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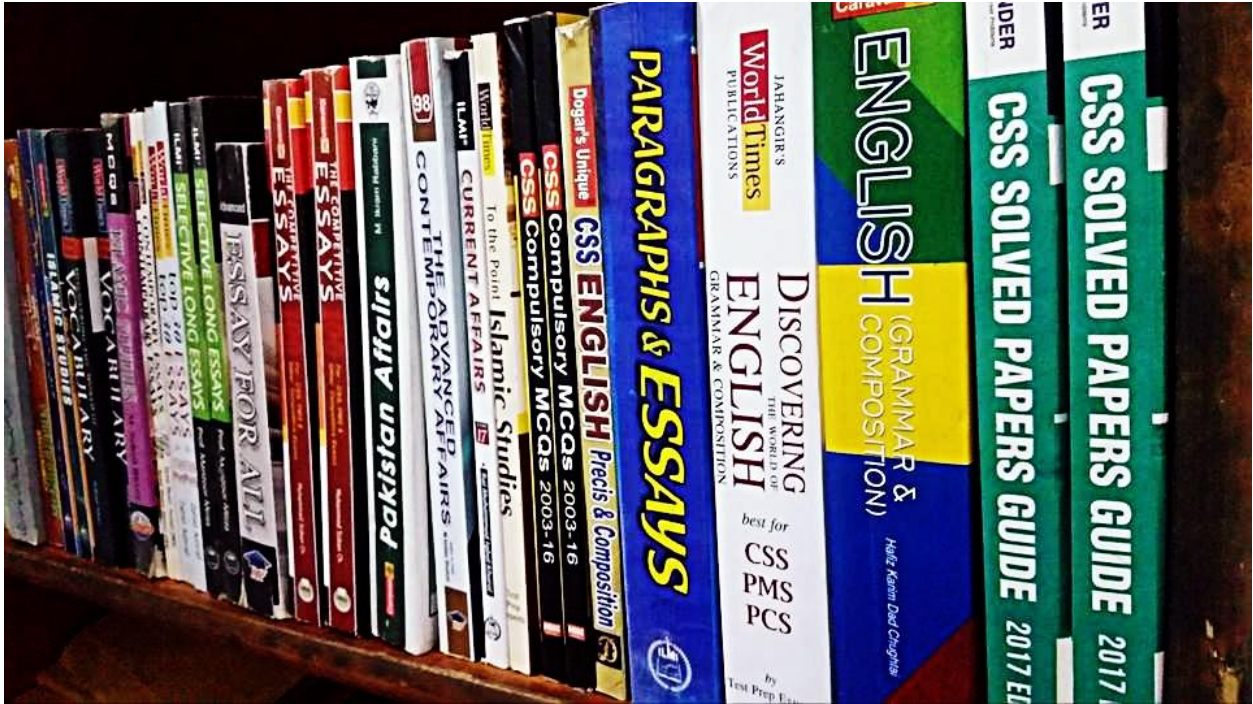
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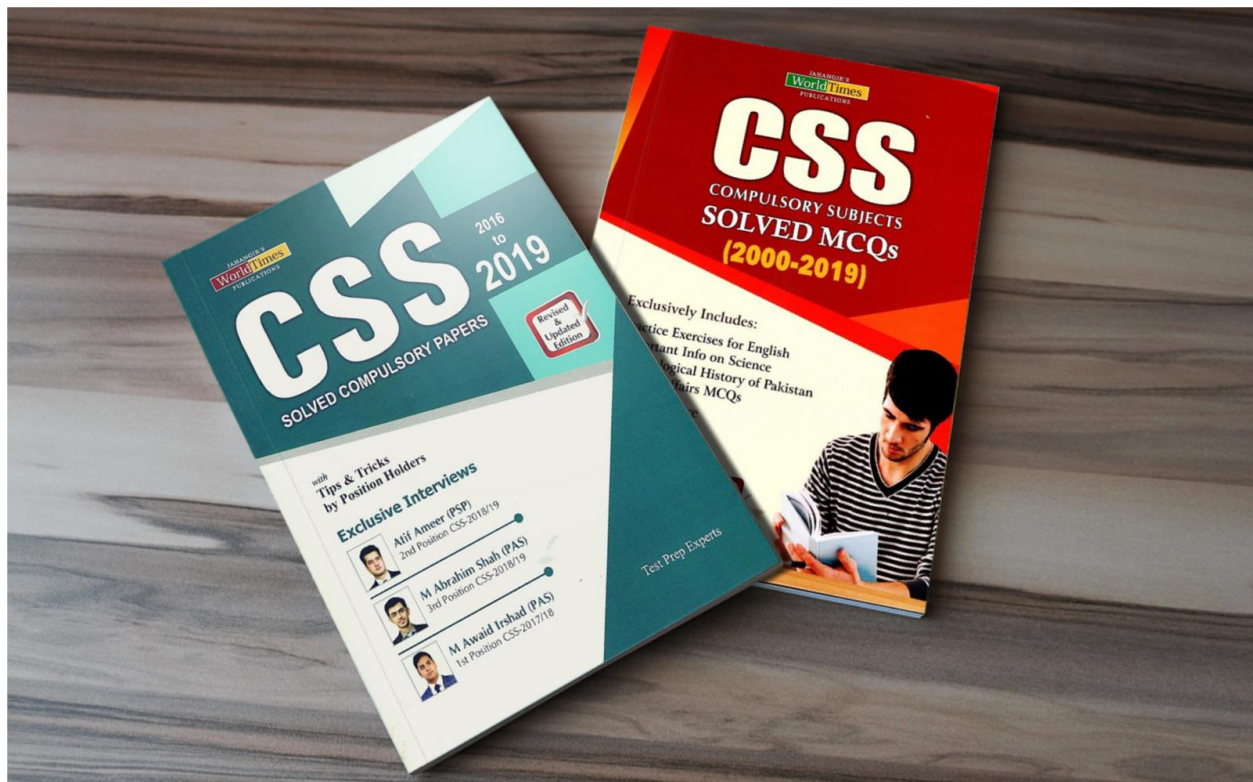
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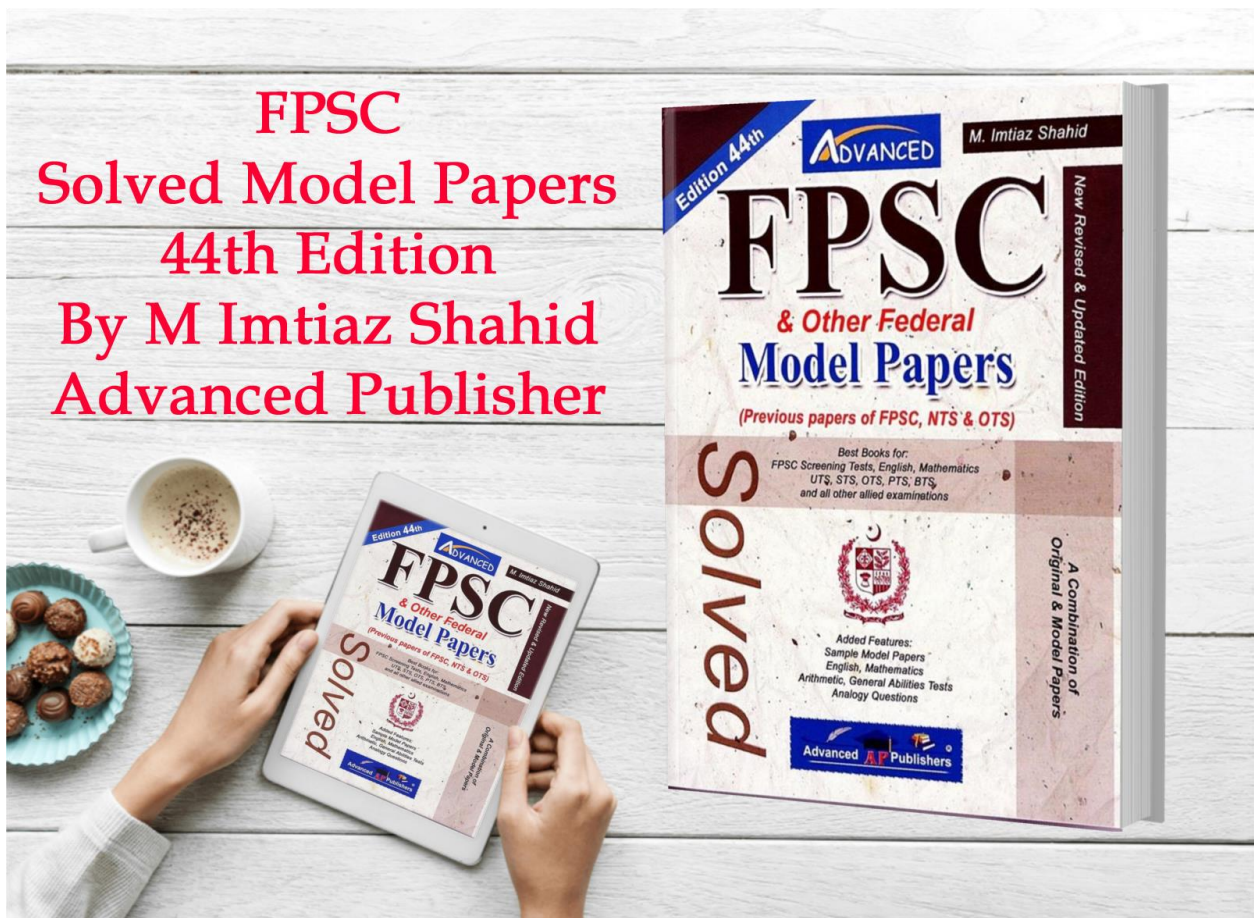
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Archibald Cary Coolidge, Founding Editor
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ABHIJIT BANERJEE AND ESTHER DUFLO both came face-to-face with the harsh reality of extreme poverty early on in their lives—Banerjee as a child growing up in India, and Duflo through her mother’s work as a pediatrician in war zones. After joining MIT’s Economics Department, they teamed up to try to answer the question of what policies actually make a difference in reducing poverty and fostering development. For their pioneering work in the use of randomized control trials to study poverty reduction, Banerjee and Duflo shared the 2019 Nobel Prize in Economics with Michael Kremer. (Duflo is the youngest-ever recipient of a Nobel in economics and only the second woman to be awarded the prize.) In “How Poverty Ends” (page 22), Banerjee and Duflo draw on their decades of research to consider what has accounted for the remarkable decline in poverty in recent decades—and what, if anything, can be done to ensure that progress continues.



Born in Liberia and raised in the United Kingdom after her family fled civil war, **MIATTA FAHNBULLEH** studied at Oxford and then got her doctorate at the London School of Economics, hoping to one day fight for economic justice in the developing world. Instead, she ended up taking on growing inequality at home, working on economic policy for the Labour Party and the British government, including as deputy director of the Prime Minister’s Strategy Unit. Now chief executive of the New Economics Foundation, a think tank devoted to grassroots economic transformation, Fahnbulleh argues in “The Neoliberal Collapse” (page 38) that the failure of free-market orthodoxy has paved the way for a new agenda inspired by socialist ideals.



NICHOLAS LEMANN, a former dean of the Columbia Journalism School, has been a writer and editor at *Texas Monthly*, *The Washington Post*, *The Atlantic*, and *The New Yorker*. He has also written five books, including *The Big Test*, his history of meritocracy in the United States, and the recently published *Transaction Man*, his account of the seismic economic and political changes reshaping the United States. In “Unmerited” (page 140), he takes up many of those issues in a review of Daniel Markovits’s *The Meritocracy Trap*, which he argues puts too much blame for U.S. society’s ills on elite colleges and universities.



THE FUTURE OF CAPITALISM

Capitalism has been quite successful as a system of political economy. It emerged in the eighteenth century, took off in the nineteenth, and dominated the world in the twentieth. The Faustian bargain it offers—riches and freedoms, at the price of stability, tradition, and community—has proved so attractive that ever more societies keep making it. Now, having left its ideological competitors in the dust, the system is confronting its own flaws, and the reckoning is not always pretty. Yet so far, all the talk about moving on to something new and better remains just that.

Branko Milanovic notes that the triumph of markets is unique in human history; never before has a single mode of production become universal. Schism often follows triumph, however, and today, two capitalist camps are battling for supremacy: a liberal meritocratic one, led by the advanced industrial democracies, and a state-led, political one, headed by China. Each has major problems looming ahead.

Abhijit Banerjee and Esther Duflo—who won the Nobel Prize last fall for their research—note that market-led economic growth over the last half century has lifted more people out of poverty faster than ever before, particularly in China and India. But nobody has been able to find a reliable formula for economic success. Instead of chasing grand theories, therefore, governments should

concentrate on direct interventions to help improve people's lives.

Joseph Stiglitz, Todd Tucker, and Gabriel Zucman argue that capitalism is in crisis thanks to a lack of revenue, which has come about because plutocratic elites have gamed the system to protect their interests, hoarding their resources and starving the state. The authors' solution to the problem is dramatically increased taxation.

Miatta Fahnbulleh goes further, claiming that stagnating incomes, concentrated wealth, and looming environmental catastrophe show that capitalism has reached its limits. A new economic model is needed, one that adapts traditional socialist ideals to contemporary realities, empowering people and communities rather than the state. Jerry Muller begs to differ. The neosocialist boomlet is a joke, wealth taxes would be a nightmare, and the real work of handling climate change will be driven by entrepreneurial innovation—unless today's Jacobins get control of the economy and shut it down.

The bottom line? Two and a half centuries later, we're still trying to figure out how to reap the upsides of markets while protecting ourselves from the downsides. The benefits outweigh the costs, so capitalism keeps moving forward. But the more the system seems to work only for those at the top, the more it will have trouble sustaining democratic legitimacy.

—Gideon Rose, *Editor*



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The Clash of Capitalisms

The Real Fight for the Global Economy's Future

Branko Milanovic

Capitalism rules the world. With only the most minor exceptions, the entire globe now organizes economic production the same way: labor is voluntary, capital is mostly in private hands, and production is coordinated in a decentralized way and motivated by profit.

There is no historical precedent for this triumph. In the past, capitalism—whether in Mesopotamia in the sixth century BC, the Roman Empire, Italian city-states in the Middle Ages, or the Low Countries in the early modern era—had to coexist with other ways of organizing production. These alternatives included hunting and gathering, small-scale farming by free peasants, serfdom, and slavery. Even as recently as 100 years ago, when the first form of globalized capitalism appeared with the advent of large-scale industrial production and global trade, many of these other modes of production still existed. Then, following the Russian Revolution in 1917, capitalism shared the world with communism, which reigned in countries that together contained about one-third of the human population. Now, however, capitalism is the sole remaining mode of production.

BRANKO MILANOVIC is a Senior Scholar at the Stone Center on Socio-Economic Inequality at the CUNY Graduate Center and Centennial Professor at the London School of Economics.

It's increasingly common to hear commentators in the West describe the current order as "late capitalism," as if the economic system were on the verge of disappearing. Others suggest that capitalism is facing a revived threat from socialism. But the ineluctable truth is that capitalism is here to stay and has no competitor. Societies around the world have embraced the competitive and acquisitive spirit hardwired into capitalism, without which incomes decline, poverty increases, and technological progress slows. Instead, the real battle is within capitalism, between two models that jostle against each other.

