. Smart statecraft will allow a great power to navigate a world defined by competing interests and shifting alliances.

The United States lacks both the will and the resources to consistently outbid China and other emerging powers for the allegiance of governments. It will be impossible to secure the commitment of some countries to U.S. visions of international order. Many of those governments have come to view the U.S.-led order as a threat to their autonomy, if not their survival. And some governments that still welcome a U.S.-led liberal order now contend with populist and other illiberal movements that oppose it.

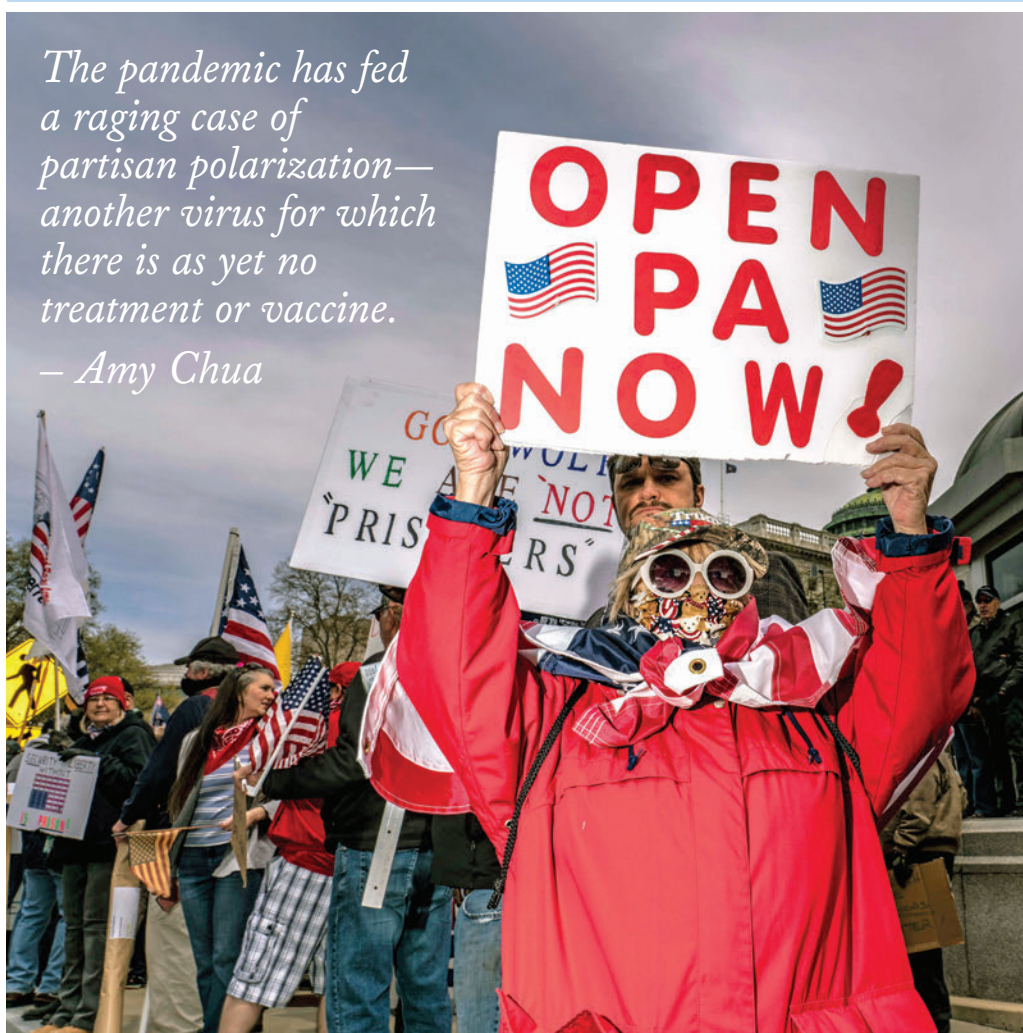


Even at the peak of the unipolar moment, Washington did not always get its way. Now, for the U.S. political and economic model to retain considerable appeal, the United States has to first get its own house in order. China will face its own obstacles in producing an alternative system; Beijing may irk partners and clients with its pressure tactics and its opaque and often corrupt deals. A reinvigorated U.S. foreign policy apparatus should be able to exercise significant influence on international order even in the absence of global hegemony. But to succeed, Washington must recognize that the world no longer resembles the historically anomalous period of the 1990s and the first decade of this century. The unipolar moment has passed, and it isn't coming back. 🌐

# REVIEWS & RESPONSES

*The pandemic has fed a raging case of partisan polarization—another virus for which there is as yet no treatment or vaccine.*

— Amy Chua



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# Divided We Fall

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## What Is Tearing America Apart?

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### *Why We're Polarized*

BY EZRA KLEIN. Simon & Schuster, 2020, 336 pp.

### *The New Class War: Saving Democracy From the Managerial Elite*

BY MICHAEL LIND. Portfolio, 2020, 224 pp.

**I**t has been clear for many years that the United States is a house divided. But since March, when the coronavirus pandemic shut down much of the country, that division has taken on a ghastly new face. Staggering death tolls and nightmarish images of body bags, overwhelmed hospitals, and freezer morgues have stirred little sense of unity or common purpose. Instead, they seem to have simply fed an already raging case of partisan polarization—another virus for which there is as yet no treatment or vaccine. It has become difficult to ask even the most basic questions—whether a certain medicine works, whether a city has enough ventilators and protective equipment—without triggering a political brawl, usually revolving around President Donald Trump.

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Two recent books, Ezra Klein's left-leaning *Why We're Polarized* and Michael Lind's right-leaning *The New Class War*, attempt to explain how things got to this point. Klein, the co-founder of the news and analysis website Vox, puts the country on the couch. His explanations center on psychology, identity, and the dominant role that party affiliation plays in Americans' psyches. By contrast, Lind—a prolific writer and a co-founder of the think tank New America—finds his answers in a single factor: social class. (It is one of the ironies of the present moment that putting class warfare front and center can now be a right-wing position.) Klein and Lind are two of the country's keenest political observers, and their books are a cut above the slew of others on the United States' divisions. They are best read in tandem, as complements to each other. Although they might not admit it, Klein and Lind are describing the same peak, just from opposite sides of the mountain.

### IDENTITY CRISIS

Klein begins by marshaling an impressive body of evidence from cognitive and social psychology that reveals the human proclivity for group identification and us-versus-them conflict. Normally, people have many crosscutting group identities. Today, however, Americans' political identities have become "mega-identities." The labels "Democrat" and "Republican" increasingly subsume other sources of identity, including race, religion, and geography, and are highly predictive not only of where people stand on abortion or immigration but also of where they shop, what sports they like, what news they watch, and so on. These political

mega-identities are “far more powerful than issue positions in driving polarization,” Klein writes. In fact, “there’s only a weak relationship between how much a person identifies as a conservative or liberal and how conservative or liberal their views actually are—to be exact, in both cases it’s about a .25 correlation.” In the United States, partisan identity has become central to “psychological self-expression” and is now the country’s most intense social cleavage, even more intense than race.

The most striking evidence Klein produces for this is a study published in 2015 by the political scientists Shanto Iyengar and Sean Westwood, who asked about 1,000 people to review the résumés of two fictional high school seniors competing for a scholarship and to pick one as the winner. The résumés were essentially identical, except for the applicants’ grade point average (3.5 or 4.0) and either the applicants’ race (white or black) or their party affiliation (Democrat or Republican). One might have reasonably expected that grades would play a larger role in the selections than would party affiliation. Instead, when the résumés contained no information about the applicants’ race, the participants chose the student from their own party roughly 80 percent of the time, even when that student had the lower grade point average. Amazingly, party affiliation had an even stronger effect than race: when the résumés included no information about party, but the opposite-race applicant had the higher grades, only 45 percent of African Americans stuck with the person of their own race, and only 29 percent of white Americans did so. In short, Klein concludes, “partisanship even trumped race.”

This partisan divide poses grave danger, Klein argues. Societies marked by conflict along many different axes are far less prone to civil war than societies with a single major cleavage. Americans’ partisan mega-identities “have attained a weight that is breaking our institutions and tearing at the bonds that hold this country together,” he writes.

In Klein’s telling, polarization’s original sin dates back to the 1960s. Before then, both major political parties were big-tent operations, “scrambled, both ideologically and demographically, in ways that curbed their power as identities and lowered the partisan stakes of politics.” Indeed, in 1950, U.S. political parties were so undifferentiated ideologically that the American Political Science Association published a report pleading for more political polarization. But this changed during the fight over civil rights, when the Democrats “chose to snap their alliance with the Dixiecrats to pursue justice,” prompting the segregationist Dixiecrats to jump ship to the Republican Party. “America’s modern run of polarization has its roots in the civil rights era,” he writes, “in the Democratic Party choosing to embrace racial equality and the Republican Party providing a home to white backlash.”

It was a fateful choice. By 2012, only nine percent of self-identified Republicans were nonwhite, according to a survey Klein cites. Klein observes that as the country’s demographics continue to change and the possibility of the United States becoming a “majority-minority” state grows ever more real, white Americans (and especially white men) increasingly feel that their status is threatened, and “the simplest way to activate some-

one's identity is to threaten it." (He cites my work on this topic to back up his argument.) To Klein, the election of Trump in 2016 represented the triumph of threatened white Americans, egged on by partisan primaries and "identity journalism," in which media organizations compete for eyeballs and clicks by publishing provocative stories intended to reinforce people's preferences for members of their own group and provoke hostility toward members of others.

### KEEP IT CLASSY

Klein writes captivately well. Reading *Why We're Polarized* is like having a conversation with a brilliant, extremely persuasive friend who has read everything and who is armed with scores of studies that he's able to distill into accessible bites. Readers might be ready to buy his argument hook, line, and sinker—until they read Lind's book, and suddenly, some of Klein's deficiencies become apparent.

Whereas Klein is mostly focused on polarization in the United States, Lind sets out to explain the wider, global populist surge that led to Brexit in the United Kingdom, France's "yellow vest" protests, and the rise of the nationalist politician Matteo Salvini in Italy. Lind argues that "almost all of the political turmoil in Western Europe and North America can be explained by the new class war." As he sees it, this war pits the working class against a small "overclass" of "managerial elites"—university-educated, cosmopolitan professionals and bureaucrats who make up somewhere between ten and 15 percent of the population but who enjoy outsize influence on government, the academy, and the economy.

Lind also begins his story in the 1960s. By the mid-twentieth century, two world wars and the ongoing threat of communism had produced a kind of settlement in developed Western countries between the economic elites and the working class. In this system of power sharing, which Lind calls "democratic pluralism," mass-membership political parties, legislatures, unions, churches, and civic associations gave the working class economic, political, and cultural clout that counterbalanced the professional management class's influence over the corporate sector, universities, the judiciary, and the executive branch.