Often in human history, the triumph of one system or religion is soon followed by a schism between different variants of the same credo. After Christianity spread across the Mediterranean and the Middle East, it was riven by ferocious ideological disputes, which eventually produced the first big fissure in the religion, between the Eastern and Western churches. So, too, with Islam, which after its dizzying expansion swiftly divided into Shiite and Sunni branches. And communism, capitalism's twentieth-century rival, did not long remain a monolith, splitting into Soviet and Maoist versions. In this respect, capitalism is no different: two models now hold sway, differing in their political, economic, and social aspects.

In the states of western Europe and North America and a number of other countries, such as India, Indonesia, and Japan, a liberal meritocratic form of capitalism dominates: a system that concentrates the vast majority of production in the private sector, ostensibly allows talent to rise, and tries to guarantee opportunity for all through measures

such as free schooling and inheritance taxes. Alongside that system stands the state-led, political model of capitalism, which is exemplified by China but also surfaces in other parts of Asia (Myanmar, Singapore, Vietnam), in Europe (Azerbaijan, Russia), and in Africa (Algeria, Ethiopia, Rwanda). This system privileges high economic growth and limits individual political and civic rights.

These two types of capitalism—with the United States and China, respectively, as their leading examples—invariably compete with each other because they are so intertwined. Asia, western Europe, and North America, which together are home to 70 percent of the world's population and 80 percent of its economic output, are in constant contact through trade, investment, the movement of people, the transfer of technology, and the exchange of ideas. Those connections and collisions have bred a competition between the West and parts of Asia that is made more intense by the differences in their respective models of capitalism. And it is this competition—not a contest between capitalism and some alternative economic system—that will shape the future of the global economy.

In 1978, almost 100 percent of China's economic output came from the public sector; that figure has now dropped to less than 20 percent. In modern China, as in the more traditionally capitalist countries of the West, the means of production are mostly in private hands, the state doesn't impose decisions about production and pricing on companies, and most workers are wage laborers. China scores as positively capitalistic on all three counts.

Capitalism now has no rival, but these two models offer significantly different ways of structuring political and economic

power in a society. Political capitalism gives greater autonomy to political elites while promising high growth rates to ordinary people. China's economic success undermines the West's claim that there is a necessary link between capitalism and liberal democracy.

Liberal capitalism has many well-known advantages, the most important being democracy and the rule of law. These two features are virtues in themselves, and both can be credited with encouraging faster economic development by promoting innovation and social mobility. Yet this system faces an enormous challenge: the emergence of a self-perpetuating upper class coupled with growing inequality. This now represents the gravest threat to liberal capitalism's long-term viability.

At the same time, China's government and those of other political capitalist states need to constantly generate economic growth to legitimize their rule, a compulsion that might become harder and harder to fulfill. Political capitalist states must also try to limit corruption, which is inherent to the system, and its complement, galloping inequality. The test of their model will be its ability to restrain a growing capitalist class that often chafes against the overweening power of the state bureaucracy.

As other parts of the world (notably African countries) attempt to transform their economies and jump-start growth, the tensions between the two models will come into sharper focus. The rivalry between China and the United States is often presented in simply geopolitical terms, but at its core, it is like the grinding of two tectonic plates whose friction will define how capitalism evolves in this century.

LIBERAL CAPITALISM

The global dominance of capitalism is one of two epochal changes that the world is living through. The other is the rebalancing of economic power between the West and Asia. For the first time since the Industrial Revolution, incomes in Asia are edging closer to those in western Europe and North America. In 1970, the West produced 56 percent of world economic output and Asia (including Japan) produced only 19 percent. Today, only three generations later, those proportions have shifted to 37 percent and 43 percent—thanks in large part to the staggering economic growth of countries such as China and India.

Capitalism in the West generated the information and communications technologies that enabled a new wave of globalization in the late twentieth century, the period when Asia began to narrow the gap with the “global North.” Anchored initially in the wealth of Western economies, globalization led to an overhaul of moribund structures and huge growth in many Asian countries. Global income inequality has dropped significantly from what it was in the 1990s, when the global Gini coefficient (a measure of income distribution, with zero representing perfect equality and one representing perfect inequality) was 0.70; today, it is roughly 0.60. It will drop further as incomes continue to rise in Asia.

Although inequality between countries has lessened, inequality within countries—especially those in the West—has grown. The United States’ Gini coefficient has risen from 0.35 in 1979 to about 0.45 today. This increase in inequality within countries is in large part a product of globalization and its effects on the more developed economies in the West: the

weakening of trade unions, the flight of manufacturing jobs, and wage stagnation.

Liberal meritocratic capitalism came into being in the last 40 years. It can be best understood in comparison to two other variants: classical capitalism, which was predominant in the nineteenth and early twentieth centuries, and social democratic capitalism, which defined the welfare states in western Europe and North America from World War II to the early 1980s.

Unlike in the classical capitalism of the nineteenth century, when fortunes were to be made from owning, not working, rich individuals in the present system tend to be both capital rich and labor rich—that is, they generate their income both from investments and from work. They also tend to marry and make families with partners of similar educational and financial backgrounds, a phenomenon sociologists call “assortative mating.” Whereas the people at the top of the income distribution under classical capitalism were often financiers, today many of those at the top are highly paid managers, Web designers, physicians, investment bankers, and other elite professionals. These people work in order to earn their large salaries, but whether through an inheritance or their own savings, they also draw a great deal of income from their financial assets.

In liberal meritocratic capitalism, societies are more equal than they were during the phase of classical capitalism, women and ethnic minorities are more empowered to enter the workforce, and welfare provisions and social transfers (paid out of taxes) are employed in an attempt to mitigate the worst ravages of acute concentrations of wealth and privilege. Liberal meritocratic capitalism

inherited those last measures from its direct predecessor, social democratic capitalism.

That model was structured around industrial labor and featured the strong presence of unions, which played a huge role in shrinking inequality. Social democratic capitalism presided over an era that saw measures such as the GI Bill and the 1950 Treaty of Detroit (a sweeping, union-negotiated contract for autoworkers) in the United States and economic booms in France and Germany, where incomes rose. Growth was distributed fairly evenly; populations benefited from better access to health care, housing, and inexpensive education; and more families could climb up the economic ladder.

But the nature of work has changed significantly under globalization and liberal meritocratic capitalism, especially with the winnowing away of the industrial working class and the weakening of labor unions. Since the late twentieth century, the share of capital income in total income has been rising—that is, an increasing portion of GDP belongs to the profits made by big corporations and the already wealthy. This tendency has been quite strong in the United States, but it has also been documented in most other countries, whether developing or developed. A rising share of capital income in total income implies that capital and capitalists are becoming more important than labor and workers, and so they acquire more economic and political power. It also means an increase in inequality, because those who draw a large share of their income from capital tend to be rich.

MALaise IN THE WEST

While the current system has produced a more diverse elite (in terms of both

gender and race), the setup of liberal capitalism has the consequence of at once deepening inequality and screening that inequality behind the veil of merit. More plausibly than their predecessors in the Gilded Age, the wealthiest today can claim that their standing derives from the virtue of their work, obscuring the advantages they have gained from a system and from social trends that make economic mobility harder and harder. The last 40 years have seen the growth of a semipermanent upper class that is increasingly isolated from the rest of society. In the United States, the top ten percent of wealth holders own more than 90 percent of the financial assets. The ruling class is highly educated, many of its members work, and their income from that labor tends to be high. They tend to believe that they deserve their high standing.

These elites invest heavily both in their progeny and in establishing political control. By investing in their children's education, those at the top enable future generations of their kind to maintain high labor income and the elite status that is traditionally associated with knowledge and education. By investing in political influence—in elections, think tanks, universities, and so on—they ensure that they are the ones who determine the rules of inheritance, so that financial capital is easily transferred to the next generation. The two together (acquired education and transmitted capital) lead to the reproduction of the ruling class.

The formation of a durable upper class is impossible unless that class exerts political control. In the past, this happened naturally; the political class came mostly from the rich, and so there was a certain commonality of views and shared interests between politicians and



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the rest of the rich. That is no longer the case: politicians come from various social classes and backgrounds, and many of them share sociologically very little, if anything, with the rich. Presidents Bill Clinton and Barack Obama in the United States and Prime Ministers Margaret Thatcher and John Major in the United Kingdom all came from modest backgrounds but quite effectively supported the interests of the one percent.

In a modern democracy, the rich use their political contributions and the funding or direct ownership of think tanks and media outlets to purchase economic policies that benefit them: lower taxes on high incomes, bigger tax deductions, higher capital gains through tax cuts to the corporate sector, fewer regulations, and so on. These policies, in turn, increase the likelihood that the rich will stay on top, and they form the ultimate link in the chain that runs from the higher share of capital in a country's net income to the creation of a self-serving upper class. If the upper class did not try to co-opt politics, it would still enjoy a very strong position; when it spends on electoral processes and builds its own civil society institutions, the position of the upper class becomes all but unassailable.

As the elites in liberal meritocratic capitalist systems become more cordoned off, the rest of society grows resentful. Malaise in the West about globalization is largely caused by the gap between the small number of elites and the masses, who have seen little benefit from globalization and, accurately or not, regard global trade and immigration as the cause of their ills. This situation eerily resembles what used to be called the "disarticulation" of Third World societies in the 1970s, such as was seen in Brazil, Nigeria,

and Turkey. As their bourgeoisies were plugged into the global economic system, most of the hinterland was left behind. The disease that was supposed to affect only developing countries seems to have hit the global North.

CHINA'S POLITICAL CAPITALISM

In Asia, globalization doesn't have that same reputation: according to polls, 91 percent of people in Vietnam, for instance, think globalization is a force for good. Ironically, it was communism in countries such as China and Vietnam that laid the groundwork for their eventual capitalist transformation. The Chinese Communist Party came to power in 1949 by prosecuting both a national revolution (against foreign domination) and a social revolution (against feudalism), which allowed it to sweep away all ideologies and customs that were seen as slowing economic development and creating artificial class divisions. (The much less radical Indian independence struggle, in contrast, never succeeded in erasing the caste system.) These two simultaneous revolutions were a precondition, over the long term, for the creation of an indigenous capitalist class that would pull the economy forward. The communist revolutions in China and Vietnam played functionally the same role as the rise of the bourgeoisie in nineteenth-century Europe.

In China, the transformation from quasi feudalism to capitalism took place swiftly, under the control of an extremely powerful state. In Europe, where feudal structures were eradicated slowly over centuries, the state played a far less important role in the shift to capitalism. Given this history, then, it is no surprise that capitalism in China,

Vietnam, and elsewhere in the region has so often had an authoritarian edge.

The system of political capitalism has three defining features. First, the state is run by a technocratic bureaucracy, which owes its legitimacy to economic growth. Second, although the state has laws, these are applied arbitrarily, much to the benefit of elites, who can decline to apply the law when it is inconvenient or apply it with full force to punish opponents. The arbitrariness of the rule of law in these societies feeds into political capitalism's third defining feature: the necessary autonomy of the state. In order for the state to act decisively, it needs to be free from legal constraints. The tension between the first and second principles—between technocratic bureaucracy and the loose application of the law—produces corruption, which is an integral part of the way the political capitalist system is set up, not an anomaly.

Since the end of the Cold War, these characteristics have helped supercharge the growth of ostensibly communist countries in Asia. Over a 27-year period ending in 2017, China's growth rate averaged about eight percent and Vietnam's averaged around six percent, compared with just two percent in the United States.

The flip side of China's astronomic growth has been its massive increase in inequality. From 1985 to 2010, the country's Gini coefficient leapt from 0.30 to around 0.50—higher than that of the United States and closer to the levels found in Latin America. Inequality in China has risen starkly within both rural and urban areas, and it has risen even more so in the country as a whole because of the increasing gap between those areas. That growing inequality is evident in every divide—between rich and poor

provinces, high-skilled workers and low-skilled workers, men and women, and the private sector and the state sector.

Notably, there has also been an increase in China in the share of income from privately owned capital, which seems to be as concentrated there as in the advanced market economies of the West. A new capitalist elite has formed in China. In 1988, skilled and unskilled industrial workers, clerical staff, and government officials accounted for 80 percent of those in the top five percent of income earners. By 2013, their share had fallen by almost half, and business owners (20 percent) and professionals (33 percent) had become dominant.

A remarkable feature of the new capitalist class in China is that it has emerged from the soil, so to speak, as almost four-fifths of its members report having had fathers who were either farmers or manual laborers. This intergenerational mobility is not surprising in view of the nearly complete obliteration of the capitalist class after the Communists' victory in 1949 and then again during the Cultural Revolution in the 1960s. But that mobility may not continue in the future, when—given the concentration of ownership of capital, the rising costs of education, and the importance of family connections—the intergenerational transmission of wealth and power should begin to mirror what is observed in the West.

Compared with its Western counterparts, however, this new capitalist class in China may be more of a class by itself than a class for itself. China's many byzantine forms of ownership—which at the local and national levels blur the lines between public and private—allow the political elite to restrain the power of the new capitalist, economic elite.

For millennia, China has been home to strong, fairly centralized states that have always prevented the merchant class from becoming an independent center of power. According to the French scholar Jacques Gernet, wealthy merchants under the Song dynasty in the thirteenth century never succeeded in creating a self-conscious class with shared interests because the state was always there ready to check their power. Although merchants continued to prosper as individuals (as the new capitalists largely do nowadays in China), they never formed a coherent class with its own political and economic agenda or with interests that were forcefully defended and propagated. This scenario, according to Gernet, differed markedly from the situation around the same time in Italian merchant republics and the Low Countries. This pattern of capitalists enriching themselves without exercising political power will likely continue in China and in other political capitalist countries, as well.

A CLASH OF SYSTEMS

As China expands its role on the international stage, its form of capitalism is invariably coming into conflict with the liberal meritocratic capitalism of the West. Political capitalism might supplant the Western model in many countries around the world.

The advantage of liberal capitalism resides in its political system of democracy. Democracy is desirable in itself, of course, but it also has an instrumental advantage. By requiring constant consultation of the population, democracy provides a powerful corrective to economic and social trends that may be detrimental to the common good. Even if people's decisions sometimes result in policies

that reduce the rate of economic growth, increase pollution, or lower life expectancy, democratic decision-making should, within a relatively limited time period, correct such developments.

Political capitalism, for its part, promises much more efficient management of the economy and higher growth rates. The fact that China has been by far the most economically successful country in the past half century places it in a position to legitimately try to export its economic and political institutions. It is doing that most prominently through the Belt and Road Initiative, an ambitious project to link several continents through improved, Chinese-financed infrastructure. The initiative represents an ideological challenge to the way the West has been handling economic development around the world. Whereas the West focuses on building institutions, China is pouring money into building physical things. The BRI will link partnered countries into a Chinese sphere of influence. Beijing even has plans to handle future investment disputes under the jurisdiction of a Chinese-created court—quite a reversal for a country whose “century of humiliation” in the nineteenth century was capped by Americans and Europeans in China refusing to be subject to Chinese laws.

Many countries may welcome being part of the BRI. Chinese investment will bring roads, harbors, railways, and other badly needed infrastructure, and without the type of conditions that often accompany Western investment. China has no interest in the domestic policies of recipient nations; instead, it emphasizes equality in the treatment of all countries. This is an approach that many officials in smaller countries find particularly attrac-

tive. China is also seeking to build international institutions, such as the Asian Infrastructure Investment Bank, following the playbook of the United States after World War II, when Washington spearheaded the creation of the World Bank and the International Monetary Fund.