But as the threat of war and communism receded, elites—both conservative and liberal—began a "revolution from above." Animated by a belief in free markets and "technocratic neoliberalism" (an ideology celebrating rule by "all-wise, altruistic experts"), these elites ground down the institutions that supported the working class. Big business undermined unions by moving (or merely threatening to move) factories and supply chains overseas in response to demands for higher wages and other benefits. Academics and activists celebrated the social and cultural contributions of immigrants and minorities and denigrated those of native-born white Americans. "Under technocratic neoliberalism," Lind writes, ". . . the boss class pursues the working class after the workday has ended, trying to snatch the unhealthy steak or soda from the worker's plate, vilifying the theology of the worker's church as a firing offense and possibly an illegal hate crime to be reported to the police."

Meanwhile, pro-immigration policies championed by elites depressed working-class wages even as returns to



the wealthy skyrocketed. Lind cites a 2018 Harvard CAPS/Harris Poll that complicates any attempt to describe American populism in simplistic racial terms. The survey, he explains,

found that 64 percent of Americans, including 53 percent of Latinos, favor immediately deporting anyone who crosses the border illegally; 70 percent support more restrictive immigration laws. If, as many overclass neoliberals claim, supporting enforcement of immigration laws is motivated solely by “white nationalism,” then overwhelming numbers of Americans, including a majority of Latinos, must be “white nationalists.”

The working class, however, is not monolithic or unified. If it were, Lind points out, “the overclass . . . would lose every election.” Instead, national working classes are divided along many cleavages, including race, religion, region, and, “most important,” the divide between “old-stock” whites and “recent immigrants and their descendants,” creating a “split labor market,” in which elites can play subgroups of the working class against one another. The result is a managerial technocracy that sits atop a divided working class. It is no surprise that the working class distrusts the experts, whose do-gooder or high-minded initiatives so often seem to come at the working class’s expense, be it the “war on coal,” free trade, or taxes on goods such as soda and cigarettes. This class chasm has been visible throughout the pandemic, perhaps most prominently in protests against stay-at-home orders, which many working-class and middle-class Americans see as destructive overreach



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promoted by Democratic politicians, liberal media outlets, and alleged experts who can't be trusted.

As frustration has mounted over the years, it has erupted in populist movements. According to Lind, however, without funding and expertise from elites, these movements almost inevitably fail or get co-opted by opportunistic demagogues, such as Trump, France's Marine Le Pen, and Italy's Salvini. All purport to give voice to a marginalized working class, advocating economic nationalism, opposing free trade and immigration, and deliberately "using crude and belligerent language"—a symbol of their rejection of elite sensibilities.

Lind is not a populist. "Populism," he writes, "is a symptom of a sick body politic, not a cure." Both "technocratic neoliberalism and demagogic populism represent . . . highways to the hell of autocracy." Nevertheless, at some points, Lind sounds as angry as the members of the working class with whom he obviously sympathizes. He writes caustically well. One characteristic takedown is worth quoting at length:

A . . . common view among transatlantic elites interprets the success of populist and nationalist candidates . . . not as a predictable and disruptive backlash against oligarchic misrule, but as a revival of Nazi or Soviet-style totalitarianism. One narrative holds that Russian president Vladimir Putin's regime, by cleverly manipulating public opinion . . . , is responsible for Brexit, the election of Trump in 2016, and perhaps other major political events. A rival narrative . . . [holds that] demagogues can trigger the latent "author-

itarian personalities" of . . . white working-class native voters, many of whom, it is claimed, will turn overnight into a fascist army. . . .

The *reductio ad absurdum* of this kind of mythological thinking is the adoption of the term "Resistance" by domestic opponents of President Donald Trump, which implies an equation between Democrats and anti-Trump Republicans and the heroic anti-Nazis of the French Resistance.

### WHAT TO DO?

The virtues and vices of these books mirror each other. Klein assembles reams of social-scientific evidence to back up his claims, so much so that his book occasionally resembles an academic survey of the literature. Lind, by contrast, is weak on empirical evidence, offering little substantiation for contested propositions that are central to his book, such as the adverse effects of immigration and free trade on the working class. Klein's story takes into account a multitude of factors—institutional, cultural, psychological—that he says work together to produce identity-reinforcing feedback loops. Lind's thesis is monocausal, focusing on class alone, at the expense of numerous other factors, such as racial resentments and demographic fears.

But just as Lind downplays the role of race, Klein is surprisingly dismissive of class, concluding, after an uncharacteristically cursory analysis, that in the 2016 election, "racial resentment activated economic anxiety," and not the other way around. A larger weakness of Klein's book lies in its U.S.-centric focus. If Klein's explanation for the rise of polarization and populism is correct—tracing it to the peculiar racial

realignments brought about by the civil rights movement—then why are the same phenomena occurring in France, Italy, and the United Kingdom, whose racial histories, electoral systems, and political cultures are totally different? These strikingly similar movements all across western Europe strongly suggest that other forces are at work. Lind's account, even if incomplete, is much stronger on that point.

Conversely, when it comes to the rise of populism in the United States, Lind doesn't grapple with facts suggesting that additional factors are at play besides class. For example, according to a 2020 study conducted by the Pew Research Center, only 41 percent of Republicans feel that there is too much economic inequality in the country, and 78 percent of Republicans (including 66 percent of lower-income Republicans) are satisfied with existing opportunities "to get ahead by working hard." If, as Lind claims, class warfare is principally motivating Trump supporters, they should not be so complacent with the state of inequality and upward mobility in the United States.

Not surprisingly, the books differ sharply when it comes to prescriptions. Klein's proposals are fairly conventional. He advocates, for example, eliminating the Electoral College, giving congressional representation to Puerto Rico and Washington, D.C., and eliminating the filibuster, arguing that these measures would enhance democracy and thereby dampen polarization (and, incidentally, favor Democrats).

Lind, by contrast, rejects many of the most familiar reform ideas and calls for radical structural change. He dismisses proposals to expand access to higher

education and encourage entrepreneurialism as "neoliberal panaceas," noting projections that the fastest-growing jobs in the future will be concentrated in service-sector roles that don't require college degrees. Besides, as he notes in a powerful passage, such ideas err in "offering workers the chance to become something other than workers, as though there were something shameful and retrograde about being an ordinary wage earner." What is perhaps more surprising for someone championing the interests of nonelites, Lind also opposes massive redistributive measures, such as a universal basic income, on the grounds that such proposals are unrealistic and, in any event, designed to "anesthetize" the working class without actually giving workers more power.

Instead, he calls for a return to the kind of democratic pluralism that emerged in the United States and Europe after World War II, a power-sharing system in which a variety of subnational entities or institutions give working-class members a genuine voice and influence. This would involve a shift toward what Lind terms "microdemocracy," in which more decision-making would be transferred to the level of "wards," or "units small enough to permit ordinary people to experience politics as participants and not mere observers." Lind sees much to admire in German-style "codetermination," which requires corporate boards to include worker representatives. Finally, Lind calls for authorities to give "creedal congregations"—principally churches, but also "secular groups like American Atheists and neo-pagan creeds like Wiccans"—formal roles in overseeing media and education policy.

### AT THE BREAKING POINT

The COVID-19 crisis has vindicated both books. Dispiritingly, responses to the pandemic have split along party lines, just as Klein's account would predict, with Americans retreating into their political mega-identities. One's partisan affiliation and views of Trump almost completely determine one's ideas about who is to blame for the failure to contain the coronavirus and when lockdown orders should be eased.

The pandemic has also brought into ugly relief the class divisions that shape Lind's vision. The wealthiest Americans have retreated to their vacation homes, golfing and meditating and working remotely while in quarantine. Service-sector employees who can't survive without weekly paychecks have paid a much higher price. At the same time, the United States' suddenly exposed dependence on other countries for antibiotics and medical equipment makes Lind's warnings about the dangers of globalized supply chains and the collapse of domestic manufacturing seem darkly prescient.

Ultimately, however, one cannot fully understand the pandemic's consequences in the United States, the politics surrounding it, or the country's destructive broader political dynamics without seeing how class and ethnic divisions interact with and sometimes catalyze each other. Consider how the death rates for COVID-19 have been markedly higher among minorities than among white Americans. Although African Americans represent only around 30 percent of the populations of Chicago and Louisiana, they account for roughly 70 percent of all COVID-19 fatalities in both places. In the United States,

anything with a class dimension—any policy, any event, any disaster that has adverse effects on the poor—will necessarily have a racial dimension and the potential to amplify racial tensions.

Above all, the pandemic has revealed that the United States is reaching a systemic breaking point. Amid the chaos, it increasingly seems that the country might be on the road to a violent political reckoning. In their timely examinations of this dysfunction, Klein and Lind offer important tools to navigate its fault lines in the period of soul-searching to come. 🌐

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# After Capital

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## A Radical Agenda to Tame Inequality

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Arvind Subramanian

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*Capital and Ideology*

BY THOMAS PIKETTY.

TRANSLATED BY ARTHUR

GOLDHAMMER. Belknap Press, 2020, 1,104 pp.

As the coronavirus pandemic ravages the globe and exposes dysfunction in Western capitalist democracies, intellectuals are intoning in near unison: “Government is back. The Reagan-Thatcher revolution is dead. Capitalism as we know it is passé.” And particularly exposed is the once preeminent United States. It is paying a high price for having become, as the novelist Martin Amis once wrote, “land of the profit-making casualty ward, home of the taxi-metered ambulance.”

Yet trendy as it is to skewer the profit motive, capitalism is not lacking for saviors, who come in different guises, hawking particular cures. Some want to adjust incomes after the market’s verdict (redistributors); others want to influence market outcomes (predistributors). There are those who want to raise minimum wages and change antimonopoly laws, or

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to reform corporate governance and socialize medicine. And then there is the French economist Thomas Piketty, who wants to overhaul capitalism beyond the point of recognition by abolishing permanent private property altogether.

*Capital and Ideology* is an expansive sequel to Piketty’s best-selling *Capital in the Twenty-first Century*. Any author who is willing to follow up an 800-page book with an equally dense and significantly longer one must either be extremely self-confident or possess extraordinary faith in the stamina of his readers. And then there is the sheer brazenness of the U-turn Piketty takes in the new book. The earlier book was premised on the idea that an iron law of capitalism, captured in the expression  $r > g$ —meaning that the returns on capital would exceed overall economic growth—has doomed societies to ever-greater degrees of inequality. Essentially,  $r$  captures the income made by capitalists, and  $g$ , that made by society as a whole; if the expression holds, inequality will rise in favor of the former group.

The new book reverses course, dustbinning destiny in favor of agency and choice. Societies, it argues, are not helpless victims of exogenous forces; they get the inequality they choose. Politics, not technology—which determines the return on capital—is the real culprit. The sequel never even refers to the immutable law of capitalism that was the core argument of its predecessor. Economists and theorists continue to debate whether  $r$  is greater than, less than, or equal to  $g$ . But Piketty couldn’t be bothered. He has moved on.

Still, *Capital and Ideology* is a magisterial history of economic development as seen through the prism of inequality.



It is breathtaking in its scholarship and sweep (almost no corner of the globe is left unvisited) and incandescent in its insights, which emerge from the data that Piketty and his collaborators have spent decades collecting.

### THE LIMITS OF REVOLUTION

Piketty raises a fundamental question: Why have all the revolutions and upheavals of history, which were intended to overthrow an unfair social order, ended up changing so little for those at the bottom of the pyramid? Inequality in France on the eve of World War I was much greater than it was before the French Revolution: in Paris, for example, the share of total private property of the top one percent was about ten percentage points greater in 1910 than in 1780. Whatever may have happened to *liberté* and *fraternité*, it is clear that *égalité* ended up serving more as a rousing call to arms than as a realized outcome.