Beijing has another reason to be more active on the international stage. If China refused to advertise its own institutions while the West continued to advance the values of liberal capitalism in China, large swaths of the Chinese population could become more attracted to Western institutions. The current disturbances in Hong Kong have failed to spread anywhere else in China, but they do illustrate real discontent with the arbitrary application of the law, discontent that may not be confined to the former British colony. The blatant censorship of the Internet is also deeply unpopular among the young and educated.

By projecting the advantages of its political capitalism abroad, China will reduce the appeal of the Western liberal model to its own citizens. Its international activities are essentially matters of domestic survival. Whatever formal or informal arrangement Beijing reaches with states that embrace political capitalism, China is bound to exercise increasing influence on international institutions, which in the past two centuries have been built exclusively by Western states, to serve Western interests.

THE FUTURE OF CAPITALISM

John Rawls, the consummate philosopher of modern liberalism, argued that a good society ought to give absolute priority to basic liberties over wealth and income. Experience shows, however, that many people are willing to trade democratic

Capitalism on Edge

How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia

ALBENA AZMANOVA



“With great insight, Albena Azmanova gives us a new way of understanding modern capitalism: through profit-driven corporations generating endless insecurity. But rather than despair, Azmanova finds reason for hope in a potential political coalition of unlikely partners. Thoroughly researched, powerfully argued.”

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rights for greater income. One need simply observe that within companies, production is generally organized in the most hierarchical fashion, not the most democratic. Workers do not vote on the products they would like to produce or on how they would like to produce them. Hierarchy produces greater efficiency and higher wages. "Technique is the boundary of democracy," the French philosopher Jacques Ellul wrote more than half a century ago. "What technique wins, democracy loses. If we had engineers who were popular with the workers, they would be ignorant of machinery." The same analogy can be extended to society as a whole: democratic rights can be, and have been, given up willingly for higher incomes.

In today's commercialized and hectic world, citizens rarely have the time, the knowledge, or the desire to get involved in civic matters unless the issues directly concern them. It is telling that in the United States, one of the oldest democracies in the world, the election of a president, who, in many respects in the American system, has the prerogatives of an elected king, is not judged of sufficient importance to bestir more than half the electorate to go to the polls. In this respect, political capitalism asserts its superiority.

The problem, however, is that in order to prove its superiority and ward off a liberal challenge, political capitalism needs to constantly deliver high rates of growth. So while liberal capitalism's advantages are natural, in that they are built into the setup of the system, the advantages of political capitalism are instrumental: they must be constantly demonstrated. Political capitalism starts with the handicap of needing to prove its superiority empirically. It faces two further problems, as well. Relative to

liberal capitalism, political capitalism has a greater tendency to generate bad policies and bad social outcomes that are difficult to reverse because those in power do not have an incentive to change course. It can also easily engender popular dissatisfaction because of its systemic corruption in the absence of a clear rule of law.

Political capitalism needs to sell itself on the grounds of providing better societal management, higher rates of growth, and more efficient administration (including the administration of justice). Unlike liberal capitalism, which can take a more relaxed attitude toward temporary problems, political capitalism must be permanently on its toes. This may, however, be seen as an advantage from a social Darwinist point of view: because of the constant pressure to deliver more to its constituents, political capitalism might hone its ability to manage the economic sphere and to keep on delivering, year in, year out, more goods and services than its liberal counterpart. What appears at first as a defect may prove to be an advantage.

But will China's new capitalists forever acquiesce to a status quo in which their formal rights can be limited or revoked at any moment and in which they are under the constant tutelage of the state? Or, as they become stronger and more numerous, will they organize, influence the state, and, finally, take it over, as happened in the United States and Europe? The Western path as sketched by Karl Marx seems to have an ironclad logic: economic power tends to emancipate itself and to look after, or impose, its own interests. But the track record of nearly 2,000 years of an unequal partnership between the Chinese state and Chinese business presents a major obstacle to China's following the same path as the West.

The key question is whether China's capitalists will come to control the state and if, in order to do so, they will use representative democracy. In the United States and Europe, capitalists used that cure very carefully, administering it in homeopathic doses as the franchise slowly expanded and withholding it whenever there was a potential threat to the property-owning classes (as in Great Britain after the French Revolution, when the right to vote became even more tightly restricted). Chinese democracy, if it comes, will likely resemble democracy in the rest of the world today, in the legal sense of mandating one vote per person. Yet given the weight of history and the precarious nature and still limited size of China's propertied classes, it is not certain that rule by the middle class could be maintained in China. It failed in the first part of the twentieth century under the Republic of China (which held sway over much of the mainland from 1912 to 1949); only with great difficulty will it be reestablished with greater success 100 years later.

PLUTOCRATIC CONVERGENCE?

What does the future hold for Western capitalist societies? The answer hinges on whether liberal meritocratic capitalism will be able to move toward a more advanced stage, what might be called "people's capitalism," in which income from both factors of production, capital and labor, would be more equally distributed. This would require broadening meaningful capital ownership way beyond the current top ten percent of the population and making access to the top schools and the best-paying jobs independent of one's family background.

To achieve greater equality, countries should develop tax incentives to encour-

age the middle class to hold more financial assets, implement higher inheritance taxes for the very rich, improve free public education, and establish publicly funded electoral campaigns. The cumulative effect of these measures would be to make more diffuse the ownership of capital and skills in society. People's capitalism would be similar to social democratic capitalism in its concern with inequality, but it would aspire to a different kind of equality; instead of focusing on redistributing income, this model would seek greater equality in assets, both financial and in terms of skills. Unlike social democratic capitalism, it would require only modest redistributive policies (such as food stamps and housing benefits) because it would have already achieved a greater baseline of equality.

If they fail to address the problem of growing inequality, liberal meritocratic capitalist systems risk journeying down another path—not toward socialism but toward a convergence with political capitalism. The economic elite in the West will become more insulated, wielding more untrammled power over ostensibly democratic societies, much in the same way that the political elite in China lords over that country. The more that economic and political power in liberal capitalist systems become fused together, the more liberal capitalism will become plutocratic, taking on some features of political capitalism. In the latter model, politics is the way to win economic benefits; in plutocratic—formerly liberal meritocratic—capitalism, economic power will conquer politics. The endpoint of the two systems will be the same: the closing ranks of a privileged few and the reproduction of that elite indefinitely into the future. 🌐

How Poverty Ends

The Many Paths to Progress—and Why They Might Not Continue

Abhijit V. Banerjee and Esther Duflo

For all the worries today about the explosion of inequality in rich countries, the last few decades have been remarkably good for the world's poor. Between 1980 and 2016, the average income of the bottom 50 percent of earners nearly doubled, as this group captured 12 percent of the growth in global GDP. The number of those living on less than \$1.90 a day—the World Bank's threshold for "extreme poverty"—has dropped by more than half since 1990, from nearly two billion to around 700 million. Never before in human history have so many people been lifted out of poverty so quickly.

There have also been massive improvements in quality of life, even for those who remain poor. Since 1990, the global maternal mortality rate has been cut in half. So has the infant mortality rate, saving the lives of more than 100 million

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children. Today, except in those places experiencing major social disruption, nearly all children, boys and girls alike, have access to primary education. Even deaths from HIV/AIDS, an epidemic that once seemed hopeless, peaked soon after the turn of the millennium and have been declining ever since.

A great deal of the credit for these gains can go to economic growth. In addition to increasing people's income, steadily expanding GDPs have allowed governments (and others) to spend more on schools, hospitals, medicines, and income transfers to the poor. Much of the decline in poverty happened in two large economies that have grown particularly fast, China and India. But now, as growth has begun to slow down in both countries, there are reasons to be anxious. Can China and India do anything to avoid stalling? And do these countries offer a sure recipe that other countries can imitate, so that they can lift millions of their people out of poverty?

Economists, ourselves included, have spent entire careers studying development and poverty, and the uncomfortable truth is that the field still doesn't have a good sense of why some economies expand and others don't. There is no clear formula for growth. If there is a common thread, it is that the fastest growth appears to come from reallocating poorly allocated resources—that is, putting capital and labor toward their most productive use. But eventually, the returns from that process diminish, at which point countries need to find a new strategy for combating poverty.

THE SEARCH FOR GROWTH

Although growth has been key to reducing poverty, "grow faster" or even "continue to grow fast" are more expressions

of hope than actionable policy recommendations. During the 1980s and 1990s, economists spent a lot of time running cross-country growth regressions, a type of analysis aimed at predicting growth rates based on a number of variables. Researchers would plug in data—on education, investment, corruption, inequality, culture, distance to the sea, and so on—in an effort to discover which factors helped or hurt growth. The hope was to find a few levers that could be pulled to raise growth.

There were two problems with this search. First, as the economist William Easterly has shown, growth rates for the same country can change drastically from decade to decade without much apparent change in anything else. In the 1960s and 1970s, Brazil was a global front-runner in growth; starting around 1980, it essentially stopped growing for two decades (before growing again and then stopping again). In 1988, Robert Lucas, one of the founders of modern macroeconomics, published an article in which he wondered why India was such a laggard and wished it would become a fast grower, like Egypt or Indonesia. As fate would have it, India's economy was just beginning a 30-year period of fast growth, while Egypt's and Indonesia's were starting to fall behind. Bangladesh, widely derided as a basket case shortly after its founding in 1971, saw its economy grow at five percent or more for most years between 1990 and 2015, and in 2016, 2017, and 2018, Bangladesh's growth exceeded seven percent—making it among the 20 fastest-growing economies in the world. In all these cases, growth came or went without some obvious reason.

Second, at a more fundamental level, these efforts to discover what causes

growth make little sense. Almost every variable for a given country is partly a product of something else. Take education, one factor positively correlated with growth. Education is partly a function of a government's effectiveness at running and funding schools. But a government that is good at doing that is probably good at other things, as well—say, building roads. If growth is higher in countries with better educational systems, should the schools that educate the workforce get credit, or the roads that make trade easier? Or is something else responsible? Further muddying the picture, it is likely that people feel more committed to educating their children when the economy is doing well—so perhaps growth causes education, and not just the other way around. Trying to tease out single factors that lead to growth is a fool's errand. So, by extension, is coming up with corresponding policy recommendations.

What, then, are policymakers left with? There are some things clearly worth avoiding: hyperinflation; extremely overvalued fixed exchange rates; communism in its Soviet, Maoist, or North Korean varieties; the kind of total government chokehold on private enterprise that India had in the 1970s, with state ownership of everything from shipyards to shoe factories. But this is not particularly helpful advice today, given that hardly anyone is reaching for such extreme options anymore.

What most developing countries want to know is not whether they should nationalize all private industry overnight but whether they should emulate China's economic model. Although China is very much a market economy, the country's approach to capitalism

differs greatly from the classic Anglo-Saxon model, characterized by low taxes and few regulations, and even from its European variant, with a greater role for the state. In China, the state, at both the national and local levels, plays an outsized role in the allocation of land, capital, and even labor. Other economies in East Asia have also deviated from the traditional capitalist model and experienced decades of high growth; consider Japan, South Korea, and Taiwan, all places where the government initially pursued an active industrial policy.

All these economies achieved spectacular success after pursuing unconventional policies. The question is whether they did so because of their choices or in spite of them. Did East Asia just luck out, or is there a lesson to be learned from its success? The economies there were also devastated by World War II, so the fast growth might in part have been a function of mere recovery. Moreover, what elements of the Chinese experience are countries supposed to emulate? Should they start with Deng Xiaoping's China, a dirt-poor economy with comparatively excellent education and health care and a very flat income distribution? Or with the Cultural Revolution, an attempt to wipe out the advantages of the elites and place everyone on an even playing field? Or with the preceding 4,000 years of Chinese history? Those who herald the experience of the East Asian economies to prove the virtue of one approach or the other are dreaming: there is no way to prove any such thing.

There simply is no accepted recipe for how to make poor countries achieve permanently high growth. Even the experts seem to have accepted this. In 2006, the World Bank asked the econo-

mist Michael Spence to lead a commission on economic growth. In its final report, the group recognized that there are no general principles for growth and that no two instances of economic expansion are quite alike. Easterly described their efforts in less charitable terms: "After two years of work by the commission of 21 world leaders and experts, an 11-member working group, 300 academic experts, 12 workshops, 13 consultations, and a budget of \$4m, the experts' answer to the question of how to attain high growth was roughly: we do not know, but trust experts to figure it out."

THE LOW-HANGING FRUIT

Economists did learn something, however, from the back-and-forth about the sources of growth. In particular, they came to understand that transitions are an important yet underemphasized part of the growth story. One of the central tenets of traditional growth theory was that transitions were unimportant, because market forces ensured that resources were smoothly and speedily delivered to their most productive use. The most fertile plots of land should be farmed most intensively. The best workers should end up at the most profitable companies. Investors should entrust their capital to the most promising entrepreneurs.

But this assumption is often false. In a given economy, productive and nonproductive firms coexist, and resources do not always flow to their best use. This is particularly true in developing countries, where many markets, such as those for credit, land, or labor, function poorly. The problem is often not so much that talent, technology, and capital are not available but that the economy does not appear to put them

to their best use. Some companies have more employees than they need, while others are unable to hire. Some firms use the latest technology, while others never do. Some entrepreneurs with great ideas may not be able to finance them, while others who are not particularly talented continue operating. This is what economists call “misallocation.”

Misallocation saps growth, which means that reallocation can improve it. In recent years, economists have tried to quantify just how much growth could come from moving resources to their best uses. Chang-Tai Hsieh and Peter Klenow, for example, found that merely reallocating factors within certain industries, while holding capital and labor constant, could increase productivity in China by 30–50 percent and in India by 40–60 percent. If reallocation took place across a broader swath of the economy, the payoff would be even larger.

In other words, it is possible to spur growth just by reallocating existing resources to more appropriate uses. If a country starts off with its resources very poorly used, as did China before Deng or India in its days of extreme dirigisme, then the first benefits of reform may come from simply harnessing so many poorly used resources. There are many ways to improve allocation, from the moves away from collectivized agriculture that China made under Deng to the efforts India made in the 1990s to speed the resolution of debt disputes and thus make credit markets more efficient.

But the flip side to this is that at a certain point, the gains start to diminish. Many developing economies are now reaching this point. They and the rest of the world will have to come to

terms with an uncomfortable truth: the era of breathtaking growth is likely coming to an end.

Consider China’s trajectory. By now, the country has gotten rid of its most blatant forms of misallocation. Wisely, it plowed back the gains from the resulting growth in new investment, and as output grew, it sold that output abroad, benefiting from the world’s seemingly endless hunger for exports. But that strategy has largely run its course, too: now that China is the largest exporter in the world, it cannot possibly continue to grow its exports much faster than the world economy is growing.

China might still eventually catch up with U.S. output in per capita terms, but its slowing growth means that it will take a long time. If Chinese growth falls to five percent per year, which is not implausible, and stays there, which is perhaps optimistic, and if U.S. growth continues to hover around 1.5 percent, then it will take at least 35 years for China to catch up with the United States in terms of per capita income. In the meantime, it makes sense for Chinese authorities to accept that fast growth is temporary, as they appear to be doing. In 2014, Chinese President Xi Jinping spoke about adjusting to “the new normal” of slower growth. Many interpreted this to mean that although the days of double-digit annual growth were behind it, the Chinese economy would still expand at seven percent per year for the foreseeable future. But even that may be too optimistic. The International Monetary Fund projects that China’s growth will fall to 5.5 percent by 2024.