Piketty explains this puzzle through historical examples drawn from the aftermath of upheavals in Brazil, France, Haiti, India, the United Kingdom, and the United States. In all those cases, societies were keen to compensate owners of property—land, capital, and slaves—but never the peasants or the slaves themselves. In his discussion of reparations after the Haitian Revolution, Piketty quotes the nineteenth-century French poet Alphonse de Lamartine, an abolitionist, who wrote that it was absolutely necessary to grant “an indemnity to the colonists for their legally owned property in slaves, which is to be confiscated. . . . Only revolutions confiscate without compensation. Legislators do not act that way; they

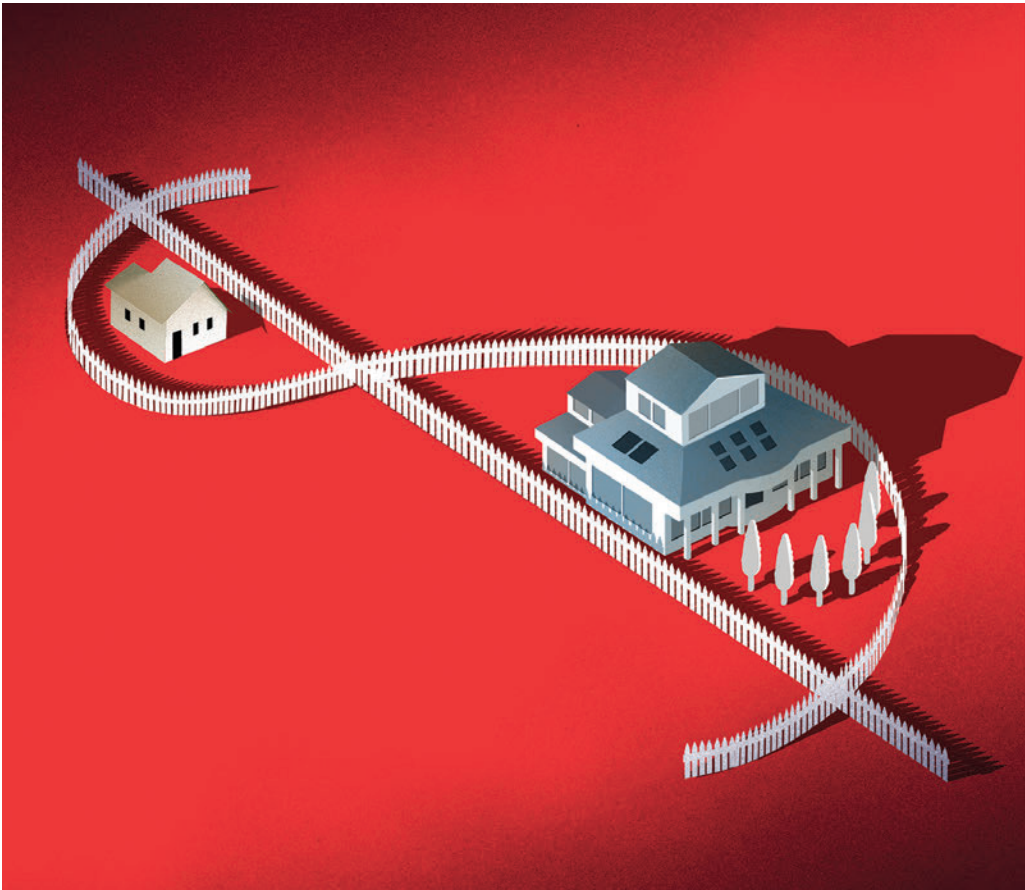
change, they transform, but they never ruin. They always respect acquired rights, no matter what their origin.”

The impulse Piketty describes stems from the sacralization of property. Those in power, even if they had gotten there by means of a revolutionary overthrow of the previous political order, feared that if property rights were seriously violated, the economic and social order would collapse. And so the contest between justice and property rights was never really a contest: around the mid-1800s, the British preferred to pay wealthy slaveholders in the Caribbean about five percent of the United Kingdom’s GDP to compensate for the abolition of slavery rather than direct that money to education and public health to improve the circumstances of the poor in the United Kingdom itself.

*Capital and Ideology* presents some striking new facts about economic history, too. For example, for most of its pre-1400 history, the Chinese state is generally understood to have been strong. But Piketty shows that in terms of fiscal capacity, successive dynasties (the Ming and the Qing, specifically) levied taxes that were a fraction of what their counterparts in western Europe were able to extract, which helps explain China’s vulnerability to the depredations of British imperialism beginning in the early 1800s.

### PIKETTY AND PATEK PHILIPPE

The most daring parts of the book relate to Piketty’s prescriptions, especially his proposal to abolish permanent private property. Piketty, along with his collaborators Emmanuel Saez and Gabriel Zucman, has blueprinted arguably the most imaginative and radical alternative



to traditional capitalism. Every citizen, on reaching the age of 25, would get a capital endowment that was roughly 60 percent of the average wealth in society. This would be financed by progressive taxes on wealth, income, and inheritance. The young could start life with a sense of new possibilities, “such as purchasing a house or starting a business.” Capital would circulate because excessive accumulation would be taxed by the state both during a person’s life and at death via inheritance taxes.

One might call Piketty’s concept “Patek Philippe custodialism,” after the luxury watch company’s famous catch phrase: “You never actually own a Patek Philippe. You merely look after it for

the next generation.” That is Piketty’s goal for capital—with the crucial difference that the transfer of wealth would happen not within a family but between citizens and the state.

Interestingly, Piketty’s aversion to private property comes with absolutely no wistfulness about the Soviet or the Chinese communist model. In fact, he attributes the rise of the Reagan-Thatcher revolution in part to the Soviet Union’s economic failure. And for all of China’s economic miracles, its undemocratic, nontransparent, repressive approach is not to his taste, either.

Piketty joins a chorus of left-wing thinkers who decry “billionairism”—the most egregious manifestation of private

property—as a social pathology, an immoral blight that should never be allowed to come into being. Their policy proposals, including the imposition of wealth taxes, are as much about eliminating that blight as about tempering capitalism. That might be why Piketty neglects what economists call “size-of-the-pie effects”: Wouldn’t the vast redistribution he advocates be so damaging to incentives, entrepreneurship, and capital accumulation that it would leave little pie left to redistribute?

Piketty’s inattention to that problem comes across as deliberate and almost disdainful. One suspects that he wants to rectify an imbalance. He devotes more energy to critiquing the neoliberal purveyors of the Third Way—Presidents François Mitterrand and Emmanuel Macron in his own country; British Prime Minister Tony Blair and U.S. Presidents Bill Clinton and Barack Obama in the Anglo-American world—and their intellectual enablers. These leaders and thinkers, Piketty claims, were so enamored with markets and incentives that they pied-pipered the developed world into its current predicament. His epithet for Macron is revealing: “an inegalitarian internationalist.”

Still, there is no question that Piketty’s proposals are impractical. Most societies would balk at the level and progressivity of the taxes—reaching up to 90 percent—that Piketty and his colleagues propose. On the other hand, Piketty’s main goal is to confront complacent centrism; he is outlining a vision and calling for experimentation in helping achieve it. And the U.S. presidential campaigns of Senator Bernie Sanders, Democrat of Vermont, and Senator Elizabeth Warren, Democrat of Massa-

chusetts, serve as reminders that important elements of Piketty’s vision are not as far from political realization as his critics might claim.

### **THE RACE QUESTION**

One area in which Piketty parts ways with others on the contemporary left is in his thinking about the role that race and identity play in the politics of inequality. Less educated and less well-off white Americans were once an important part of the Democratic Party’s base in the United States. When trying to understand why so many of them now act against their own economic self-interest by voting for Republicans who do things that either don’t help them (cutting taxes for the rich) or actively hurt them (reducing the welfare state), many left-leaning thinkers point to racism as a driving force, arguing that polarization around identities, especially race, drives voting behavior. Piketty concedes that racism may well be a strong pull factor in explaining these voters’ rightward shift, but he argues that there was also a push factor: center-left parties betrayed them by doing little to arrest the problems that have afflicted them for nearly four decades now, such as wage stagnation.

Race has always divided the United States, he notes, and accounting for this political shift requires explaining change—something that a constant factor cannot do. As he sees it, the change that occurred was in the fortunes of the white working class, whose lives have been buffeted by technological advances and globalization but who have received little help from their political leaders. Piketty implies that these people did not leave the Democratic Party; the party deserted

them. “To summarize: the Democratic Party, like the parties of the electoral left in France, changed its priorities. Improving the lot of the disadvantaged ceased to be its main focus,” he writes. The Democratic Party has increasingly become a party serving what he calls “the Brahmin left”—the more highly educated, aspirant class.

He also notes that the flight of working-class voters from center-left parties is not solely an American phenomenon. It also occurred in western Europe, where ethnic identity is arguably less salient. “It would be a mistake,” he argues, “to reduce everything to the race factor, which cannot explain why we find an almost identical reversal of the educational cleavage on both sides of the Atlantic.”

Piketty’s discussion of caste in India is instructive. His surprising finding is that since 1950, India has done somewhat better on caste inequality than either the United States or South Africa, even postapartheid, has on racial inequality. The ratio of lower-caste to upper-caste incomes is higher in India than the ratio of black people’s incomes to white people’s incomes in the two other countries, and India has posted stronger improvements over time, as well.

That achievement elicits a positive assessment from Piketty of India’s attempt to redress caste inequality via affirmative action or “reservations”: a euphemism for strict, constitutionally enshrined quotas for certain castes in public-sector jobs, government, and educational institutions. At the country’s independence, such quotas were set at about 22.5 percent for “scheduled castes” (the so-called Untouchables) and “scheduled tribes” (indigenous communities). Over time, they have been

extended to different social groups, such as “Other Backward Classes,” and they now reach as high as 60 percent in some sectors. Among Indians, especially those from upper castes, such reservations have become increasingly controversial as their reach has expanded. But Piketty has a nuanced assessment, hinting at the system’s possible inspiration for other countries seeking to reduce inequality: “Taking the full measure of the successes and limitations of the Indian experience (of reservations) will be useful in thinking about how one might do more to overcome long-standing social and status inequalities in India and around the world.”

#### **THE GOOD NEWS**

The more serious flaw is that despite its admirable attempt to discuss the world and not just the West, the book in one sense distorts history. A reader could come away from Piketty’s book thinking that the post-1980 period constitutes a dark age that witnessed the reversal of a decades-long trend toward economic equality. But for the average citizens of China, India, and dozens of other countries, this has been a golden age, when standards of living soared rapidly, reversing a 200-year history of stagnant growth, persistent deprivation, and poverty for the vast majority. Where Piketty laments, nearly half of humanity would rejoice.

If Piketty had a more international, cosmopolitan perspective, he would have a more upbeat story to tell. Inequality may be increasing within countries, but it has sharply declined globally, as the economist Branko Milanovic has shown. By focusing on relative performance, it is easy to miss big improve-

ments in absolute performance; emphasizing inequality within countries, especially rich ones, leads Piketty to a grimmer global picture.

There is also a tricky normative issue. The rising fortunes of people outside the West are the result of some of the very factors that have led to the soaring inequality in advanced countries. Countries such as Singapore and South Korea, then later China and India, and more recently Bangladesh and Vietnam have advanced rapidly because open global markets have allowed them to export their way to prosperity. This puts liberal Western economists in a bind. If globalization sometimes takes a job from a white man without a college degree in Lille or Pittsburgh and gives it to his more educated counterpart in Bangalore or Hanoi, then whom should liberals stand for—or, rather, whom should they stand up for? Piketty does not confront such uncomfortable questions.

*Capital and Ideology* can be methodologically shaky, too. Although Piketty rejects the idea of historical inevitability, his arguments for societal agency and choice are weak. They mostly consist of glib assertions that things could have been otherwise, as if the mere possibility of counterfactual histories is evidence for agency. If the depressingly consistent historical pattern is one of rising inequality and a lack of serious redistribution, it is difficult to digest the claim that societies could have made different choices. If that were true, then why didn't they?

Despite these flaws, the book's grand encapsulation of the history of inequality and its daring prescriptions make it a dazzling addition to the list of major works of economic history and development. And as economists take ever-narrower

approaches to development—fretting to prove incontrovertibly that in one place, at one point in time, one policy intervention can work—one has to admire Piketty for defying the dominant trend. In the great tradition of the *Annales* school of history, he casts his discerning gaze on history's sweep, not just to understand the world but also to transform it. 🌍



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# This Land Is Not Your Land

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## The Ethnic Cleansing of Native Americans

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David Treuer

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*Unworthy Republic: The Dispossession of Native Americans and the Road to Indian Territory*

BY CLAUDIO SAUNT. Norton, 2020, 416 pp.

In his first annual message to the U.S. Congress, in 1829, U.S. President Andrew Jackson—a slave-owning real estate speculator already famous for burning down Creek settlements and hounding the survivors of the Creek War of 1813–14—called for the “voluntary” migration of Native Americans to lands west of the Mississippi River. Six months later, in the spring of 1830, he signed the Indian Removal Act into law. This measure gave the president the authority to negotiate with Native American tribes for their fertile lands. The statute set off waves of litigation, mineral prospecting, and land speculation—not to mention waves of violence committed by nonnative settlers against Native Americans.

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As the historian Claudio Saunt shows in his new book, *Unworthy Republic*, U.S. administrators and politicians gradually turned the voluntary removal into compulsory expulsion using a mix of legal and extralegal measures. State and federal militias hunted, killed, and often scalped Native Americans. Squatters and opportunists moved onto Native American lands both before and after tribes officially relocated. And the government gave banks and other lenders the power to force Native Americans into punitive sales and forfeitures, rendering tens of thousands of Native Americans homeless in their own lands. Thousands of Cherokees, Chickasaws, Choctaws, Creeks, Delawares, Hurons, Potawatomis, Sauks, Seminoles, and Senecas died in the process of removal. The myriad relocations and displacements are now commonly referred to by a single name: the Trail of Tears.

By the end of this decadelong process, the federal government had spent \$75 million to eject Native Americans from the eastern United States. That is the equivalent of over \$1 trillion today, or \$12.5 million for each Native American removed. In 1836, 40 percent of every dollar the U.S. federal government spent went toward enforcing the Indian Removal Act. In 2019, by contrast, only 17 percent of the federal budget went to national security and defense.

But the economic returns on this massive project of ethnic cleansing and displacement were also considerable. In the 1830s—the decade of removal—the federal government made nearly \$80 million selling Native American lands to private citizens, around \$5 million more than it spent. And in the 1840s, those

lands produced 160 million pounds of ginned cotton, 16 percent of the national crop. The real winners, then, were southern slaveholding landowners and their investors in New York.

Today, migration—both forced and voluntary—looms large once again. And the lessons from this nineteenth-century history have a renewed relevance. The Office of the UN High Commissioner for Refugees has estimated that in 2018, there were 70.8 million displaced people worldwide. The UN has similarly noted that around 272 million—a full 3.5 percent of the world population—are migrants. Many of their lives and stories parallel those of the Native Americans who lived through the Trail of Tears.

### ILL FARES THE LAND

At the dawn of the nineteenth century, life for the roughly 100,000 Native Americans living east of the Mississippi was pretty good. It in no way resembled the savagery that European American settlers imagined. None of the scores of tribes in the eastern third of the country was made up of nomadic hunter-gatherers: they hadn't been for hundreds of years. Nearly all lived in settled villages; they farmed and gathered edibles in the woods and shellfish along the coast. The Cherokees had developed a syllabary and published their own newspaper. They had also begun to create their own form of representational democracy. Other tribes, such as the Chickasaws and the Choctaws, had adopted Christianity, built schools, and even selectively embraced slave ownership.

But no matter how many European American practices Native Americans

adopted, settlers remained suspicious of them and their ways of life. Isaac McCoy—a preacher who evangelized among the Miami, Odawa, and Potawatomi tribes of the Great Lakes—believed that “the Indian problem” was one of proximity. McCoy concluded that, on the whole, Native Americans were hard to save. “How grossly mistaken are those writers who would have the world believe that the Indians are quite a virtuous people,” he complained. This was even truer for the Native Americans who were constantly exposed to the derelict fringe of American society on the frontier. “The great mass,” he wrote, “have become more and more corrupt in morals, have sunk deeper and deeper in wretchedness, and have dwindled down to insignificance or to nothing.”

McCoy imagined an “asylum” to the west. He shared this idea with Lewis Cass, governor of the Michigan Territory. And Cass brought the notion with him to Washington when he became Jackson's secretary of war. Of course, the idea that there was an “Indian problem” was already widespread. Previous presidents and state governors had tried to solve it in myriad ways. George Washington, for instance, burned so many Native American villages in the Northeast that it earned him the Seneca name “Town Destroyer.” And Thomas Jefferson proposed luring Native Americans into debt and obligating them to sell their lands in lieu of payment. But never before had the country's chief executive so explicitly endorsed segregationist removal policies on this scale.

Power brokers and land speculators on the eastern seaboard knew that the best weapon they had to gain access to tribal lands was the states themselves,



*“Voluntary departure”: a print of Jackson at the Battle of Tallushatchee, 1813*

which felt that they could pass whatever legislation they wanted and subject everyone within their borders, including Native Americans, to their own laws. In 1832, the Supreme Court ruled that the individual states had no authority in Native American affairs. But Jackson felt strongly that the federal government should stay out of tribal matters. The drama of states’ rights versus the federal government was staged at the expense of the Native American nations.

The Indian Removal Act provided for an exchange of lands and fair compensation. What is more, the statute explicitly stated that its provisions should not be construed in a way that violated any existing treaties with Native American groups. But the act was vague. How would compensation work? Who exactly would be compensated, and how? How would land in the

West be chosen? And how would the Native American migrants get there? In the end, the results were neither fair nor in accordance with existing treaties. State representatives and assorted business interests immediately seized on the law’s ambiguity, formulating a disjointed and confusing array of methods that were, in Jackson’s words, “calculated to induce . . . a voluntary departure.” Saunt notes that “the phrase perfectly captured the bad faith that underlay the policy.”

In the meantime, the federal government assigned clerks to deal with the day-to-day logistics of the removal, appointed commissioners to negotiate land cessions, and mobilized thousands of soldiers to make the deportations a reality on the ground. Jackson even invited his friend General George Gibson to oversee the operation.



Some Native American tribes did leave voluntarily; many of them, however, were transported by private contractors who kept the cost of moving people as low as possible by denying them any medical care and by forcing the old and infirm to march on foot, resulting in untold suffering and death. Other Native Americans stayed despite orders to leave. In time, voluntary deportation became compulsory. Many Native Americans in the East were persecuted and killed as individuals. Consider, for instance, a nineteen-year-old Creek man who was captured by slave hunters. When they realized that the youth wasn't an escaped slave, and thus had no value, they shot him and scalped him. Still others were hunted as groups. The Seminoles effectively fought off the U.S. government for years, suffering thousands of casualties in the course of the Second Seminole War.

The Seminoles ultimately remained in their ancestral lands in central Florida. But they were the exception rather than the rule. By 1830, roughly 20,000 Native Americans remained in the eastern third of the continental United States. Many of them were engulfed by settlers and forced to live on mountainous and agriculturally unproductive land, separated from their kinfolk who had migrated, with their cultural and political systems in a shambles. Those who left were rarely better off. The land set aside for Native American settlement in what is now Oklahoma lacked water for irrigation; the terrain was rocky, and the soil thin. What is more, the boundaries were unclear and often overlapped. Many Native American people who ventured to the territory in advance of settle-

ment noted that it was completely unsuitable for agriculture. The government, however, persisted in referring to it as "fine country."

Meanwhile, landowners in Alabama, Georgia, Kentucky, Mississippi, and North and South Carolina quickly expanded the plantation system—and, by extension, chattel slavery—onto Native American lands. Saunt does an incredible job of linking northern financiers to southern slave owners and both to the process of Indian removal. Over the course of the 1830s, Saunt notes, "the enslaved population in Alabama more than doubled to 253,000. By the end of the decade, nearly one out of four slaves worked on land that only a few years earlier had belonged to the Creeks." This was largely financed by northern bankers—such as Joseph Beers, the president of the North American Trust and Banking Company—who skimmed handsome profits off the cotton planted, picked, and processed by the enslaved.

### A CAUTIONARY TALE

*Unworthy Republic* is a study in power. It describes, in detail, the coming together of money, rhetoric, political ambition, and white-supremacist idealism. Saunt shows his readers the cost of a racial caste system in the United States. The immoral and illegal ethnic cleansing of the eastern third of the country via Native American removal was not merely a historical crime in its own right; it also abetted another such crime, by solidifying and extending slavery and its attendant racial hierarchy, which would only be partially overturned in the 1860s, with the end of the American Civil War.

Despite the magnitude of the social and political forces involved, however, Native American removal was in no way necessary or inevitable. It didn't just happen: a thousand small decisions and a few big ones made it so. At the heart of this process was the nation's first populist president, Jackson. "Old Hickory," as he was known, first made his name as a military commander in the Indian Wars, but his private fortune came from real estate speculation. He premised his worldview—one of limited federal control and vocal support for "the common man"—on his status as a political outsider and his personal experience as a landowner.

The parallels with the present are eerie. Contemporary Americans, much like their counterparts in the 1830s, have a president who is a real estate developer of dubious character—a man for whom the rhetoric of success hides a disregard for the most vulnerable and for whom corporate profit is more important than the public good.

U.S. President Donald Trump openly admires Jackson. Before an audience at Jackson's estate in Tennessee, Trump noted that Jackson "confronted and defied an arrogant elite" and asked, "Does that sound familiar to you? I wonder why they keep talking about Trump and Jackson, Jackson and Trump." In 2017, he selected a portrait of Jackson to hang just behind his desk in the Oval Office. More important, Trump echoes the ethnonationalist xenophobia that drove Native American removal. Last year, for instance, he wrote a series of posts on Twitter warning that the "bad 'hom-bres'" from Mexico and Central America "will be removed from our Country . . . as we build up our removal forces."