A similar story is playing out in India. Beginning around 2002, the country’s manufacturing sector saw sharp improve-

ments in resource allocation. Plants swiftly upgraded their technology, and capital increasingly flowed to the best firms within each industry. Because the improvements appeared to be unrelated to any change in policy, some economists spoke of “India’s mysterious manufacturing miracle.” But it was no miracle—just a modest improvement from a dismal starting point. One can imagine various explanations for the upswing. Perhaps there was a generational shift, as control of companies passed from parents to their children, many of whom had been educated abroad and were often more ambitious and savvy about technology and world markets. Or perhaps it was the effect of the accumulation of modest profits, which eventually made it possible to pay for the shift to bigger and better plants. Regardless of the precise cause, India’s economic rise is best understood as the result of correcting misallocation: the type of growth that can come from picking low-hanging fruit.

That kind of growth cannot go on forever. As the economy sheds its worst plants and firms, the space for further improvement naturally shrinks. Today, India seems to be facing the prospect of a steep deceleration. The International Monetary Fund, the Asian Development Bank, and the Organization for Economic Cooperation and Development have all downgraded their growth estimates for India for 2019–20 to around six percent. Others have suggested that India’s economy may have already slowed: Arvind Subramanian, New Delhi’s chief economic adviser from 2014 to 2018, has argued that official estimates have overstated the country’s growth by as much as 2.5 percentage points in recent years. Growth in India could recover, but

at some point, it will slow for good. Indeed, it is possible that India could get stuck in the dreaded “middle-income trap,” whereby fast-growing economies start to stall. It would not be alone: according to the World Bank, of 101 middle-income economies in 1960, only 13 had become high income by 2008.

Unfortunately, just as economists don’t know much about how to make growth happen, they know very little about why some countries, such as Mexico, get stuck in the middle-income trap and why some, such as South Korea, don’t. One very real danger is that in trying to hold on to fast growth, countries facing sharply slowing growth will veer toward policies that hurt the poor now in the name of future growth. In a bid to preserve growth, many countries have interpreted the prescription to be business friendly as a license to enact all kinds of anti-poor, pro-rich policies, such as tax cuts for the rich and bailouts for corporations.

Such was the thinking in the United States under President Ronald Reagan and in the United Kingdom under Prime Minister Margaret Thatcher. If the experience of those two countries is any guide, however, asking the poor to tighten their belts in the hope that giveaways to the rich will eventually trickle down does nothing for growth and even less for the poor: in both, growth hardly picked up at all, but inequality skyrocketed. Globally, the one group that did even better than the poorest 50 percent between 1980 and 2016 was the top one percent—the rich in the already rich countries, plus an increasing number of superrich in the developing world—who captured an astounding 27 percent of total growth during that time. The 49 percent of people below them,

which includes almost everybody in the United States and Europe, lost out, and their incomes stagnated throughout that period.

The explosion of inequality in economies that are no longer growing is bad news for future growth. The political backlash leads to the election of populist leaders touting miracle solutions that rarely work—and often lead to Venezuela-style disasters. In rich countries, the consequences are already visible, from the rising trade barriers in the United States to the mayhem of Brexit in the United Kingdom. Even the International Monetary Fund, once a bastion of growth-first orthodoxy, has come to recognize that sacrificing the poor to promote growth is bad policy. It now requires its country teams to take inequality into consideration when giving advice.

EYES ON THE PRIZE

Growth is likely to slow, at least in China and India, and there may be very little that anyone can do about it. It may well pick up in other countries, but no one can forecast where or why. The good news is that even in the absence of growth, there are ways to improve other indicators of progress. What policymakers need to remember is that GDP is a means to an end, not an end in itself. It is a useful means, no doubt, especially when it creates jobs or raises wages or increases budgets so that the government can redistribute more. But the ultimate goal remains improving quality of life, especially for those who are the worst off.

Quality of life means more than just consumption. Although better lives are indeed partly about being able to consume more, most human beings, even the very poor, care about more than that. They

want to feel worthy and respected, keep their parents healthy, educate their children, have their voices heard, and follow their dreams. A higher GDP may help the poor achieve many of those things, but it is only one way of doing so, and it is not always the best one. In fact, quality of life varies enormously between countries with similar income levels: for example, Sri Lanka has more or less the same GDP per capita as Guatemala but far lower maternal, infant, and child mortality rates.

Such disparities should not be so surprising. Looking back, it is clear that many of the important successes of the last few decades were the result not of economic growth but of a direct focus on improving particular outcomes, even in countries that were and have remained very poor. The under-five mortality rate, for example, has fallen drastically across the world, even in some very poor countries whose economies have not grown particularly fast. Credit goes mostly to policymakers' focus on newborn care, vaccination, and malaria prevention. The same approach can and should be applied to any of the other factors that improve quality of life, be it education, skills, entrepreneurship, or health. The focus should be identifying the key problems and figuring out how to solve them.

This is patient work: spending money by itself does not necessarily deliver real education or good health. But unlike with growth, experts actually know how to make progress. One big advantage of focusing on clearly defined interventions is that these policies have measurable objectives and therefore can be directly evaluated. Researchers can experiment with them, abandon the ones that don't work, and improve the ones that do.

This is what we have spent a good part of our careers doing and what hundreds of researchers and policymakers now routinely do with the help of such organizations as the Abdul Latif Jameel Poverty Action Lab, or J-PAL (the network we started at MIT), and Innovations for Poverty Action, a group founded by the economist Dean Karlan.

So although no one knows how to transform Kenya into South Korea, thanks to the work of Jessica Cohen and Pascaline Dupas, we do know, for example, that the massive distribution of free insecticide-treated bed nets is the most effective way to fight malaria. In a series of randomized trials, these researchers found that charging people for bed nets, which was once thought to make the nets more likely to be used, in fact decreased their use—evidence that eventually convinced major development organizations to abandon fees. Between 2014 and 2016, a total of 582 million insecticide-treated mosquito nets were delivered globally. Of these, 75 percent were given out through mass distribution campaigns of free bed nets, saving tens of millions of lives.

BEYOND GROWTH

The bottom line is that the true ingredients of persistent economic growth remain mysterious. But there is much that can be done to get rid of the most egregious sources of waste in poor countries' economies and of suffering among their people. Children who die of preventable diseases, schools where teachers do not show up, court systems that take forever to adjudicate cases—all no doubt undercut productivity and make life miserable. Fixes to such problems may not propel countries to permanently

faster growth, but they could dramatically improve the welfare of their citizens.

Moreover, although no one knows when the growth locomotive will start in a given country, if and when it does, the poor will be more likely to hop on the train if they are in decent health, can read and write, and can think beyond their immediate circumstances. It may not be an accident that many of the winners of globalization have been communist countries that invested heavily in the human capital of their populations for ideological reasons (such as China and Vietnam) or places that pursued similar policies because they were threatened by communism (such as South Korea and Taiwan).

The best bet, therefore, for a developing country such as India is to attempt to raise living standards with the resources it already has: investing in education and health care, improving the functioning of the courts and banks, and building better roads and more livable cities. The same logic holds for policymakers in rich countries, who should invest directly in raising living standards in poorer countries. In the absence of a magic potion for development, the best way to profoundly transform millions of lives is not to try in vain to boost growth. It is to focus squarely on the thing that growth is supposed to improve: the well-being of the poor. 🌍

The Starving State

Why Capitalism's Salvation Depends on Taxation

Joseph E. Stiglitz, Todd N. Tucker, and Gabriel Zucman

For millennia, markets have not flourished without the help of the state. Without regulations and government support, the nineteenth-century English cloth-makers and Portuguese winemakers whom the economist David Ricardo made famous in his theory of comparative advantage would have never attained the scale necessary to drive international trade. Most economists rightly emphasize the role of the state in providing public goods and correcting market failures, but they often neglect the history of how markets came into being in the first place. The invisible hand of the market depended on the heavier hand of the state.

The state requires something simple to perform its multiple roles: revenue. It takes money to build roads and ports, to provide education for the young and health care for the sick, to finance the basic research that is the wellspring of all progress, and to staff the bureaucracies that keep societies and economies in

motion. No successful market can survive without the underpinnings of a strong, functioning state.

That simple truth is being forgotten today. In the United States, total tax revenues paid to all levels of government shrank by close to four percent of national income over the last two decades, from about 32 percent in 1999 to approximately 28 percent today, a decline unique in modern history among wealthy nations. The direct consequences of this shift are clear: crumbling infrastructure, a slowing pace of innovation, a diminishing rate of growth, booming inequality, shorter life expectancy, and a sense of despair among large parts of the population. These consequences add up to something much larger: a threat to the sustainability of democracy and the global market economy.

This drop in the government's share of national income is in part the result of conscious choices. In recent decades, lawmakers in Washington—and, to a somewhat lesser extent, in many other Western countries—have embraced a form of fundamentalism, according to which taxes are a hindrance to economic growth. Meanwhile, the rise of international tax competition and the growth of a global tax-avoidance industry have put additional downward pressure on revenues. Today, multinationals shift close to 40 percent of their profits to low-tax countries around the world. Over the last 20 years, according to the economist Brad Setser, U.S. firms have reported growth in profits only in a small number of low-tax jurisdictions; their reported profits in most of the world's major markets have not gone up significantly—a measure of how cleverly these firms

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shift capital to avoid taxes. Apple, for example, has demonstrated as much inventiveness in tax avoidance as it has in its technical engineering; in Ireland, the technology giant has paid a miniscule annual tax rate as low as 0.005 percent in some years.

It is not just corporations that engage in tax avoidance; among the superrich, dodging taxes is a competitive sport. An estimated eight percent of the world's household financial wealth is hidden in tax havens. Jurisdictions such as the Cayman Islands, Panama, and Switzerland have structured their economies around the goal of helping the world's rich hide their assets from their home governments. Even in places that don't show up on international watch lists—including U.S. states such as Delaware, Florida, and Nevada—banking and corporate secrecy enable people and firms to evade taxes, regulation, and public accountability.

Unchecked, these developments will concentrate wealth among a smaller and smaller number of people, while hollowing out the state institutions that provide public services to all. The result will be not just increased inequality within societies but also a crisis and breakdown in the very structure of capitalism, in the ability of markets to function and distribute their benefits broadly.

A WORLD FOR PLUTOCRATS

The parlous state of affairs today stems from policy choices that allowed elites to limit the reach of governments, including their ability to implement taxes. In the United States, the Supreme Court has at various times played the role of guardian of plutocratic privilege, making legally dubious rulings against a direct income tax in 1895 and early

New Deal policies in the 1930s. At the state level, an emphasis on sales taxes over property taxes shifted the burden disproportionately onto the poor and people of color, while sheltering wealthier white households. Despite these obstacles, the United States succeeded in implementing one of the world's most progressive tax systems from the 1930s to the late 1970s, with top marginal income tax rates exceeding 90 percent, top estate tax rates nearing 80 percent, and effective tax rates on the very wealthy of about 60 percent at the middle of the century. But the administration of President Ronald Reagan dismantled this system, slashing the top marginal income tax rate to 28 percent in 1986, at the time the lowest among industrialized countries. There was a brief moment in 2010 when the estate tax was phased out completely under the terms of President George W. Bush's 2001 and 2003 tax cuts (those cuts were repealed in 2011, and the estate tax was reinstated).

The Bush administration broke with historical norms by starting a war in 2003 at the same time as it lowered taxes on the rich. It slashed top marginal rates, especially on those earning income from capital, while launching a calamitous war in Iraq that is estimated to have cost the United States upward of \$3 trillion. In 2017, the Trump administration pushed this trend still further, not only lowering top marginal tax rates and corporate taxes but also creating so-called opportunity zone schemes that allow the wealthy to avoid capital gains taxes by investing in poor neighborhoods. In practice, however, real estate developers have used the new tax incentives to build luxury condos and yoga studios in affluent communities that are adjacent to—and

even included in—the opportunity zones.

Over the last four decades, new loopholes, the rise of a cottage industry of advisers eager to help firms avoid taxes, and the spread of a corporate culture of tax avoidance have led to a situation in which a number of major U.S. companies pay no corporate taxes at all. This phenomenon is hardly unique to the United States. Many governments around the world have made their tax systems less progressive, all in the context of rising inequality. This process has been driven by reductions in the taxation of capital, including the fall of corporate taxes. The global average corporate income tax rate fell from 49 percent in 1985 to 24 percent in 2018. Today, according to the latest available estimates, corporations around the world shift more than \$650 billion in profits each year (close to 40 percent of the profits they make outside the countries where they are headquartered) to tax havens, primarily Bermuda, Ireland, Luxembourg, Singapore, and a number of Caribbean islands.

Much of the blame lies with the existing transfer price system, which governs the taxation of goods and services sold between individual parts of multinational companies. This system was invented in the 1920s and has barely changed since then. It leaves important determinations (such as where to record profits) to companies themselves (regardless of where the profit-making activity took place), since the system was designed to manage the flows of manufactured goods that defined the global economy in the 1920s, when most trade occurred between separate firms; it was not designed for the modern world of trade

in services, a world in which most trade takes place between subsidiaries of corporations. When one of us (Stiglitz) chaired the Council of Economic Advisers, in the 1990s, under President Bill Clinton, he waged a quiet but unsuccessful campaign to change the global system to the kind used within the United States to allocate profits between states (this arrangement is known as “formulary apportionment,” whereby, for the purpose of assessing a company’s tax, profits are assigned to a given state based on the share of the firm’s sales, employment, and capital within that state). Entrenched corporate interests defended the status quo and got their way. Since then, intensifying globalization has only further encouraged the use of the transfer price system for tax dodging, compounding the problems posed by the flight of capital to tax havens.

Nowhere is tax avoidance more striking than in the technology sector. The richest companies in the world, owned by the richest people in the world, pay hardly any taxes. Technology companies are allowed to shift billions of dollars of profits to places such as Jersey, one of the Channel Islands, where the corporate tax rate is zero, with complete impunity. Some countries, including France and the United Kingdom, have attempted to impose a tax on some of the revenues the technology giants generate in their jurisdictions. But France’s small, three percent tax, for example, has only reinforced the need for a new global agreement, for the tax does not go far enough; it targets only the digital sector, even though profit shifting is rampant across the board, including in the pharmaceutical, financial services, and manufacturing industries.

HOW THE RICHEST GET RICHER

Many policymakers, economists, corporate tycoons, and titans of finance insist that taxes are antithetical to growth. Opponents of tax increases claim that firms will reinvest more of their profits when less gets siphoned off by the government. In this view, corporate investment is the engine of growth: business expansion creates jobs and raises wages, to the ultimate benefit of workers. In the real world, however, there is no observable correlation between capital taxation and capital accumulation. From 1913 to the 1980s, the saving and investment rates in the United States have fluctuated but have usually hovered around ten percent of national income. After the tax cuts in the 1980s, under the Reagan administration, capital taxation collapsed, but rates of saving and investment also declined.

The 2017 tax cut illustrates this dynamic. Instead of boosting annual wages by \$4,000 per family, encouraging corporate investment, and driving a surge of sustained economic growth, as its proponents promised it would, the cut led to miniscule increases in wages, a couple of quarters of increased growth, and, instead of investment, a \$1 trillion boom in stock buybacks, which produced only a windfall for the rich shareholders already at the top of the income pyramid. The public, of course, is paying for the bonanza: the United States is experiencing its first \$1 trillion deficit.

Lower taxes on capital have one main consequence: the rich, who derive most of their income from existing capital, get to accumulate more wealth. In the United States, the share of wealth owned by the richest one percent of the adult population has exploded,

from 22 percent in the late 1970s to 37 percent in 2018. Conversely, over the same period, the wealth share of the bottom 90 percent of adults declined from 40 percent to 27 percent. Since 1980, what the bottom 90 percent has lost, the top one percent has gained.