Saunt's book thus serves as a cautionary tale in the modern age of mass migration. The complicated process of Indian removal reminds readers that consent and willful action are shaped by economics, policy, and the culture of rule. Ultimately, the story of the Trail of Tears is not a happy one. But it would be false to assume that the government won. It did not. Native people persisted despite the odds. They rebuilt their tribes and their lives, their farms and their schools, their families and their traditions. That, after all, is the American way. 🌐



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# The Case for Climate Pragmatism

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## Saving the Earth Requires Realism, Not Revolution

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*Hal Harvey*

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*The Uninhabitable Earth: Life After  
Warming*

BY DAVID WALLACE-WELLS. Tim  
Duggan Books, 2019, 384 pp.

*Falter: Has the Human Game Begun to  
Play Itself Out?*

BY BILL MCKIBBEN. Henry Holt,  
2019, 304 pp.

*The Green New Deal: Why the Fossil Fuel  
Civilization Will Collapse by 2028, and the  
Bold Economic Plan to Save Life on Earth*

BY JEREMY RIFKIN. St. Martin's  
Press, 2019, 256 pp.

**C**limate change is often described as a “wicked problem,” meaning that it resists easy definition and defies conventional solutions. It transcends political boundaries and cannot be solved by a single country, but international governance is a weak substitute. It is a collective-action problem that demands a collective solution, but it has instead led to a great deal of finger-

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pointing. Its effects—rising seas, intense storms, desertification, and so on—are felt most acutely in developing countries, far away from the industrialized nations that are most responsible for the problem. And government attempts to address such negative externalities (as economists call these nonmonetized costs for third parties) by forcing producers to shoulder the burden caused by their carbon emissions have fallen flat. In short, humanity uses the atmosphere as a free dumping ground for pollutants, and deeply vested interests resist changing that.

Climate change also confounds customary human timescales. The worst effects of today’s emissions won’t be felt for generations, which makes morally unsustainable behavior easier to rationalize. And the harm done by humans induces natural systems to compound their sins: the rising temperatures are melting the Arctic’s permafrost, which in turn unleashes further monstrous quantities of carbon and methane into the atmosphere, speeding warming. Meanwhile, thanks to the loss of ice in the Arctic Ocean, that once shiny ice mirror, which used to bounce solar energy back into space, is now transforming into a dark heat absorber, itself leading to rising temperatures. Rampaging fires in Australia—driven in large part by higher temperatures and droughts—have taken forests that absorbed carbon dioxide for hundreds of years and converted them into huge sources of it.

Because the global community has dawdled in decarbonizing its energy systems, it has spent most of the “carbon budget”—the quota of carbon emissions, for all of civilization over all time, that must not be exceeded if warming

is to be kept below a certain temperature target. Carbon stays in the atmosphere for millennia, so once emissions hit the budget for, say, 1.5 degrees Celsius warming (the goal set by the 2015 Paris climate agreement), there is no reversing the damage. All that can be hoped for is the prevention of further harm.

### A BLEAK PICTURE

This is the grim portrait that emerges from catastrophist writing about climate change, a genre that has exploded in recent years and that is perhaps best exemplified by *The Uninhabitable Earth*, by David Wallace-Wells, and *Falter*, by Bill McKibben. Wallace-Wells is a columnist and editor at *New York* magazine, and he has a knack for translating scientific literature into examples that are a hit in the gut. Wallace-Wells pulls no punches: “Most people talk as if Miami and Bangladesh still have a chance of surviving; most of the scientists I spoke with assume we’ll lose them within the century,” he writes.

It is easy to quibble with Wallace-Wells’s book. The projections he notes—200 million climate refugees by 2050, for example—are often at the extreme end of what the science suggests. But the big picture is right: human civilization is heading toward mind-bending devastation, at incredible speed. Wallace-Wells pulls this out of the scientific literature and makes it crystal clear.

Wallace-Wells is in some ways walking in McKibben’s footsteps. McKibben has been issuing dire warnings about climate change for decades. Once a lonely voice, he now leads a chorus. McKibben also presents a series of worst-case scenarios based on scientific

projections: the death of all ocean life by 2100; a 21 percent drop in human cognitive abilities, also by 2100.

McKibben’s book takes aim at a familiar cast of climate villains. He argues that U.S. presidents have failed on climate change, including Barack Obama, who “zigged and zagged” on climate goals and increased the country’s reliance on natural gas. He excoriates Exxon, whose executives knew about the threat from climate change but suppressed the facts and later lied about them, according to journalists at InsideClimate News and the *Los Angeles Times*. Less familiar targets include Silicon Valley tycoons, who McKibben says are skeptical of democracy and promote technological hubris, and genetic engineering, which exacerbates inequality, according to McKibben.

McKibben is a great writer, and his charges, although a bit hyperbolic, are generally sound. But it turns out that those complaints are mostly throat clearing, as McKibben readies himself to take aim at his biggest (but also least specific) target: neoliberalism. In McKibben’s view, neoliberal deregulatory policies have led to perverse concentrations of wealth and have delegitimized the state, leaving people without the tools to take on big, common problems such as climate change. The answer, he says, is in community organizing and nonviolent demonstrations of the kind that he advocates through 350.org, a global environmental group that he helped found in 2007.

Mobilizing people will no doubt help build communities and influence public debate, but it can’t lead to major change on its own: no matter how morally and ethically appealing McKibben’s agenda may be, one cannot draw a straight line

from protests and boycotts to mothballed coal plants or superefficient vehicles. McKibben offers strong moral instruction, sharp writing, and a trenchant critique of neoliberalism. But he doesn't put forward a politically viable strategy to convert mobilization into legislative and regulatory change.

One might hope that such a strategy would form the core of a "Green New Deal," a label that has been applied to a wide range of proposals in the past two years. Unfortunately, whereas climate's Paul Reveres lean on worst-case scenarios, the activists pushing for a Green New Deal often traffic in unfounded optimism. Among these is Jeremy Rifkin, an environmental activist and social theorist. In *The Green New Deal*, Rifkin tries to unpack and flesh out the ubiquitous but vague phrase that lends the book its title. To Rifkin, "the smart green infrastructure shift into a zero-carbon Third Industrial Revolution economy . . . is the very centerpiece of a Green New Deal."

Rifkin argues that a huge amount of fossil fuel infrastructure—coal mines, oil wells, pipelines—will be "stranded" by a coming revolution in clean energy. He's not wrong, but he is positively Panglossian about when and how that will happen. In Rifkin's view, everything will be transformed by the Internet of Things, which will converge digitized sectors of the green economy and stimulate "the next Industrial Revolution." An example of those future changes, Rifkin argues, is that car-sharing services will eliminate 80 percent of the world's cars, and the remaining 20 percent will be fully autonomous and powered by clean energy. Using extrapolation to assume every nascent technology will peg the needle on its perfor-

mance meter and then calling that the future seems naive. The world is complex, and such techno-optimism ignores some basic limitations of human life.

People need food, places to sleep, and clothes to wear. They like to buy things and travel, and providing all this is the source of most carbon emissions. And unlike the technologies that Rifkin celebrates, those kinds of basic goods don't develop according to Moore's law, which (broadly interpreted) observes that computing performance tends to double every two years. Simply put, contemporary human life requires massive amounts of energy. It will take time and major infusions of money, labor, and materials to replace the dirty energy sources humans use now with cleaner ones.

Rifkin acknowledges the role of highways, buildings, farms, bridges, cars, and so forth and properly notes that these are prime candidates for rebuilding, for both economic and climate reasons. But he dispenses with them briefly, without explaining how that kind of investment might become politically viable, and the book as a whole fails in its intent of laying out a realistic green strategy.

### THE VIRTUES OF PRAGMATISM

A good climate strategy requires a detailed understanding of both means and ends. When it comes to combating climate change, mobilization alone isn't a strategy, and neither is an "all of the above" approach to technological development.

There is no alternative, in the end, to examining the huge physical systems that emit carbon and going after them, targeting big and fast solutions first—for climate change is a numbers game. The world each year emits over 50



*The gathering storm: at a house damaged by Hurricane Maria in Puerto Rico, October 2017*

billion metric tons of carbon dioxide equivalent—a measure that encompasses carbon dioxide, the most prominent greenhouse gas, and also other greenhouse gases that drive global warming, such as methane. To avoid the worst-case scenarios presented by Wallace-Wells and McKibben, that figure must fall close to zero by midcentury.

About 75 to 80 percent of carbon dioxide equivalent comes from the fossil fuels burned in just 20 countries

by four major sources: power plants, vehicles, buildings, and factories. Viewed this way, although climate change is a global problem, it is primarily rooted in a relatively narrow band: four economic sectors—electric power, transportation, construction, and manufacturing—in 20 countries. Now consider that those sectors have a finite number of decision-makers: the executives who run oil companies, utilities, automakers, major construction firms,



and big manufacturing companies and, emphatically, the government regulators who oversee them.

Ultimately, those are the people who can make real change—yet they are often ignored by climate activists. Buildings emit nearly a third of U.S. carbon dioxide, and a great building code can cut energy use in new construction by 80 percent. In the United States, an organization called the International Code Council develops building standards. More than 100,000 city and state officials are eligible to vote on proposed changes, but only around 1,000 do so. An important code improvement that would have made new buildings more efficient was recently narrowly defeated, more by apathy than anything else, condemning a generation of buildings to unnecessary energy waste. This represents a failure in climate strategy: the issue went unnoticed but will burden the world with many decades of unnecessary emissions.

Meanwhile, thousands were protesting the Keystone pipeline, which was far less important. While activists were protesting that pipeline—which, built or not, would have little or no impact on oil consumption—they were missing at the forum that sets building standards across the United States. It turns out that the targets of much climate activism are not the decision-makers: the United Nations does not regulate power plants, shareholders do not set fuel-efficiency standards, and the U.S. Congress does not set building energy codes.

It is true that even social movements with fuzzy aims can sometimes make a difference. But if the most motivated

citizens and experts are absent at the important but often obscure forums where substantive climate-related decisions are made, that is a big problem.

After correctly identifying the genuine decision-makers in each sector, the next step is to figure out how they operate and how to apply pressure on them. What is their statutory power? How did they get their jobs? What are the boundaries of their power? What processes guide their decisions? Who has influence over them? These are elementary questions that one needs to answer in order to make a difference on any policy issue. They are, in fact, the map to a serious solution.

#### **A REALISTIC STRATEGY**

In all four critical sectors—electric power, transportation, construction, and manufacturing—the most realistic goal is to change policy in a way that diverts existing energy cash flows from fossil fuels to clean energy sources. This is generally easier than creating new sums of money by raising taxes or engaging in deficit spending—so don't count dollars; count carbon. For example, a policymaker can require that every year energy companies increase the fraction of electricity they produce from renewable energy sources, so that the revenues from consumers' monthly utility bills go, increasingly, away from coal and to wind and solar power. Thirty states have adopted these measures; most of them need more aggressive targets, and the laggards need to get onboard. This is climate policy at scale.