This spiraling inequality is bad for the economy. For starters, inequality weakens demand: the bulk of the population has less money to spend, and the rich don't tend to direct their new income gains to the purchase of goods and services from the rest of the economy; instead, they hoard their wealth in offshore tax havens or in pricey art that sits in storage bins. Economic growth slows because less money overall is spent in the economy. In the meantime, inequality is passed down from generation to generation, giving the children of the wealthy a better shot at getting into the top schools and living in the best neighborhoods, perpetuating a cycle of ever-deeper division between the haves and the have-nots.

Inequality also distorts democracy. In the United States especially, millionaires and billionaires have disproportionate access to political campaigns, elected officials, and the policymaking process. Economic elites are almost always the winners of any legislative or regulatory battle in which their interests might conflict with those of the middle class or the poor. The oil magnates the Koch brothers and other right-wing financiers have successfully built political machines to take over state houses and push anti-spending and anti-union laws that exacerbate inequality. Even rich individuals who are seen as more politically moderate—technology executives, for instance—

tend to focus their political efforts on narrow technocratic issues rather than the distributional conflicts that define today's politics.

MAKE THEM PAY

Nothing less than a bold new regime of domestic and international taxes will save wealthy democracies and economies from the distortions and dangers of rampant inequality. The first order of business should be establishing a fiscal system that generates the tax revenue required for a twenty-first-century economy—an amount that will need to be even higher than those prevalent in the middle of the twentieth century, the period of the fastest economic growth in the United States and in which prosperity was more evenly shared. In today's innovative economy, governments will need to spend more on basic research and education (12 years of schooling might have sufficed in 1950, but not today). In today's urbanized society, governments need to spend more on expensive urban infrastructure. In today's service economy, governments need to spend more on health care and caring for the aged, areas in which the state has naturally played a central role. In today's dynamic and ever-changing economy, governments will have to spend more to help individuals cope better with the inevitable dislocations of economic transformation. Addressing the existential problem of climate change will also require large amounts of investment in green infrastructure.

With more and more income going to the very wealthy and to corporations, only a far more progressive tax code will provide the necessary level of revenue. There is no reason that the

salaries of workers should be taxed at a higher rate than capital. Plumbers, carpenters, and autoworkers should not pay a higher rate than private-equity managers; mom-and-pop retailers should not pay a higher rate than the world's richest corporations.

The next step would be to eliminate special provisions that exempt dividends, capital gains, carried interest, real estate, and other forms of wealth from taxation. Today, when assets are passed on from one generation to another, the underlying capital gains escape taxation altogether; as a consequence, many wealthy individuals manage to avoid paying capital gains taxes on their assets. It is as if the tax code were designed to create an inherited plutocracy, not to create a world with equality of opportunity. Without increasing tax rates, eliminating these special provisions for the owners of capital—making them pay the same rate as workers—would generate trillions of dollars over the next ten years.

Another improvement would be a wealth tax, such as the one recently proposed by Elizabeth Warren, the Democratic U.S. senator from Massachusetts who is currently running for president. She has proposed a tax of two percent on wealth above \$50 million and six percent on wealth above \$1 billion. Such a tax could raise nearly \$3.6 trillion over the next decade. It would be paid by the 75,000 richest American families—less than 0.1 percent of the population.

To curb the evasion of income and wealth taxes, countries will have to cooperate much more with one another. Instead of allowing rich people and corporations to hide their assets through elaborate offshore trusts and other legal vehicles, countries must

create a global wealth registry that records the ultimate owners of all assets. The United States could start by drawing on the comprehensive information that already exists within private financial institutions such as the Depository Trust Company. The European Union could easily do the same, and these registries could eventually be merged.

Governments would also have to tax corporations chartered in their jurisdictions on their global income and not allow them to shift money to low-tax jurisdictions through the use of subsidiaries or other means. Instead of effectively letting firms self-declare the national provenance of their profits, governments should attribute taxable corporate income to places through formulary apportionment. Under this system, Apple could not get away with its profit-shifting gimmicks. Finally, a global minimum tax should be instituted to set a floor on how low would-be tax havens could drop their rates.

Once these new rules are in place, they will need adequate enforcement—as will the tax laws already on the books. The Internal Revenue Service has been devastated in recent years, losing thousands of employees between 2010 and 2016, a trend that has only gotten worse in the Trump era. The agency needs to add thousands of employees, offer them competitive salaries, and upgrade its outdated information technology systems.

At the international level, policymakers have to find the right mode of cooperation that will produce the best and most rigorous enforcement of tax collection. One option would require the biggest developed economies (the United States and western European countries) to move first, demanding that

firms that trade in their markets follow the new rules and using diplomatic pressure to get other countries to adopt a similar system (which would benefit them through the collection of tax revenue they cannot tap now). There is a substantial debate raging over whether the world needs new trade agreements after decades of trade liberalization have boosted inequality within countries; regardless, it would make sense to condition the signing of any new trade deals on adherence to stricter rules on tax cooperation. There may be room for a multilateral approach—for instance, by turning the currently beleaguered World Trade Organization into a body that could help with tax enforcement and other matters of international cooperation, such as climate change. Substantial changes would be needed to the culture and personnel of the WTO to make that happen. Whichever path governments choose, it is important to recognize that there is an alternative to neoliberal trade policy. Instead of a model that limits the ability of sovereign states to guard against the flight of capital and tax avoidance, governments can build a model of trade that supports tax justice.

In the United States, most of these reforms could be achieved within the existing constraints of the U.S. Constitution. There is a debate about the wealth tax, which conservatives have claimed would run up against constitutional strictures on direct taxation; many historians and legal scholars dispute this conservative objection. Some critics might also allege that these proposals are too extreme, claiming that they will discourage investment, hurt the economy, and slow down growth. Nothing could

be further from the truth. In fact, what is truly extreme is the experiment in taxation that began during the Reagan era, when tax rates on the rich and corporations began their dramatic descent. The results have been clear: slow growth, high deficits, and unprecedented inequality.

REVIVING THE STATE

These enormous problems have created demands for even more extensive reforms. As younger voters tilt further to the left, delaying an overhaul of the current tax regime and continuing to strip revenue from the state may give rise to policy changes that are far more radical than those outlined here. A more chilling threat might come from the right: time and again, authoritarians and nationalists have proved adept at channeling public anger over inequality and exploiting it for their own ends.

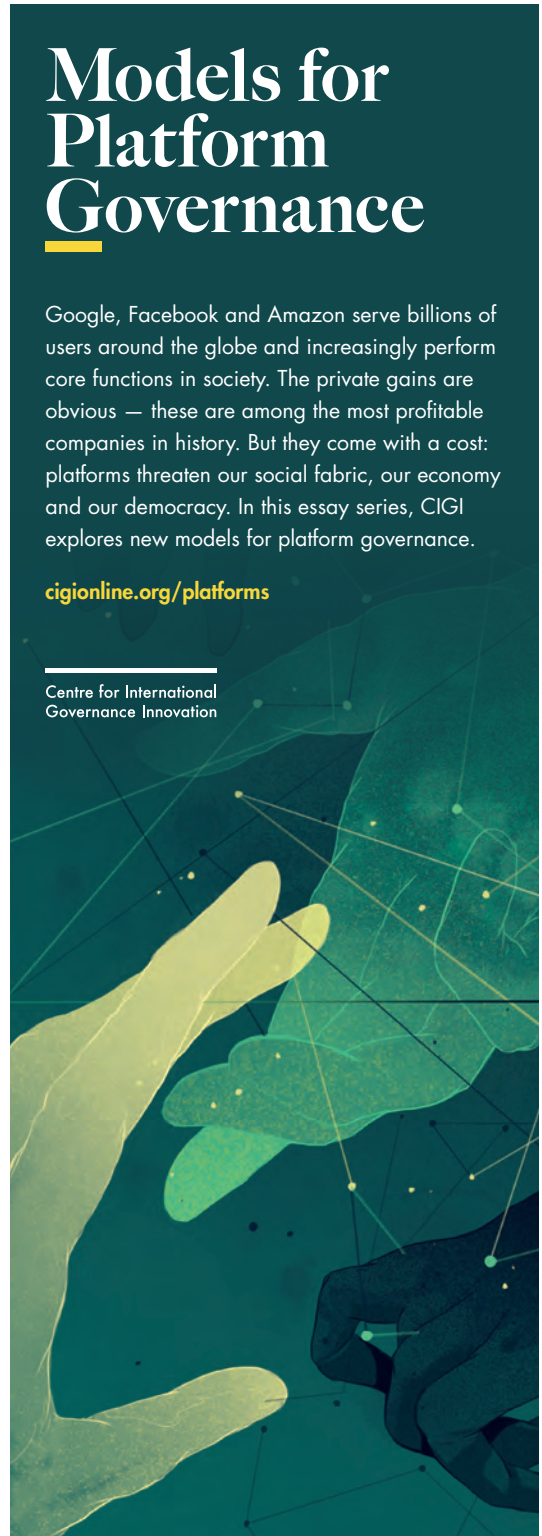
By eating up the state, capitalism eats itself. For centuries, markets have relied on strong states to guarantee security, standardize measures and currencies, build and maintain infrastructure, and prosecute bad actors who attain their wealth by exploiting others in one way or another. States lay the basis for the healthy, educated populations that can participate in and contribute to the successful flourishing of markets. Allowing states to collect their fair share of revenue in the form of taxes will not usher in a dystopian era of oppressive government. Instead, strengthening the state will return capitalism to a better path, toward a future in which markets function in the interests of the societies that produce them, and in which the benefits of economic activity will not be restricted to a vanishingly small elite. 🌐

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The Neoliberal Collapse

Markets Are Not the Answer

Miatta Fahnbulleh

Capitalism is in crisis. Until recently, that conviction was confined to the left. Today, however, it has gained traction across the political spectrum in advanced economies. Economists, policymakers, and ordinary people have increasingly come to see that neoliberalism—a creed built on faith in free markets, deregulation, and small government, and that has dominated societies for the last 40 years—has reached its limit.

This crisis has been long in the making but was brought into sharp focus in the aftermath of the global financial meltdown of 2007–8 and the global recession that followed it. In the developed countries of the Organization for Economic Cooperation and Development, economic growth over the last decade ceased to benefit most people. At the end of 2017, nominal wage growth among OECD members was only half what it was a decade earlier. More than one in three people in the OECD countries are estimated to be economically vulnerable, meaning they lack the means to maintain a living standard at or above the poverty level for at least three months. Meanwhile, in those

countries, income inequality is higher than at any time in the past half century: the richest ten percent hold almost half of total wealth, and the bottom 40 percent hold just three percent.

Defenders of neoliberalism frequently point out that although decades of wage stagnation and wealth concentration have led to ballooning inequality in developed countries, the same time period has seen a dramatic increase in prosperity on a global scale. Over a billion people, they argue, have been lifted out of extreme poverty owing to technological advances, investments, and prosperity that were made possible by the spread of free markets. However, this argument fails to account for the critical role that governments have played in that change through the provision of education, health care, and employment. Such state interventions have arguably been as decisive as the invisible hand of the market in lifting living standards. This defense also ignores the fact that despite many gains in prosperity, massive wealth concentration and staggering inequality continue to shape the global economy: less than one percent of the world's population owns 46 percent of the world's wealth, and the poorest 70 percent own less than three percent.

Inequality has always been a feature of capitalist societies, and people have been willing to tolerate it as long as they felt that their quality of life was improving, their opportunities were expanding, and their children could expect to do even better than them—that is, as long as all the proverbial boats were rising. When that stopped happening in recent decades, it fed a growing perception that the system is unfair and is not working in the interest of the majority of

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people. Pent-up frustration has led to a clamor for change—including a new receptivity to socialist ideals that have long been sidelined or even considered taboo. In the United Kingdom, for example, 53 percent of people recently polled said they believed that the economy has become more unfair over the last decade. Eighty-three percent said they felt that the economy worked well for the wealthy, but only ten percent said that it worked for people born into poor families. And ideas such as restoring public ownership of the essential utilities that were privatized in recent decades, such as railways, electrical services, and water companies, are gaining traction, with over 75 percent of people polled supporting such a step. Meanwhile, in the United States, a 2018 Gallup poll found that among Americans aged 18 to 29, socialism had a higher approval rating (51 percent) than capitalism (45 percent). “This represents a 12-point decline in young adults’ positive views of capitalism in just the past two years,” Gallup noted, “and a marked shift since 2010, when 68 percent viewed it positively.”

A mere revival of the social democratic agenda of the postwar era, however, would not be sufficient. For one thing, that period’s emphasis on central authority and state ownership runs counter to the widespread demand in developed economies for more local and collective control of resources. Perhaps more important, however, is the need to confront a challenge that postwar social democratic models did not have to take into account: the threat posed by climate change and catastrophic environmental degradation. After all, neoliberalism is not just failing people: it’s failing the earth. Owing in no small

part to the massive levels of consumption and fossil fuel use required by an economic model that prioritizes growth above all else, climate change now imperils the future of human existence. Last year, the Intergovernmental Panel on Climate Change concluded that the world has barely over a decade to halve carbon emissions if humanity is to have any chance of limiting the increase in average global temperatures to 1.5 degrees Celsius above preindustrial levels—a point past which the damage to human and natural systems would be devastating and largely irreversible.

Just like the economic breakdown that has chipped away at people’s quality of life, environmental decline is rooted in the crisis of capitalism. And both challenges can be addressed by embracing an alternative economic model, one that responds to a hunger for genuine reform by adapting socialist ideals to the contemporary era. A new economic model must prioritize a thriving and healthy natural environment. It must deliver improvements in well-being and guarantee all citizens a decent quality of life. It must be built by businesses that plan for the long term, seek to serve a social purpose beyond just increasing profits and shareholder value, and commit to giving their workers a voice. The new model would empower people and give them a larger stake in the economy by establishing common ownership of public goods and essential infrastructure and by encouraging the cooperative and joint ownership of private, locally administered enterprises. This calls for an active but decentralized state that would devolve power to the level of local communities and enable people to act collectively to improve their lives.

A NEW SOCIAL CONTRACT

The United Kingdom provides an interesting case study of how the crisis of capitalism is playing out. There, as in the United States, center-right and center-left governments alike have spent decades following a neoliberal recipe of tax cuts, reduced social welfare benefits, and deregulation—far more enthusiastically than most other European countries, which have stronger social democratic traditions and institutions. As a result, the neoliberal breakdown has been particularly painful in the United Kingdom, where people are on average poorer today than they were in 2008, adjusting for inflation. British household debt is higher than it was before the financial crisis, as more people borrow just to get by, and a staggering 14.3 million people live in poverty.

For many British people, the 2016 referendum on whether to leave the European Union served as an outlet for their discontent and anger at a failing system. The vote in favor of Brexit was a clear message from communities under pressure that the status quo needed to change. More than three years on, this disquiet continues to grow, opening up space for more radical changes in domestic policy—as witnessed by the Labour Party's recent embrace of ideas that would once have been considered too risky, such as the renationalization of utilities and the establishment of a state-run pharmaceutical company.

But even in the United Kingdom, political platforms have lagged behind public demands for significant change. What's needed in developed economies across the world is not tinkering around the edges but a full-scale reformation of the relationship among the state, the

economy, and local communities. The first step would be a global Green New Deal: a massive mobilization of resources to decarbonize and at the same time create millions of jobs and lift living standards. The goal should be net-zero carbon emissions within ten to 15 years, which will require governments to make significant investments in green infrastructure, such as onshore and offshore wind farms and smart energy grids; in new technologies such as carbon capture and storage; and in training workers to develop the skills they will need for the jobs a green economy will create, such as installing insulation, maintaining renewable energy systems, and reconditioning and refurbishing used goods.

Policymakers will also need to create incentives for companies to reduce their carbon use by replacing subsidies for fossil fuels with tax breaks for the use of renewables. New regulations, such as zero-carbon building standards or quotas for the use of fossil fuel energy, would help bend markets that have been slow to act in response to the climate crisis. And central banks will need to encourage financial markets to divest from fossil fuels through tougher credit guidance policies, including capping the amount of credit that can be used to support investment in carbon-intensive activities and setting quotas for the amount of finance that should flow to low-carbon investment.

To boost sluggish wages, governments should use all the levers of the state—corporate taxes, wage regulations, and subsidies—to incentivize or force businesses to pay their workers fairly. A just share of the rewards from their labor should come not only in the form of higher wages but also in reductions in



Enter stage left: the Labour Party leader Jeremy Corbyn in London, October 2019

working time, with a move to an average four-day workweek, which governments can achieve by increasing statutory holidays. At the same time, the power of workers to protect their interests should be strengthened by requiring all companies to automatically recognize labor unions and by giving workers stronger legal rights to organize, bargain collectively, and strike. Workers must also gain greater ownership of the organizations that employ them. Governments ought to mandate employee ownership funds, which transfer a share of a firm's

profits, in the form of equity, into a trust that is owned by workers collectively. Through the trust, workers would receive shares in the company, just like any shareholder. Those shares would come with voting rights, enabling employees to become the dominant shareholders in every enterprise over time, with the power to shape the direction of the businesses where they work. In the United Kingdom, a growing number of companies, including the department store chain John Lewis, the home-entertainment retailer Richer

Sounds, and the consulting firm Mott MacDonald, are already reaping the benefits of putting ownership in the hands of workers: higher productivity, better worker retention and engagement, and stronger profits.

A new social contract with citizens should extend beyond the workplace, however, with the ultimate goal being the establishment of a “well-being state” that would provide everyone with the basics necessary to maintain a decent quality of life. This would require increased investment in the staples of the welfare state, which have been weakened under neoliberal governments, such as guaranteed universal access to high-quality health care and education. But the new approach would go beyond those familiar elements by offering universal access to childcare, public transportation, and minimum income protection—that is, a floor below which no one’s income can fall irrespective of whether a person is employed. These expansions of the welfare state should be funded through progressive taxation that would raise the tax burden on those who can most afford it, by increasing the top rates for income and corporate taxes and by taxing wealth, such as capital gains, at the same level as income.

POWER TO THE PEOPLE

Top-down policies, however, will not be sufficient to spur the kind of transformation that must take place in developed countries in order to truly shake off neoliberal stagnation and decline. Those societies also must become more democratic, with power and resources distributed to regional and local governments, closer to the people in the communities they serve. This is one critical way in

which such a new economic agenda would differ from more traditional socialism, which tends to favor centralized authority and state ownership. For example, rather than relying on federal or provincial governments for everyday essentials, such as energy, affordable housing, and public transportation, municipalities should establish corporations owned by and accountable to residents to provide these services.

The Basque Country, in Spain, offers one example of what a more democratic economy might look like. There, the Mondragon Corporation, set up in 1956 by graduates of a technical college to provide employment through worker cooperatives, has grown to become one of the ten largest business groups and the fourth-largest employer in Spain, with hundreds of different companies and subsidiaries and over 75,000 workers. The cooperatives operate in a variety of sectors, including banking, consumer goods, and engineering. They are set up not merely to turn a profit but also to achieve a specific social or environmental goal. They are owned and run by the people who work for them rather than by external investors, and their governance structures ensure that members have a stake in the organizations and share in the wealth they create.

Community land trusts in the United Kingdom provide another example. Granby Four Streets, in Liverpool, and the London Community Land Trust, in the Mile End district, provide affordable housing to their local communities by buying land from the private sector and taking it into community ownership. The trust builds affordable homes that it sells or rents to local residents at dis-

counted rates. An asset lock prevents the land from being resold, which guarantees that the homes will remain affordable.

Bottom-up experiments such as these will be critical to the success of a new economic model. For those experiments to flourish, influential political figures who identify with the socialist tradition—people such as Alexandria Ocasio-Cortez and Bernie Sanders in the United States and Jeremy Corbyn in the United Kingdom—should use their platforms to draw attention to local-level activists and organizations that are working to create a more democratic economy. Meanwhile, some degree of patience will be in order: it will take time for such new thinking to produce the large-scale changes necessary. But such patience must also have a limit: when it comes to fixing the damage that neoliberalism has done, time is running out. 🌐

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The Neosocialist Delusion

Wealth Is Not the Problem

Jerry Z. Muller

We are living, so we are told, in a neosocialist moment. From politicians such as the Briton Jeremy Corbyn and the Americans Alexandria Ocasio-Cortez and Bernie Sanders leading the charge, to celebrated academics inveighing against the sins of capitalism, to the hipster chic of the *Jacobin* crowd, a growing movement on the far left is trying to revive and rehabilitate a long-dormant ideological tradition.

The movement's obsession is the pursuit of greater equality, expressed primarily through punitive leveling. Things that contribute to inequality, such as income or profit or wealth, are considered public harms that need to be controlled—by taxes, regulation, and other government policies. The consequences for other priorities, such as sustainable revenue, economic growth, technological innovation, and individual freedoms? Not part of the equation.

Capitalism has strengths and weaknesses, and critiques of it are familiar—they've circulated widely ever since market-based economic systems started gaining ground in the eighteenth century. The force of those critiques, in fact,

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has helped fuel repeated reform movements over the ages, which have collectively transformed nineteenth-century laissez faire into the mixed welfare state economies of contemporary advanced industrial democracies.

Many on the left today are fighting for more of the same—continuing to pursue what used to be called “social democracy,” using politics to control the private sector's excesses and harness its power for public benefit. That struggle is politically significant but theoretically uninteresting. The arguments for and against social democracy were worked out generations ago and still apply; take your pick.

The neosocialist movement is something different, however. Its roots lie not in social democracy but in democratic socialism, which seeks less to reform capitalism than to end it. And if its policies were ever put into practice, they would lead to disaster.

ROUSSEAU WOULD HAVE LOVED A WEALTH TAX

Concerns about the unequal consequences of free markets have a long history. In the mid-eighteenth century, thinkers such as Voltaire and David Hume regarded the spread of commerce as a boon to humanity. In place of poverty, hierarchy, and religious conflict, they argued, markets promoted prosperity, intellectual dynamism, and social peace.

Jean-Jacques Rousseau countered that humans were obsessed with their social status, and since competition for status was a zero-sum game, they were generally miserable. The gains that markets brought were distributed unequally and so increased the differences among people, making them still unhappier. In a commercial society, he claimed, “the

privileged few gorge themselves with luxuries, while the starving multitude lack the bare necessities of life.”

Adam Smith responded to Rousseau by arguing that under the right conditions, competitive markets could lead to “universal opulence”—by which he meant a respectable standard of living for everybody. That took care of the material problem, the starving multitudes lacking bare necessities. But it didn’t get rid of the psychological problem, the anxiety about comparative social status.

The neosocialists are descended from Rousseau. They downplay poverty and fetishize equality, focus on wealth distribution rather than wealth creation, and seem to care as much about lowering those at the top as raising those at the bottom.

The movement’s signature policy proposal is a wealth tax, an annual levy on household assets. Touted by economists such as Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, all associated with the Paris School of Economics, the concept has been embraced by both Sanders and Elizabeth Warren, U.S. senators from Vermont and Massachusetts, respectively, who are running for the Democratic presidential nomination. At first, Warren advocated a two percent tax on households worth more than \$50 million and a three percent tax on billionaires. Later, pressed on how she would pay for her proposed universal health insurance, she doubled the billionaire tax to six percent. Sanders’s plan starts at taxing \$16 million in assets at one percent and tops out at an eight percent tax for assets exceeding \$10 billion.

The radicalism of this approach is often underestimated. Many people conflate wealth taxes with higher income taxes or see them as mere extensions of a

similar concept. But wealth taxes are fundamentally different instruments with much broader ramifications for economic dynamism and individual liberty.

The main effect of a wealth tax would be to discourage wealthy individuals from holding demonstrable assets. Any individual or household within shouting distance of the threshold would have to get its assets valued annually, imposing costs and creating a permanent jobs program for tax lawyers and accountants, whose chief responsibility would be to figure out ways around the law, including moving assets abroad.

A wealth tax would dramatically curtail private investment. The higher people rise on the economic ladder, the more of their resources go to investment instead of consumption. Those investments, in turn, often fuel innovative, risky ventures, which get funded in the hopes that they will eventually produce still greater gains. A wealth tax would upend the incentive structure for rich people, causing many to stop funding productive economic activity and focus instead on reducing their tax exposure and hiding their assets.

Warren contends that calculating one’s wealth tax would be as easy as calculating one’s property tax, but that is ridiculous. Take a firm that has a market value but no income—a frequent situation for startups but also common for established firms in various situations, such as a turnaround. Rich investors in such firms would have to sell their shares to pay the wealth tax or force the companies to disburse cash rather than invest in the future. Either way, the tax would discourage investment, reduce innovation, and encourage short-term thinking.

A wealth tax, finally, would force everyone whose assets were near its



The heirs of Rousseau: Ocasio-Cortez and Sanders in New York City, October 2019

minimal threshold to give the government a full accounting of all those assets every year: homes, furniture, vehicles, heirlooms, bank accounts, investments and liabilities, and more. The result would be a huge expansion of the reach of government into citizens' lives, a corresponding reduction in citizens' privacy, and the accumulation and storage of vast amounts of highly sensitive data with few safeguards to prevent their misuse.

It is not only successful individuals who draw the neosocialists' ire; it is also successful companies. If a firm grows big enough to become famous, it becomes a potential target of vilification; if it grows too big, it becomes a target for destruction. Sanders, Warren, and Ocasio-Cortez, a Democratic representative from New York, accordingly, have all pledged to break up Amazon, Facebook, and Google.

Here they can draw on a venerable antimonopoly tradition in American

political culture from the trustbusters on, rooted in the assumption that the further away you move from Smith's ideal of perfect competition among many small firms, the more the public is hurt. The economist Joseph Schumpeter, however, argued that Smith had greatly underestimated both the dynamism of capitalism and the role of entrepreneurs in driving it. Capitalism's manifold benefits didn't just happen; they were created, by a relatively small group of people responsible for introducing new products, services, and business methods. Entrepreneurs sought the big profits associated with temporary monopolies and so were driven to create whole new industries they could dominate.

Large companies, Schumpeter realized, acted as engines of innovation, plowing back some of their profits into research and development and encouraging others to do the same in the hopes of becoming

an acquisition target. He would have been delighted with Silicon Valley, viewing technology giants such as Apple, Facebook, Google, and Microsoft as poster children for the enormous benefits to consumers that entrepreneurs generate.

Companies such as Amazon and Walmart, meanwhile, maintain their position through furious competition in service and price, contributing to the virtual elimination of inflation in the American economy. And yet it is precisely these dynamic, successful, customer-oriented companies that the neosocialists want to tax heavily, burden with regulations, and cut up for parts.

THE SKY IS NOT FALLING

What is the cancer that requires such deadly radiation to cure? Supposedly, that median earnings per household in the United States have stagnated for several decades and, for the lower deciles of the income distribution, even declined. The implication is that most people's standard of living has flatlined or dropped over the last two generations. But this is just not true.

The first thing to note is that statistics about income brackets don't map neatly onto individual lives, because the people inside the income brackets keep changing. Those billionaires the neosocialists want to soak are not fourth-generation patrician trust-fund babies but self-made entrepreneurs, and the lower brackets at any time include many young people and recent immigrants, who tend to move up later.

Second, the rich have indeed gotten much richer—at a higher rate than those in the middle, and with those at the bottom improving the least—and inequality has certainly increased. But that does

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not mean the nonrich haven't improved their condition, too. As a recent study by the economist Bruce Sacerdote concluded, "Meaningful growth in consumption for below median income families has occurred even in a prolonged period of increasing income inequality, increasing consumption inequality and a decreasing share of national income accruing to labor."

Beware the games that can be played with statistics. Households today, for example, are smaller than they were a generation ago, with more people living alone or with a single parent. Even if household income is stagnant, therefore, per capita income may have risen. Then there is the changing age structure of society. As more people live longer, the share of the retired elderly is increasing, and since they have less earnings, this has led to a decline in average household income. Income, moreover, should be understood to include not simply wages and salaries but also benefits. And employers have spent ever more in recent decades on the costliest of benefits, health care—money that should be considered part of earnings. Add government transfer programs, which lower incomes at the top and raise incomes and expenditures at the bottom, and the picture changes again. It is not one of dystopian immiseration.

The intellectual heirs of Smith, as opposed to those of Rousseau, are interested less in capping inequality than in raising the standard of living of the population at large—finally achieving that "universal opulence" that Smith so presciently predicted free markets could deliver. Capitalism has proved so extraordinarily fertile and dynamic in finding ways to improve living standards, in fact, that it is difficult to track them.

Schumpeterian creative destruction has changed life in ways that are literally immeasurable. As the economist Russell Roberts has noted, even objects that are nominally the same, such as televisions, have evolved so much as to be incomparable over time. An average American television in 1973 showed half a dozen channels on a screen no larger than 25 inches wide. Today, the screens are larger and better, there are hundreds of channels available, and the unit is less a television than a digital hub. Personal computers used to be science fiction. Then they became ubiquitous. Now they seem to be ancient technology compared with the even more ubiquitous and powerful smartphones that bring the interconnected digital world to anybody, anywhere. Communication today is instantaneous and cheap; shopping is easier and better informed; everybody can watch or listen to what he or she wants, when he or she wants to; and nobody ever gets lost.

At one point in *Monty Python's Life of Brian*, a revolutionary in ancient Jerusalem asks his followers, "What have the Romans ever done for us?" His audience keeps shouting answers, until the speaker finally pleads, "All right, but apart from the sanitation, the medicine, education, wine, public order, irrigation, roads, the fresh water system and public health, what have the Romans ever done for us?" ("Brought peace!" offers a final heckler.)

The neosocialists scorn billionaires and attack Big Tech, asking, "What have Amazon, Apple, Facebook, Google, Microsoft, and the rest ever done for us?" Only made possible all the modern digital wonders we increasingly take for granted. Have Bill Gates, Jeff Bezos, and the other entrepreneurs partially responsible for such blessings profited

from their success? Absolutely. But so have the rest of us, and vastly more—in improved lives, to be sure, but even as a result of their companies’ supposedly threatening corporate growth, since those companies are mostly owned by us, the broadly dispersed shareholders of their common stock.

TURNING OFF THE ENGINE

Capitalism drives economic and social dynamism, prosperity, and personal freedom but also erodes tradition and stability. It produces universal gains in the long term but inequality and volatility along the way. From Smith onward, the system’s greatest defenders have acknowledged the full range of its effects and accepted the need to address the downsides in a variety of ways, not least in order to preserve political peace and social harmony. Capitalism’s greatest critics, in turn, have always respected its awesome capacity for growth and invention, and successful progressive movements have sought to domesticate markets rather than abolish them.