Indeed, of the four important sectors, electric power is the easiest to deal with, because it is now cheaper to build wind and solar power plants from



scratch than it is to fuel and maintain most existing coal power plants. Nuclear power could play a big role, but right now its costs are significantly higher than the price of fossil fuels, and so new technologies would need to be developed to bring those costs down.

It is worth noting that market forces alone won't create incentives for utility companies to green their operations, because utilities are physical monopolies—there is only one set of wires to any given house—and their expenditures and power choices are regulated by public commissions. Utilities are dependent on the decisions of regulators—who could require them, for example, to cut their use of carbon-emitting sources in half by 2030 and to totally decarbonize by 2045. Dozens of states and countries have adopted variants of this approach, because it works. The decision-makers in this case are state governors, state legislatures, and utility regulatory commissions. They can choose to remake the grid so that it is free of climate-warming emissions—and today there are favorable economic and technological conditions for that choice. Accelerating this action would be a great choice for climate policy and citizen activism.

In the transportation sector, the best bet would be for auto regulators to set a very high fuel-efficiency standard for passenger vehicles, light trucks, and SUVs and then offer car manufacturers “supercredits” for each electric vehicle they sell—meaning, for example, that if they want to sell an SUV that does not meet the standard, they must also sell an electric vehicle. The utility and transportation strategies would work in tandem, as an electric vehicle powered

by a zero-carbon grid would be a zero-carbon car. What is the pressure point? Weirdly, U.S. regulatory authority for the fuel consumption of vehicles is handled by the National Highway Traffic Safety Administration, whereas the regulation of tailpipe carbon dioxide emissions is delegated to the Environmental Protection Agency. The carbon dioxide that gets emitted is driven by the amount of fuel burned, so this amounts to double, but inconsistent, regulation. The consequence is that political or legal pressure must be applied to both.

In the absence of federal standards, a dozen states have banded together to get the job done, which is suboptimal, but they have enough market share to bend the curve toward cleaner vehicles. These commitments, too, need more citizen support, and governors who work to reduce auto pollution deserve applause.

Compared with power grids and motor vehicles, new buildings are easy to make superefficient. The key is to update building codes to include energy-efficiency requirements. Such codes already demand structural soundness, wiring safety, earthquake readiness, and fireproofing, so why not take care of the global commons by also including tight energy standards? The physical task is not hard: good insulation, great windows, superefficient appliances, and advanced heating and cooling. It all pays for itself in reduced energy costs, but those rational economics are stymied by the fact that those who design and build buildings never pay the utility bill. So a public standard—a building code—is required.

Building codes are typically a state's jurisdiction—although they are sometimes set by counties or cities. Most

states adopt an international standard, which, as described above, gets ironed out by technocrats and experts in obscure forums. Today, astonishingly, the devising of a new code takes close to a decade—so most codes are behind in new technology—and adoption is spotty: a few states exceed the reference standard, but most lag badly in adopting it, and some have no thermal code at all, to account for the cooling and heating energy needs of buildings. These policy decisions are almost wholly ignored by climate activists.

The most difficult to transform of the four sectors is manufacturing. Industrial facilities are complex and vary widely, so there is no one-size-fits-all strategy. The best approach would combine three elements. First, for complex, heterogeneous, price-sensitive sectors such as industry, a carbon tax is a fine policy. But taxes are unpopular, so many jurisdictions have substituted a carbon cap, with permits auctioned off or handed out for free. This is a good way to set a price on carbon. Carbon taxes and caps are generally the business of national legislatures, but in the laboratory of democracy that is the United States, the states, again, have taken the lead. Nine states in the Northeast have joined forces to cap electricity emissions, and California has a comprehensive cap. Both systems' permits are trading at a low price, indicating that carbon reductions are cheaper than predicted—so regulators should tighten the caps, and achieve more reductions. The decision-makers to target to get more taxes or caps are European governments, both in key countries and in Brussels, along with U.S. states that take climate change seriously.

Beyond pricing carbon, to deal with industrial emissions, the world needs much more generous R & D budgets. In the United States, less public money is spent on clean energy research and development than Americans spend on potato chips. The United States has the world's best national labs and research universities, but they are underused. Any number of nonpartisan studies, by the likes of the National Academy of Sciences and the independent American Energy Innovation Council, have called for tripling clean energy R & D, from roughly \$2.5 billion to \$7.5 billion. This is a modest number in light of the potential. There is little political resistance to this idea but, sadly, only modest support; it is considered a secondary issue. University presidents and national lab directors, working together to influence their respective senators and representatives, could get this done.

Finally, governments at all levels should adopt “buy clean” policies, committing themselves to purchase their cement, steel, glass, and other materials only from suppliers whose emissions put them in the top quartile of their respective industries in terms of environmental performance. California has started doing this, and producers have noticed.

This kind of targeted, realistic strategy, which focuses on the most consequential decisions and is backed by a deep understanding of who makes the key choices, might not be as exciting as calls for revolutionary change. But it would work. 🌍

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# The Retrenchment Syndrome

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A Response to “Come Home, America?”

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*H. R. McMaster*

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**I**n the decades after the U.S. withdrawal from Vietnam, the simplistic but widely held belief that the war had been unjustified and unwinnable gave way to “the Vietnam syndrome”—a conviction that the United States should avoid all military interventions abroad. The mantra of “no more Vietnams” dominated foreign policy, muting more concrete discussions of what should be learned from that experience. Instead, the analogy was applied indiscriminately; U.S. military operations in the Balkans, the Horn of Africa, Latin America, and the Middle East prompted assertions that the use of force would lead to “another Vietnam.” It was not until the United States won a lopsided victory over the military of Iraqi President Saddam Hussein in the 1990–91 Gulf War that President George H. W. Bush could declare that the United States had finally “kicked the Vietnam syndrome.”

Nearly three decades later, however, a new mantra of “ending endless wars” has

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emerged from frustrations over indecisive, protracted, and costly military interventions abroad. These frustrations have reproduced the Vietnam syndrome in a new guise: the Afghanistan-Iraq syndrome. Across the political spectrum, many Americans have come to believe that retrenchment would not only avoid the costs of military operations overseas but also improve U.S. security. They have found support for this belief in analyses like those that appeared in this magazine’s lead package for its March/April 2020 issue, titled “Come Home, America?”

The authors of the articles in that package offered different variations on the retrenchment theme. But what some of the articles have in common is an appeal that reflects strong emotions rather than an accurate understanding of what went wrong in the wars that followed the 9/11 terrorist attacks. Proponents of a U.S. withdrawal from its military commitments play to visceral feelings of war weariness and argue that the difficulties of those wars were the inevitable consequence of the United States’ misguided pursuit of armed domination. Some retrenchers depict U.S. foreign policy since the end of the Cold War as a fool’s errand, impelled by a naive crusade to remake the world in the United States’ image. And although advocates of retrenchment often identify as realists, they subscribe to the romantic view that restraint abroad is almost always an unmitigated good. In fact, disengagement from competitions overseas would increase dangers to the United States; the paltry savings realized would be dwarfed by the eventual cost of responding to unchecked and undeterred threats to American security, prosperity, and influence.

### **ALTERNATIVE HISTORY**

In their critiques of the post-9/11 wars, retrenchers fail to acknowledge the hidden costs of their recommendations. Although a majority of Americans now agree that the decision to invade Iraq in 2003 was a mistake, retrenchment advocates ignore the consequences of the withdrawal of U.S. forces from Iraq in 2011 and of the broader disengagement from the Middle East that accompanied it. Those steps ceded space to jihadi terrorists and Iranian proxies, thereby creating an ideal environment for the return of sectarian violence and the establishment of the self-declared caliphate of the Islamic State (or ISIS). The Obama administration made similar mistakes in Libya earlier in 2011, after pushing for a NATO air campaign that helped depose the dictator Muammar al-Qaddafi. Although it was determined to avoid the mistakes of the George W. Bush administration's war in Iraq, the Obama administration paradoxically exceeded them, failing to shape Libya's political environment in the wake of Qaddafi's demise; nearly a decade later, the Libyan civil war rages on, and the country remains a source and a transit point for millions seeking escape from turmoil in northern Africa and the Sahel.

Retrenchers ignore the fact that the risks and costs of inaction are sometimes higher than those of engagement. In August 2013, the Syrian regime used poison gas to kill more than 1,400 innocent civilians, including hundreds of children. Despite U.S. President Barack Obama's declaration in 2012 that the use of these heinous weapons to murder civilians would cross a redline, the United States did not respond with military force. U.S. inaction enabled

the regime's brutality, emboldening Syrian President Bashar al-Assad and his Iranian and Russian supporters to intensify their mass homicide. In 2017–18, U.S. President Donald Trump finally enforced the Obama administration's redline, retaliating against the use of chemical weapons by Assad with strikes against the Syrian military. But Trump's decision in 2019 to withdraw U.S. forces from eastern Syria complicated efforts to eliminate ISIS and bolstered the influence of Assad and his sponsors in an area whose control would give them a significant advantage in the war. Almost nine years since the Syrian civil war began, a humanitarian catastrophe continues in Idlib Province, which, at the end of 2019, generated over a million more refugees, many of whom succumbed to extreme cold or the novel coronavirus.

Despite evidence that U.S. disengagement can make a bad situation worse, retrenchers have pushed for a withdrawal of U.S. forces from Afghanistan. The agreement signed between the United States and the Taliban in February 2020 will allow the Taliban, al Qaeda, and various other jihadi terrorists to claim victory, recruit more young people to their cause, gain control of more territory, and inflict suffering through the imposition of draconian sharia. Just as the Syrian civil war and the rise of ISIS generated a refugee crisis that reached into Europe, the establishment of an Islamic emirate in a large portion of Afghanistan would generate another wave of refugees and further destabilize Pakistan, a nuclear-armed nation of over 220 million people. Terrorist organizations that already enjoy safe haven in the Afghan-Pakistani border region will

increase their profits from illicit activities such as the narcotics trade and apply those resources to intensify and expand their murderous campaigns. Retrenchers do not acknowledge that U.S. withdrawal often leaves a vacuum that enemies and adversaries are eager to fill.

Retrenchment advocates are relatively unconcerned about enemies gaining strength overseas because they assume that the United States' geographic blessings—including its natural resources and the vast oceans that separate it from the rest of the world—will keep Americans safe. But in today's interconnected world, threats from transnational terrorists (or viruses, for that matter) do not remain confined to particular regions. The humanitarian, security, and political consequences of the conflicts in Afghanistan, Iraq, Libya, Syria, and Yemen have reached well beyond the Middle East and South Asia. Just as China's concealment of the coronavirus forestalled actions that might have prevented a global catastrophe, the United States' withdrawal of support for its partners on the frontlines against jihadi terrorists could generate staggering costs if the terrorists succeed in penetrating U.S. borders as they did on September 11, 2001. And a reduction of U.S. support for allies and partners along the frontiers of hostile states, such as Iran and North Korea, or revisionist powers, such as China and Russia, could result in a shift in the balance of power and influence away from the United States. Retrenchment could also result in a failure to deter aggression and prevent a disastrous war.