That is not the game the neosocialists are playing. What is distinctive about their program is not its promises—anybody can produce impossible wish lists—but its threats. They are fundamentally uninterested in sustaining a dynamic, entrepreneurial private sector and milking its proceeds for public investment. They don’t care about the health of the geese, because their economists simply assume an endless supply of golden eggs. They abhor inequality and are out to reduce it in the simplest, most direct way possible: by lopping off the outliers at the top.

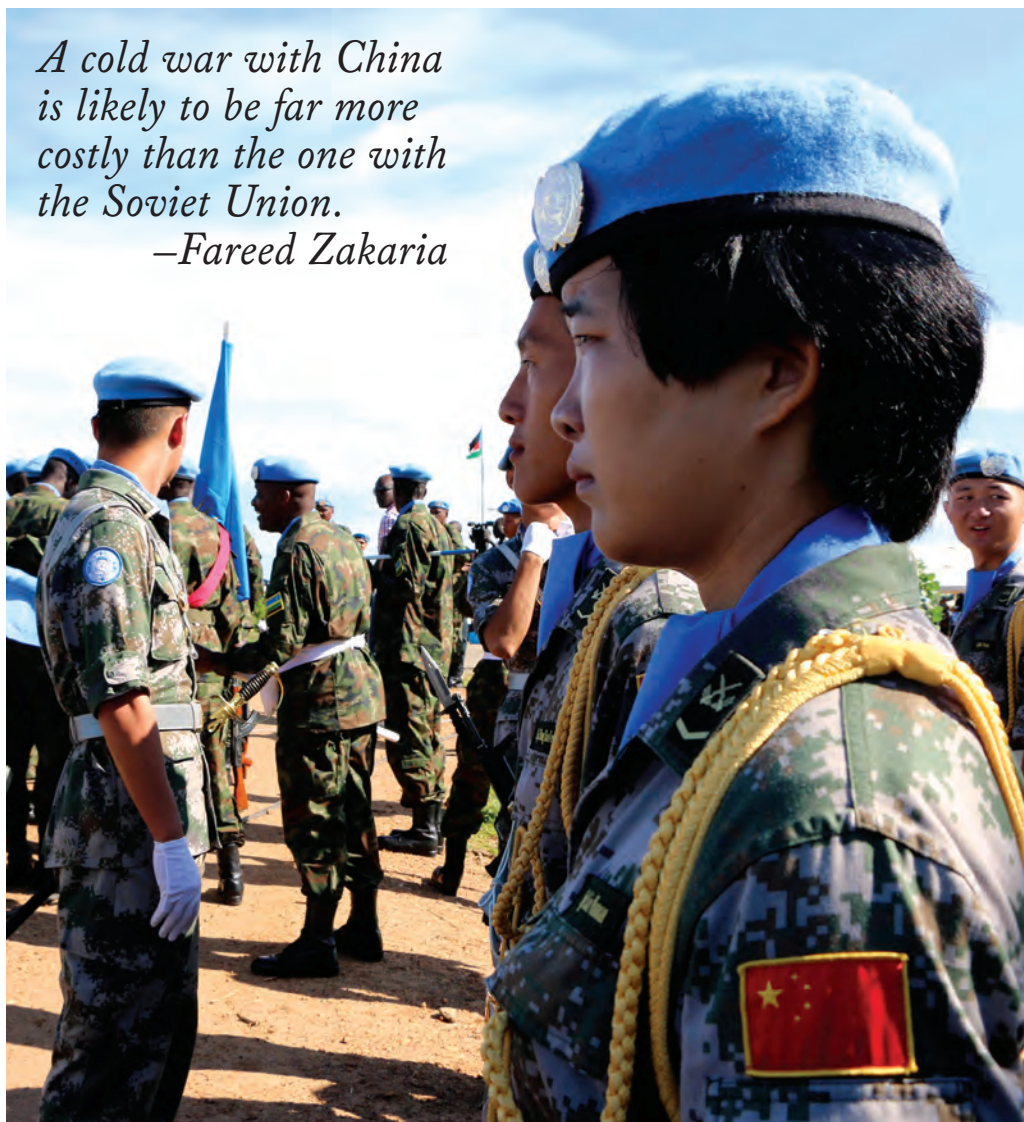
The growing popularity of this movement could not come at a worse

time, for there are indeed crucial problems on today’s agenda—climate change high among them. Dealing with these challenges will certainly require effective government policy and investment. But the bulk of the actual problem solving and practical innovation involved will inevitably come from the private sector. The war against climate change, that is, will ultimately be fought and won in large part by an army of Schumpeterian entrepreneurs large and small, deploying their mage-like powers for humanity’s collective defense. Unless the neosocialists have their way, and turn off the engines of innovation just when they are needed the most. 🌍

ESSAYS

A cold war with China is likely to be far more costly than the one with the Soviet Union.

—Fareed Zakaria



The New China Scare

Fareed Zakaria

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The New China Scare

Why America Shouldn't Panic About Its Latest Challenger

Fareed Zakaria

In February 1947, U.S. President Harry Truman huddled with his most senior foreign policy advisers, George Marshall and Dean Acheson, and a handful of congressional leaders. The topic was the administration's plan to aid the Greek government in its fight against a communist insurgency. Marshall and Acheson presented their case for the plan. Arthur Vandenberg, chair of the Senate Committee on Foreign Relations, listened closely and then offered his support with a caveat. "The only way you are going to get what you want," he reportedly told the president, "is to make a speech and scare the hell out of the country."

Over the next few months, Truman did just that. He turned the civil war in Greece into a test of the United States' ability to confront international communism. Reflecting on Truman's expansive rhetoric about aiding democracies anywhere, anytime, Acheson confessed in his memoirs that the administration had made an argument "clearer than truth."

Something similar is happening today in the American debate about China. A new consensus, encompassing both parties, the military establishment, and key elements of the media, holds that China is now a vital threat to the United States both economically and strategically, that U.S. policy toward China has failed, and that Washington needs a new, much tougher strategy to contain it. This consensus has shifted the public's stance toward an almost instinctive hostility: according to polling, 60 percent of Americans now have an unfavorable view of the People's Republic, a record high since the Pew Research Center began asking the question in 2005. But Washington elites have made their case "clearer than truth." The nature of the

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challenge from China is different from and far more complex than what the new alarmism portrays. On the single most important foreign policy issue of the next several decades, the United States is setting itself up for an expensive failure.

Let's be clear: China is a repressive regime that engages in thoroughly illiberal policies, from banning free speech to interning religious minorities. Over the last five years, it has intensified its political control and economic statism at home. Abroad, it has become a competitor and in some places a rival of the United States. But the essential strategic question for Americans today is, Do these facts make China a vital threat, and to the extent that they do, how should that threat be addressed?

The consequences of exaggerating the Soviet threat were vast: gross domestic abuses during the McCarthy era; a dangerous nuclear arms race; a long, futile, and unsuccessful war in Vietnam; and countless other military interventions in various so-called Third World countries. The consequences of not getting the Chinese challenge right today will be vaster still. The United States risks squandering the hard-won gains from four decades of engagement with China, encouraging Beijing to adopt confrontational policies of its own, and leading the world's two largest economies into a treacherous conflict of unknown scale and scope that will inevitably cause decades of instability and insecurity. A cold war with China is likely to be much longer and more costly than the one with the Soviet Union, with an uncertain outcome.

BROKEN ENGAGEMENT

Henry Kissinger has noted that the United States has entered all its major military engagements since 1945—in Korea, Vietnam, Afghanistan, and Iraq—with great enthusiasm and bipartisan support. “And then, as the war developed,” Kissinger said, “the domestic support for it began to come apart.” Soon, everyone was searching for an exit strategy.

To avoid retreading that path, the United States should take the time to examine closely the assumptions behind the new China consensus. In broad terms, they are the following. First, engagement has failed because it did not “transform China's internal development and external behavior,” as the former U.S. officials Kurt Campbell and Ely Ratner wrote in these pages in 2018. Second, Beijing's foreign policy is currently the most significant threat to U.S. interests and, by extension, to the rules-based international order that the United States cre-

ated after 1945. U.S. Secretary of State Mike Pompeo has gone much further, saying in a 2019 speech at the Hudson Institute that “the Chinese Communist party is a Marxist-Leninist party focused on struggle and international domination.” And third, a policy of active confrontation with China will better counter the threat than a continuation of the previous approach.

This bipartisan consensus has formed in response to significant and in many ways worrying changes in China. Ever since President Xi Jinping became the country’s supreme ruler, China’s economic liberalization has slowed and its political reform—limited in any case—has been reversed. Beijing now combines political repression with nationalist propaganda that harks back to the Mao era. Abroad, China is more ambitious and assertive. These shifts are real and worrying. But how should they alter U.S. policy?

Formulating an effective response requires starting with a clear understanding of the United States’ China strategy up to this point. What the new consensus misses is that in the almost five decades since U.S. President Richard Nixon’s opening to Beijing, U.S. policy toward China has never been purely one of engagement; it has been a combination of engagement and deterrence. In the late 1970s, U.S. policymakers concluded that integrating China into the global economic and political system was better than having it sit outside it, resentful and disruptive. But Washington coupled that effort with consistent support for other Asian powers—including, of course, continued arms sales to Taiwan. That approach, sometimes described as a “hedging strategy,” ensured that as China rose, its power was checked and its neighbors felt secure.

In the 1990s, with no more Soviet foe to contain, the Pentagon slashed spending, closed bases, and reduced troop numbers around the world—except in Asia. The Pentagon’s 1995 Asia-Pacific strategy, known as the Nye Initiative, warned of China’s military buildup and foreign policy ambitions and announced that the United States would not reduce its military presence in the region. Instead, at least 100,000 American troops would remain in Asia for the foreseeable future. Arms sales to Taiwan would continue in the interest of peace in the Taiwan Strait—that is, to deter Beijing from using force against the self-governing island, which the mainland government considers to be part of China.

This hedging approach was maintained by presidents of both parties. The George W. Bush administration overturned decades of bi-

partisan policy and embraced India as a nuclear power, in large part to add yet another check on China. Under President Barack Obama, the United States ramped up deterrence, expanding its footprint in Asia with new military agreements with Australia and Japan and nurturing a closer relationship with Vietnam. Such was also the purpose of the Trans-Pacific Partnership, designed to give Asian countries an economic platform that would enable them to resist dominance by the Chinese market. (The Trump administration pulled out of the agreement in early 2017.) Obama personally confronted Xi about Chinese cybertheft and placed tariffs on tire imports to retaliate against China's unfair trade policies.

To say that hedging failed reflects a lack of historical perspective. In the early 1970s, before Nixon's opening to China, Beijing was the world's greatest rogue regime. Mao Zedong was obsessed with the idea that he was at the helm of a revolutionary movement that would destroy the Western capitalist world. There was no measure too extreme for the cause—not even nuclear apocalypse. “If the worst came to the worst and half of mankind died,” Mao explained in a speech in Moscow in 1957, “the other half would remain while imperialism would be razed to the ground and the whole world would become socialist.” Mao's China funded and fomented anti-Western insurgencies, guerrilla movements, and ideological movements around the world, from Latin America to Southeast Asia. By one estimate, Beijing spent between \$170 million and \$220 million from 1964 to 1985 in Africa alone, training 20,000 fighters from at least 19 countries.

On the economic front, almost every charge leveled at China today was once leveled at Japan.

By comparison, today's China is a remarkably responsible nation on the geopolitical and military front. It has not gone to war since 1979. It has not used lethal military force abroad since 1988. Nor has it funded or supported proxies or armed insurgents anywhere in the world since the early 1980s. That record of nonintervention is unique among the world's great powers. All the other permanent members of the UN Security Council have used force many times in many places over the last few decades—a list led, of course, by the United States.

China has also gone from seeking to undermine the international system to spending large sums to bolster it. Beijing is now the second-

largest funder of the United Nations and the UN peacekeeping program. It has deployed 2,500 peacekeepers, more than all the other permanent members of the Security Council combined. Between 2000 and 2018, it supported 182 of 190 Security Council resolutions imposing sanctions on nations deemed to have violated international rules or norms. Granted, the principles anchoring Beijing's foreign policy today—"respect for sovereignty," "territorial integrity," and "nonintervention"—are animated in large part by a desire to fend off Western interference. Yet they highlight a remarkable shift from a radical agenda of revolution to a conservative concern for stability. Had someone predicted in 1972 that China would become a guardian of the international status quo, few would have believed it possible.

TRADING PLACES

The new consensus on China's economic behavior holds that China has forced multinational companies to transfer their technology, has subsidized its "national champions," and has placed formal and informal barriers in the path of foreign firms seeking to enter its market. Beijing has, in short, used the open international economy to bolster its own statist and mercantilist system.

It is true that these unfair policies demand attention and action from the rest of the world. The Trump administration deserves some credit for tackling this problem—especially in light of Xi's embrace of statism after decades of liberalization. But how large and permanent is this reversal? How different are China's practices from those of other emerging market countries today? And again, what is the right American response?

Almost all economists agree that China owes much of its economic success to three fundamental factors: the switch from communist economics to a more market-based approach, a high savings rate that makes possible large capital investments, and rising productivity. Over the last three decades, the country has also opened itself up substantially to foreign investment—more so than many other large emerging markets—allowing capital to pour in. China is one of only two developing countries to have ranked in the top 25 markets for foreign direct investment since 1998. Of the BRICS group of large emerging markets (which includes Brazil, Russia, India, China, and South Africa), China is consistently ranked as the most open and competitive economy. As for the effect of mercantilist Chinese policies on the U.S. economy,

former U.S. Treasury Secretary Lawrence Summers has noted that “it cannot be argued seriously that unfair Chinese trade practices have affected U.S. growth by even 0.1 percent a year.”

It is worth noting that on the economic front, almost every charge leveled at China today—forced technology transfers, unfair trade practices, limited access for foreign firms, regulatory favoritism for locals—was leveled at Japan in the 1980s and 1990s. At the time, Clyde Prestowitz’s influential book *Trading Places: How America Is Surrendering Its Future to Japan and How to Win It Back* explained that the United States had never imagined dealing with a country in which “industry and trade [would be] organized as part of an effort to achieve specific national goals.” Another widely read book of the era was titled *The Coming War With Japan*. As Japanese growth tapered off, so did these exaggerated fears.

China today presents some new challenges, especially given Xi’s determination to have the state play a leading role in helping the country gain economic dominance in crucial sectors. But in the broad sweep of history, China’s greatest advantage in the global trading system has come not from its willingness to violate the rules but from its sheer size. Countries and companies want access to China and are willing to make concessions to get it. This hardly makes China unusual. Other countries with similar clout often get away with similar behavior or worse—none more so than the United States. A 2015 report by the financial services giant Credit Suisse provides a useful tally of nontariff barriers against foreign goods put in place by major countries between 1990 and 2013. With a total count of almost 450, the United States is in a league of its own. Next is India, then Russia. China comes in at number five, with one-third as many nontariff barriers imposed as the United States. The picture hasn’t changed much in the years since.

Most of the recent changes in Beijing’s economic policy have been negative, but even that is not the entire story. China is changing along several, sometimes contradictory lines. Even with the return to greater state control under Xi, a wild free market has flourished in vast spheres such as consumer goods and services. There has also been some real regulatory liberalization—even administrative and judicial reform, as the political scientist Yuen Yuen Ang has detailed. Government support for state-owned enterprises is greater than it was a few years ago, but Beijing has abandoned what was once a central part of its mercantilist strategy: using an undervalued currency to boost growth. The

economist Nicholas Lardy has calculated that the end of currency mercantilism accounts for “about half of China’s growth slowdown since the global financial crisis.”