Retrenchers also overlook the trend that the security associated with the United States' geographic advantages has been diminishing. In 1960, the historian

C. Vann Woodward observed that technologies such as the conventional aircraft, jet propulsion, the ballistic missile, and the atomic-powered submarine marked “the end of the era of free security.” Those technologies overtook “Americans so suddenly and swiftly that they have not brought themselves to face its practical implications.” Retrenchers are out of step with history and way behind the times.

### **FALSE PROPHECIES**

Even the most compelling arguments for sustained engagement overseas are unlikely to convince hardcore retrenchers, because they believe that an overly powerful United States is the principal cause of the world's problems. Their pleas for disengagement are profoundly narcissistic, as they perceive geopolitical actors only in relation to the United States. In their view, other actors—whether friends or foes—possess no aspirations and no agency, except in reaction to U.S. policies and actions. Retrenchers ignore the fact that sometimes wars choose you rather than the other way around: only after the most devastating terrorist attack in history did the United States invade Afghanistan.

In the “Come Home, America?” package, Jennifer Lind and Daryl Press argue in “Reality Check” that abandoning what they describe as Washington's pursuit of primacy would quell China and Russia while providing opportunities for cooperation on issues of climate change, terrorism, and nuclear proliferation. And in “The Price of Primacy,” Stephen Wertheim asserts that a less threatening United States could “transform globalization into a governable and sustainable force” and bring about a reduction in jihadi terrorism, a less aggressive China,



a curtailment of Russian interference, the cessation of Iran's proxy wars, the termination of North Korea's threat to U.S. and regional security and human rights, and even progress against the threat from climate change.

If these promises seem too good to be true, it's because they are. Retrenchment hard-liners are confident in such claims because they assume that the United States has preponderant control over future global security and prosperity. In reality, adversaries have the power to act based on their own aspirations and goals: American behavior did not cause jihadi terrorism, Chinese economic aggression, Russian political subversion, or the hostility of Iran and North Korea. And U.S. disengagement would not attenuate those challenges or make them easier to overcome.

### STRATEGIC EMPATHY

The movement in favor of retrenchment is in part a reaction to the overoptimism that animated U.S. foreign policy in the 1990s. When the Soviet Union collapsed and the Cold War ended, some thinkers and policymakers assumed that the process of democratization that was unfolding in eastern Europe would be replicable in Africa, Asia, and the Middle East. But they failed to give due consideration to local contexts and to political, social, cultural, and religious dynamics that make liberal democracy and the rule of law hard to reach. Similarly, after the United States' lopsided military victory in the Gulf War, some assumed that future wars could be won quickly and decisively because U.S. technology had produced a "revolution in military affairs." But this presumption ignored continuities in the nature of war, such as the enemy's

say in a war's course of events and its political, human, and psychological complexities. Excessive optimism soon grew into hubris, setting the United States up for unanticipated difficulties in Afghanistan and Iraq.

The best antidote to such overconfidence, however, is not the excessive pessimism offered by retrenchers. Policy-makers should instead adopt what the historian Zachary Shore calls "strategic empathy": an understanding of the ideology, emotions, and aspirations that drive and constrain other actors. Strategic empathy might help at least some advocates of retrenchment qualify their adamant opposition to democracy promotion and human rights advocacy abroad and might allow them to accept that the United States cannot determine, but can influence, the evolution of a world in which free and open societies flourish. In recent years, protests against authoritarian rule and corruption have flared up all over the world. In Baghdad, Beirut, Caracas, Hong Kong, Khartoum, Moscow, and Tehran, people have made clear that they want a say in how they are governed. Support for those who strive for freedom is in the United States' interest, because a world in which liberty, democracy, and the rule of law are strengthened will be safer and more prosperous. Disengagement from competitions overseas would cede influence to others, such as the Chinese Communist Party, which is already redoubling efforts to promote its authoritarian model. Retrenchment may hold emotional appeal for Americans tired of protracted military commitments abroad, but blind adherence to an orthodoxy based on emotion rather than reason would make Americans less safe and put the United States further in the red. 🌐

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# The Vision Thing

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## Is Grand Strategy Dead?

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### Foreign Policy Needs a Road Map

*Francis J. Gavin and James B. Steinberg*

**D**aniel Drezner, Ronald Krebs, and Randall Schweller (“The End of Grand Strategy,” May/June 2020) are surely right that grand strategy is challenging, particularly in a world characterized by a diffusion of power, a changing and multidimensional international system, political polarization, populism, and distrust of elites. They are profoundly wrong, however, in arguing that those factors make grand strategy irrelevant or even counterproductive for the United States today. On the contrary, it is precisely because the world is so complex and challenging that grand strategy is more important than ever.

A strategy is a way to relate a choice of means to one’s goals, and it’s hard to argue that policymakers don’t need that: after all, that’s what policy is all about. To paraphrase Lewis Carroll, if you don’t know where you want to go, every road is as good as the next. But the corollary is equally important: once you do know where you want to go, some roads are better than others. What makes grand strategy, as opposed to mere strategy—and as opposed to the

incrementalism and decentralization that Drezner, Krebs, and Schweller propose—essential to policymakers is that they face competing short- and long-term goals and multiple, often crosscutting challenges. Grand strategy allows policymakers to integrate their efforts to pursue these objectives simultaneously and to adjudicate among them when they appear to be in conflict. A grand strategy is a map of the forest that allows policymakers to find the path home through the trees.

Grand strategy not only allows policymakers to prioritize and accommodate divergent ends; it is also vital in the choice of means. In its most simplified form, policymaking rests on the assertion that if a country adopts policy X, it will achieve goal Y. But even in the best circumstances, with the most conscientious policymaking process and decision-makers, the relationship between a proposed policy and the desired outcome is inherently uncertain. No new foreign policy challenge is the same as one seen before, and unlike scientists, policymakers do not have the luxury of testing out a variety of approaches to see what works best; they need decisional rules that allow them to make principled choices among competing options.

Consider the United States’ never-ending debate about NATO enlargement. Proponents of enlargement have based their argument in part on the view that the United States would be more secure in a world where countries are able to make choices free from the coercion of great powers. Critics, on the other hand, have contended that maintaining good relations with major powers is vital to securing U.S. interests, even if that means according each of those

powers a sphere of influence in its neighborhood. Which approach should the United States adopt? Drezner, Krebs, and Schweller believe that Washington should “decentralize authority and responsibility.” But on what basis could an individual NATO commander or special envoy pick between these competing perspectives? Only grand strategy provides the criteria to help choose between these two plausible but incompatible views about how the world works and how that understanding should inform policy choices. Why, especially in a democracy, should that choice be delegated to a military officer or a midlevel unelected official?

Drezner, Krebs, and Schweller observe that the global problems the United States faces are often nonlinear. That very insight further buttresses the need for a grand strategy. The world has seen moments when an unforeseen event triggered profound change, such as the July Crisis of 1914, which led to World War I; the political revolutions of 1989–91; and the 9/11 attacks. A policy based on incrementalism and decentralization is precisely the wrong approach when such profound changes occur. Consider U.S. President Franklin Roosevelt’s masterful approach to fascism in Europe and the breakdown of the international economic order in the wake of the Great Depression. Despite entrenched isolationism and populist xenophobia in the United States, Roosevelt understood that the country’s peace and prosperity depended on deeper international engagement. The measures he pursued may have seemed incremental, but they were guided by a grand strategy that dramatically transformed the United States’

role in the world and laid the groundwork for a new postwar order. In the absence of such a clear and bold long-term strategy, it is doubtful that Roosevelt could have surmounted the domestic and international obstacles that favored caution and inertia.

### **TUNING THE ORCHESTRA**

The authors also point to the waning capacity of big powers to influence the global landscape and the declining role of military and economic power. But these changes, too, only deepen the need to integrate all elements of national power to achieve national goals: the tougher the problems, the less effective ad hoc responses will be. Nothing illustrates the point better than the Trump administration’s fitful, scattered, and incremental response to the COVID-19 crisis. An effective grand strategy would allow the government to recognize profound global changes and respond to them in a coordinated, consequential, and effective way.

But grand strategy does more than provide coherence to the disparate strands of national policy. It helps communicate the interests and goals of the United States to many audiences, including its own officials, allies, and adversaries. It allows the entire government bureaucracy to sing from the same page by offering an anthem to officials to guide their day-to-day work—especially those who fill positions below the level of the president and the cabinet but who still play a critical role in pursuing national interests. Drezner, Krebs, and Schweller advocate decentralizing policymaking. They are right to stress the importance of “appreciating regional knowledge” and to warn

against the dangers of conducting policy from 5,000 miles away. But how can “theater commanders, special envoys, and subject-matter experts” possibly know what fundamental choices to make in the absence of an agreed-on grand strategy? If U.S. Central Command received a request to support Saudi Arabia in its proxy war in Yemen, for example, how would it decide between reassuring a key ally and the risks of contributing to a deepening humanitarian disaster?

U.S. policy toward Iran is a case in point. It goes without saying that the United States has multiple interests at stake: preventing Iran from acquiring nuclear weapons and countering its destabilizing policies in the Middle East, first and foremost, but also maintaining effective working relationships with key European allies, strengthening multilateral institutions such as the International Atomic Energy Agency, and showing solidarity with people fighting for human dignity and a voice in their own governance. How, absent some broad grand strategic framework, can American decision-makers sort through this tangle of interests and produce policies that are consistent and integrated rather than pulling in opposite directions?

The executive branch is not the only audience for U.S. grand strategy. For Congress, grand strategy is a way to understand and assess what an administration hopes to achieve and how, thus facilitating the legislative branch’s critical involvement in the policymaking and policy-implementation process. It is for this very reason that Congress adopted the requirement that every presidential administration prepare a National Security Strategy.

**Not all readers  
are leaders,  
but all leaders  
are readers.**

*- Harry S. Truman*

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Even more important, a grand strategy provides a conceptual platform for a broad, vigorous, and informed public debate about the United States' role in the world, one based on a rich and inclusive discussion of basic principles and that goes beyond the ad hoc, reactive analysis of day-to-day policy decisions. Drezner, Krebs, and Schweller assert that grand strategy is more difficult in an age of populism. In fact, increased populism makes grand strategy more needed than ever. A grand strategy allows an administration to articulate an overarching framework, and that articulation lets the public participate meaningfully in the decision about where to steer the ship of state and how best to get there.

### **COMPOSING THE SCORE**

The authors seem to forget that today is hardly the first time that a debate over U.S. foreign policy has taken place at a time of political polarization and popular mobilization. From the Founding Fathers' divisions over the wisdom of the Jay Treaty of 1794 (a grand strategic debate if ever there was one), to the arguments over the Spanish-American War, to quarrels over how to respond to the communist revolution in China, U.S. foreign policy has been deeply entwined with domestic political passions and partisan fights. Even within parties, consensus has often been elusive: witness the contest between the Cold War grand strategy favored by President Richard Nixon and that preferred by President Ronald Reagan. Nor is populism or distrust of elites new. As the historian Richard Hofstadter argued in his seminal 1964 essay, "The

Paranoid Style in American Politics," since the early days of the United States' founding, "American politics has often been an arena for angry minds."

Grand strategy has never been easy. As U.S. secretary of state under President James Monroe, John Quincy Adams faced daunting challenges. The United States had just emerged from the War of 1812, which had ended in a stalemate and had exposed political fissures that nearly tore the country apart. The United States was weak. Countries and empires stronger than it sought to craft a world order inimical to American interests and values. And the Industrial Revolution unleashed powerful global forces that upended the rules of politics and power. This political division, combined with postwar economic malaise and increased immigration from Europe, gave rise to powerful populist forces, represented most clearly in the form of General Andrew Jackson, and a deepening sense of national disunity. Elites and institutions were distrusted, and the proliferation of hyperpartisan newspapers created a media landscape riven by suspicion and disinformation.

Adams, operating under severe constraints, crafted an approach that preserved his country's freedom of action, laid the groundwork for expansion, and skillfully managed European powers that might have threatened the young republic. Steeped in American values and marked by a sharp understanding of U.S. interests, Adams's vision laid the foundation for the United States' long-term security and prosperity, managing the short-term perils in a way that set the stage for the country's global emergence a



century later. It is precisely this kind of thoughtful grand strategic vision that the United States desperately needs today.

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## **Drezner, Krebs, and Schweller Reply**

**W**e appreciate Francis Gavin and James Steinberg's vigorous response. And we share their admiration for grand strategy's theoretical virtues. In our professional lives, each of us has at times happily played the armchair grand strategist. In our writing and teaching, we have taken presidents to task for lacking a grand strategy or for failing to pursue one consistently. Like so many others in our circle, we have grieved for grand strategy: denying its growing irrelevance, expressing anger at decision-makers for their poor choices, proposing possible bargains to resuscitate a coherent grand strategy, and feeling depressed over the loss. But unlike Gavin and Steinberg, we have finally moved on to the final stage of grief: acceptance.

Gavin and Steinberg stress the promise of grand strategy without acknowledging the possible pitfalls. They know full well that the United States has, more often than not, fallen short of their theoretical standard. The White House's

strategy documents typically avoid prioritizing clearly among "competing short- and long-term goals and multiple, often crosscutting challenges," as they put it. As a result, "the disparate strands of national policy" often lack the "coherence" that grand strategy can in principle bequeath. We would be heartened by the vision of an "entire government bureaucracy . . . sing[ing] from the same page" thanks to a grand strategic "anthem"—if we were not more often struck by the sheer cacophony emerging from the U.S. foreign policy apparatus. With reality so often at odds with their idealized portrait, Gavin and Steinberg retreat into exhortation. What is going on in Washington today, they declare, reveals why grand strategy is more important than ever.

In their full-throated praise of grand strategy, Gavin and Steinberg do not address the main question that animated our article: Why has the United States in recent years had such difficulty formulating and executing a competent grand strategy? Let us, for the moment, grant the validity of their examples of past grand strategic virtuosity. The fact remains that the current international and domestic challenges to an effective grand strategy are insurmountable. A world marked by nonpolarity, political polarization, radical pluralism, and populism is infertile ground for a viable and sustainable grand strategy.

Gavin and Steinberg do not deny that the obstacles to an effective grand strategy are greater than ever. Nor do they explain how U.S. decision-makers can or will overcome such obstacles. Nostalgic for past foreign policy successes, they seem committed to preserving the myth of grand strategy in the absence of its reality.

To that end, they offer the reader a cherry-picked list of grand strategic successes, while conveniently overlooking the failures. Committing to a grand strategy can be costly, especially in times of radical uncertainty. Gavin and Steinberg rightly cite the July Crisis of 1914 and the 9/11 attacks as such “moments when an unforeseen event triggered profound change.” But were the European powers served well by the grand strategies that led them into World War I? Was the United States served well by its post-9/11 grand strategy, which produced the global war on terrorism and the Iraq war? Given the results, we cannot agree that “a policy based on incrementalism and decentralization is precisely the wrong approach when such profound changes occur.” During those critical junctures, a more incremental policy might have prevented those tragic errors.

Indeed, many of the past successes cited by Gavin and Steinberg derived less from the rigorous pursuit of a grand strategy than from improvisational leadership. They approvingly cite Franklin Roosevelt’s “clear and bold long-term strategy” that “dramatically transformed the United States’ role in the world.” Yet Roosevelt was not a linear thinker who developed and then consistently followed a grand strategy. He was, in the historian Warren Kimball’s apt image, a “juggler,” who adapted and improvised in response to events. U.S. foreign policy in the early Cold War was a triumph, but it did not spring fully formed from the heads of thinkers such as George Kennan or Paul Nitze. It emerged in a piecemeal fashion and appears as a coherent strategy only in retrospect. And the George H. W.

Bush administration brilliantly managed the end of the Cold War by jettisoning strategic commitments and moving forward experimentally into the unknown.

The lessons of this track record are clear. National decision-makers, obliged to make choices in an open, dynamic, nonlinear system that is rarely in equilibrium, should act incrementally and learn from trial and error. They should not be straitjacketed by grand strategy, an idea whose time has passed. It gives us no joy to arrive at this conclusion, but we see no reason to continue investing in an illusion. 🌐

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# In Defense of Economists

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## A Response to “The Dismal Kingdom”

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*Michael Feuer*

In “The Dismal Kingdom” (March/April 2020), the economist Paul Romer excoriates his profession for causing many of the United States’ current problems—from lower life expectancy to the opioid epidemic to subprime lending. Romer reaches this verdict in the course of reviewing two recent books, Binyamin Appelbaum’s *The Economists’ Hour* and Nicholas Lemann’s *Transaction Man*, which, he writes, “converge on the conclusion that the economists at the helm are doing more harm than good.” Romer largely endorses that conclusion—an astonishing charge when advanced by a distinguished economist such as himself.

Yet in making his case, Romer relies on problematic causal claims and overly broad characterizations. His argument is most suspect when he faults certain individuals—such as Thomas Schelling, who helped popularize the use of

cost-benefit analysis to inform government policy. Romer criticizes Schelling, incorrectly, for blurring the distinction between empirical questions, such as how much it costs to save lives, and normative questions, such as how much society should pay to save lives. But if society must choose how to spend limited resources, it is not surprising that one of the (albeit imperfect) metrics includes the dollar sign. Cost-benefit analysis and cost-effectiveness analysis are tools with advantages and limitations; it is one thing to point out their limitations, another to come up with better tools.

Not all economists are heralds of enlightened public policy, but it is a more heterogeneous profession than Romer’s critique suggests. He should be thanked for reminding economists that some of them have ignored or even perpetuated the familiar failures of capitalism. But he seems to suggest that all economists bow at the altar of free-market fundamentalism, and he implies that only the most orthodox strains of economic thought have influence. He does not mention those who doggedly advocate sensible government intervention, such as Anne Case, Angus Deaton, Paul Krugman, and many others. Policymakers have too often failed to heed the advice of such public-minded economists. But Romer ought to have acknowledged their constructive contributions to economic development, environmental protection, educational opportunity, and the struggle against poverty and inequality.

In his plea for humility, Romer beseeches his fellow economists to just “say no when government officials look to [them] for an answer to a normative

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question.” That is a courageous suggestion, and one that could stimulate discussion about the role of science in society. But especially now, when the COVID-19 pandemic requires governments everywhere to embrace science, it is dangerous to scapegoat economists—or any scholars who understand collective action and stand against leaders who reject scientific evidence.

### FOR THE RECORD

Due to an editing error, a March/April 2020 article (“Getting to Less”) misstated measurements of U.S. military spending in 1952 and 1968. The figures expressed are in constant dollars, not current dollars. 🌐

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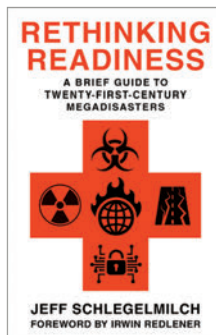


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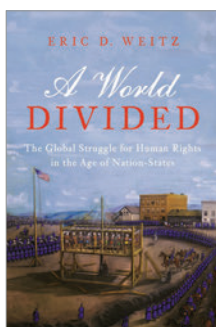
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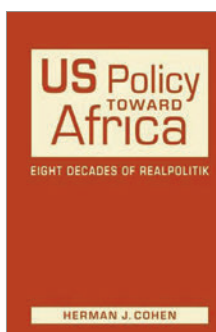


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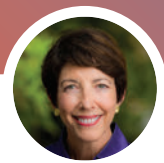
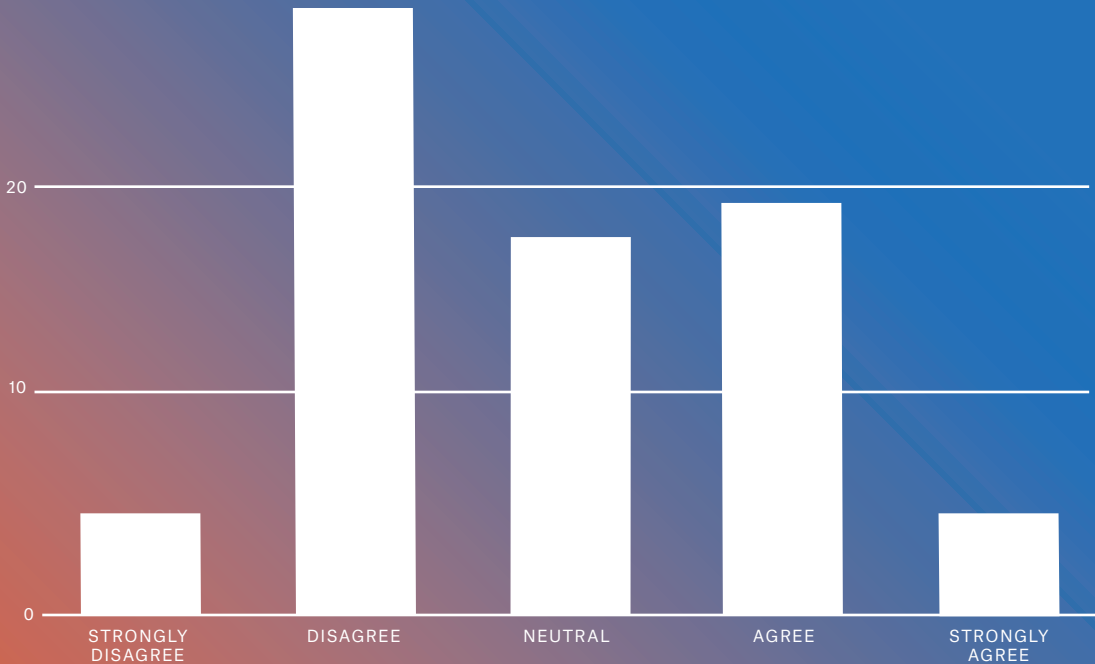
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### Susan Shirk

Research Professor, University of California, San Diego, and former U.S. Deputy Assistant Secretary of State

“Neither country is enhancing its international image or power. Both will face daunting economic, social, and political problems at home. Their failure to coordinate their efforts in the face of this common threat has discredited both of them and left the world floundering in the absence of any leadership.”



**STRONGLY AGREE, CONFIDENCE LEVEL 10**

### Andrew Nathan

Professor of Political Science, Columbia University

“This will happen not because China is handling ‘mask diplomacy’ so well but because the United States is handling the pandemic so shamefully badly, at home and abroad.”

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