Or consider what is, according to Peter Navarro, U.S. President Donald Trump’s top trade adviser, issue number one in the United States’ trade dispute with China: “the theft of our intellectual property.” That China engages in rampant theft of intellectual property is a widely accepted fact—except among U.S. companies doing business in China. In a recent survey of such companies conducted by the U.S.-China Business Council, intellectual property protection ranked sixth on a list of pressing concerns, down from number two in 2014. These companies worry more about state funding for rival companies and delayed approval of licenses for their products. Why this shift from 2014? That year, China created its first specialized courts to handle intellectual property cases. In 2015, foreign plaintiffs brought 63 cases in the Beijing Intellectual Property Court. The court ruled for the foreign firms in all 63.

Of course, reforms such as these are often undertaken only in the face of Western pressure and, even then, because they serve China’s own competitive interests—the largest filer of patents worldwide last year was the Chinese telecommunications giant Huawei. But it is also true that many Chinese economists and senior policymakers have argued that the country will modernize and grow its economy only if it pursues further reform. Failure to do so, they have warned, will get the country stuck in the “middle-income trap”—the common fate of countries that escape poverty but hit a wall at a GDP of around \$10,000 per capita, having failed to modernize their economic, regulatory, and legal systems any further.

As far as China’s political development is concerned, the verdict is unambiguous. China has not opened up its politics to the extent that many anticipated; it has in fact moved toward greater repression and control. Beijing’s gruesome treatment of the Uighurs in Xinjiang, a region in northwestern China, has created a human rights crisis. The state has also begun to use new technologies, such as facial recognition software and artificial intelligence, to create an Orwellian system of social control. These realities are a tragedy for the Chinese people and an obstacle to the country’s participation in global leadership. It would be an exaggeration, however, to adduce them as proof of the failure of U.S. policy. In truth, few U.S. officials ever argued that engagement

would lead inexorably to liberal democracy in China. They hoped that it would, even expected it, but their focus was always on moderating China's external behavior, which they achieved.

CROSSING THE LINE

Under Xi, China's foreign policy has become more ambitious and assertive, from its pursuit of leadership roles in UN agencies to the vast Belt and Road Initiative and the construction of islands in the South China Sea. These moves mark a break with the country's erstwhile passivity on the global stage, captured by the former Chinese leader Deng Xiaoping's adage "Hide your strength, bide your time." China's military buildup, in particular, has been of a size and designed in a manner that suggest that a long-term plan is being systematically executed. But what would an acceptable level of influence for China be, given its economic weight in the world? If Washington does not first ask this question, it cannot make serious claims about which uses of Chinese power cross the line.

China is, by some measures, already the world's largest economy. Within ten to 15 years, it will probably take this spot by all measures. Deng offered his advice to "bide your time" when the country's economy represented roughly one percent of global GDP. Today, it represents over 15 percent. China has indeed bided its time, and now, a much stronger China naturally seeks a larger regional and global role.

Consider the case of another country that was rising in strength, this one back in the nineteenth century, although not nearly on the scale of China today. The United States in 1823 was what would now be called a developing country—not even among the world's top five economies—and yet with the Monroe Doctrine, it declared the entire Western Hemisphere off-limits to the great powers of Europe. The American case is an imperfect analogy, but it serves as a reminder that as countries gain economic strength, they seek greater control and influence over their environment. If Washington defines every such effort by China as dangerous, it will be setting the United States up against the natural dynamics of international life and falling into what the scholar Graham Allison has called "the Thucydides trap"—the danger of a war between a rising power and an anxious hegemon.

For the United States, dealing with such a competitor is a new and unique challenge. Since 1945, the major states rising to wealth and prominence have been Washington's closest allies, if not quasi protector-

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ates: Germany, Japan, and South Korea. A normally disruptive feature of international life—rising new powers—has thus been extraordinarily benign for the United States. China, however, is not only much larger than the rising powers that came before; it has also always been outside the United States’ alliance structures and sphere of influence. As a result, it will inevitably seek a greater measure of independent influence. The challenge for the United States, and the West at large, will be to define a tolerable range for China’s growing influence and accommodate it—so as to have credibility when Beijing’s actions cross the line.

So far, the West’s track record on adapting to China’s rise has been poor. Both the United States and Europe have, for example, been reluctant to cede any ground to China in the core institutions of global economic governance, the World Bank and the International Monetary Fund, which remain Euro-American clubs. For years, China sought a larger role in the Asian Development Bank, but the United States resisted. As a result, in 2015, Beijing created its own multilateral financial institution, the Asian Infrastructure Investment Bank (which Washington opposed, fruitlessly).

Pompeo has asserted—in a patronizing statement that would surely infuriate any Chinese citizen—that the United States and its allies must keep China in “its proper place.” China’s sin, according to Pompeo, is that it spends more on its military than it needs to for its own defense. But the same, of course, could be said of the United States—and of France, Russia, the United Kingdom, and most other large countries. In fact, a useful definition of a great power is one that is concerned about more than just its own security.

The old order—in which small European countries act as global heavyweights while behemoths such as China and India are excluded from the first ranks of global institutions—cannot be sustained. China will have to be given a place at the table and genuinely integrated into the structures of decision-making, or it will freelance and unilaterally create its own new structures and systems. China’s ascension to global power is the most significant new factor in the international system in centuries. It must be recognized as such.

NEITHER LIBERAL NOR INTERNATIONAL NOR ORDERLY

To many, Beijing’s rise has sounded the death knell of the liberal international order—the set of policies and institutions, forged largely by the United States after World War II, that compose a rules-based

system in which interstate war has waned while free trade and human rights have flourished. China's domestic political character—a one-party state that brooks no opposition or dissent—and some of its international actions make it an uneasy player in this system.

It is, however, worth remembering that the liberal international order was never as liberal, as international, or as orderly as it is now nostalgically described. From the very beginning, it faced vociferous opposition from the Soviet Union, followed by a series of breakdowns of cooperation among allies (over the Suez crisis in 1956, over Vietnam a decade later) and the partial defection of the United States under Nixon, who in 1971 ended Washington's practice of underwriting the international monetary order using U.S. gold reserves. A more realistic image is that of a nascent liberal international order, marred from the start by exceptions, discord, and fragility. The United States, for its part, often operated outside the rules of this order, making frequent military interventions with or without UN approval; in the years between 1947 and 1989, when the United States was supposedly building up the liberal international order, it attempted regime change around the world 72 times. It reserved the same right in the economic realm, engaging in protectionism even as it railed against more modest measures adopted by other countries.

The truth about the liberal international order, as with all such concepts, is that there never really was a golden age, but neither has the order decayed as much as people claim. The core attributes of this order—peace and stability—are still in place, with a marked decline in war and annexation since 1945. (Russia's behavior in Ukraine is an important exception.) In economic terms, it is a free-trade world. Average tariffs among industrialized countries are below three percent, down from 15 percent before the Kennedy Round of international trade talks, in the 1960s. The last decade has seen backsliding on some measures of globalization but from an extremely high baseline. Globalization since 1990 could be described as having moved three steps forward and only one step back.

China hardly qualifies as a mortal danger to this imperfect order. Compare its actions to those of Russia—a country that in many arenas simply acts as a spoiler, trying to disrupt the Western democratic world

China hardly qualifies as a mortal danger to the liberal international order.

and its international objectives, often benefiting directly from instability because it raises oil prices (the Kremlin's largest source of wealth). China plays no such role. When it does bend the rules and, say, engages in cyberwarfare, it steals military and economic secrets rather than trying to delegitimize democratic elections in the United States or Europe. Beijing fears dissent and opposition and is especially neurotic on the issues of Hong Kong and Taiwan, using its economic clout to censor Western companies unless they toe the party line. But these are attempts to preserve what Beijing views as its sovereignty—nothing like Moscow's systematic efforts to disrupt and delegitimize Western democracy in Canada, the United States, and Europe. In short, China has acted in ways that are interventionist, mercantilist, and unilateral—but often far less so than other great powers.

The rise of a one-party state that continues to reject core concepts of human rights presents a challenge. In certain areas, Beijing's repressive policies do threaten elements of the liberal international order, such as its efforts to water down global human rights standards and its behavior in the South China Sea and other parts of its "near abroad." Those cases need to be examined honestly. In the former, little can be said to mitigate the charge. China is keen on defining away its egregious human rights abuses, and that agenda should be exposed and resisted. (The Trump administration's decision to withdraw from the UN Human Rights Council achieved the exact opposite by ceding the field to Beijing.)

But the liberal international order has been able to accommodate itself to a variety of regimes—from Nigeria to Saudi Arabia to Vietnam—and still provide a rules-based framework that encourages greater peace, stability, and civilized conduct among states. China's size and policies present a new challenge to the expansion of human rights that has largely taken place since 1990. But that one area of potential regression should not be viewed as a mortal threat to the much larger project of a rules-based, open, free-trading international system.

CONTAINMENT AND ITS COSTS

The final assumption undergirding the new consensus is that some form of persistent confrontation with China will deter its adventurism abroad and set the stage for an internal transformation. Few embrace the Cold War term "containment," but many adopt some version

of its logic. The theory is that a hard line against China will force it to behave and even reform. Unspoken but clearly central to the hawks' strategy is the notion that containing China will precipitate the collapse of its regime, just as happened with the Soviets.

But China is not the Soviet Union, an unnatural empire that was built on brutal expansion and military domination. In China, the United States would be confronting a civilization, and a nation, with a strong sense of national unity and pride that has risen to take its place among the great powers of the world. China is becoming an economic peer, indeed a technology leader in some areas. Its population dwarfs that of the United States, and the world's largest market for almost every good is now in China. It houses some of the planet's fastest computers and holds the largest foreign exchange reserves on earth. Even if it experienced some kind of regime change, the broader features of its rise and strength would persist.

The Pentagon has embraced the notion of China as the United States' top "strategic competitor." From a bureaucratic point of view, this designation makes perfect sense. For the last 20 years, the U.S. military has fought against insurgencies and guerrillas in failed states, and it has time and again had to explain why its expensive machinery has failed against these underequipped, cash-strapped enemies. To make an enemy of China, by contrast, is to return to the halcyon days of the Cold War, when the Pentagon could raise large budgets by conjuring the specter of a war against a rich, sophisticated military with cutting-edge technology of its own. All the while, the logic of nuclear deterrence and the prudence of the great powers ensured that a full-scale war between the two sides would never take place. Yet whatever the advantages for Pentagon budgets, the costs of such a cold war with China would be immense, distorting the United States' economy and further inflating the military-industrial complex that U.S. President Dwight Eisenhower once warned against.

Add to this the large degree of interdependence between the United States and China. U.S. exports to China are up by 527 percent since 2001, and in 2018, China was the largest supplier of goods to the United States. There is also human interdependence—the hundreds of thousands of Chinese students who study in the United States, along with the almost five million U.S. citizens and residents of Chinese descent. The United States has benefited greatly from being the place where the brightest minds gather to do the most cutting-edge

research and then apply it to commercial ends. If the United States barred its doors to such talent because it came with the wrong passport, it would quickly lose its privileged place in the world of technology and innovation.

The Trump administration's current approach to China runs along two distinct and contradictory tracks, at once eschewing interdependence and embracing it. On trade, Washington's aim is, broadly speaking, integrationist: to get China to buy more from the United States, invest more in the United States, and allow Americans to sell and invest more in China. If successful, this effort would create more interdependence between the two countries. It is a laudable effort, although it bears pointing out that tariffs usually cost the party imposing the tax more than the recipient. By some estimates, the Obama administration's tire tariffs cost around \$1 million for every American job saved. The general approach, however, is wise, even if undertaken in pursuit of a narrow "America first" agenda, as interdependence gives the United States greater leverage over China.

In matters of technology, on the other hand, the Trump administration's approach is decidedly disintegrationist. The strategy here is to sever ties with China and force the rest of the world to do the same—creating a world split between two camps. The Trump administration's global campaign against Huawei has followed this logic; the meager results of that campaign indicate the logic's flaws. The rest of the world is not following the lead of the United States (which lacks an alternative technology to compete with Huawei's 5G offerings). The Trump administration has asked 61 countries to ban the company. So far, only three have acceded, all three of them close U.S. allies.

This dismal success rate is an early indicator of what a broader "decoupling" strategy would look like. China is the largest trading partner of many countries besides the United States, including key players in the Western Hemisphere, such as Brazil. When asked how they would respond to decoupling, senior leaders around the world almost all offer some version of the answer that one head of government gave me: "Please do not ask us to choose between the United States and China. You will not like the answer you get." This is not to say that they would necessarily side with China—but they might well prefer to stay nonaligned or play the two powers off against each other. What is more, an isolated China that built its own domestic supply chains and technology would be impervious to U.S. pressure.

Strangely absent from most discussions of U.S. policy toward China is the question of China's reaction. Beijing, too, has its hard-liners, who have warned for years that the United States seeks to keep China down and that any sign of Chinese ambition would be met with a strategy of containment. More and more, the United States' posture toward China is allowing those voices to claim vindication, thereby giving them leverage to push exactly the kind of assertive and destabilizing behavior that U.S. policy aims to prevent.

The United States is in competition with China—that is a fact and will remain so for much of this century. The issue is whether the United States should compete within a stable international framework, continuing to try to integrate China rather than attempting to isolate it at all costs. A fractured, bifurcated international order, marked by government restrictions and taxes on trade, technology, and travel, would result in diminished prosperity, persistent instability, and the real prospect of military conflict for all involved.

The breakdown of globalization is, of course, the goal of many of the leading lights of the Trump administration. The president himself has decried “globalism” and considers free trade a way for other countries to loot American industry. He regards the United States' alliances as obsolete and international institutions and norms as feckless constraints on national sovereignty. Right-wing populists have embraced these views for years. And many of them—especially in the United States—correctly understand that the easiest way to crack the entire liberal international edifice would be to trigger a cold war with China. More puzzling is that those who have spent decades building up that edifice are readily supporting an agenda that will surely destroy it.

AMERICA'S NOT-SO-SECRET STRATEGY

A wiser U.S. policy, geared toward turning China into a “responsible stakeholder,” is still achievable. Washington should encourage Beijing to exert greater influence in its region and beyond as long as it uses this clout to strengthen the international system. Chinese participation in efforts to tackle global warming, nuclear proliferation, money laundering, and terrorism should be encouraged—and appreciated. Beijing's Belt and Road Initiative could be a boon for the developing world if pursued in an open and transparent manner, even in cooperation with Western countries wherever possible. Beijing, for its

part, would need to accept U.S. criticism about issues of human rights, freedom of speech, and liberty more generally.

The most dangerous flash points are likely to be Hong Kong and Taiwan, where the status quo is fragile and the balance of power favors Beijing. The Pentagon has reportedly enacted 18 war games against China over Taiwan, and China has prevailed in every one. Washington should make clear that any such victory would be Pyrrhic, resulting in economic collapse in Hong Kong or Taiwan, mass emigration from those islands, and international condemnation. If Beijing acts precipitously in either Hong Kong or Taiwan, a U.S. policy of cooperation will become untenable for years.

The new consensus on China is rooted in the fear that the country might at some point take over the globe. But there is reason to have faith in American power and purpose. Neither the Soviet Union nor Japan managed to take over the world, despite similar fears about their rise. China is rising but faces a series of internal challenges, from demographic decline to mountains of debt. It has changed before and will be forced to change again if the combined forces of integration and deterrence continue to press on it. Beijing's elites know that their country has prospered in a stable, open world. They do not want to destroy that world. And despite a decade of political stagnation on the mainland, the connection between the rise of a middle class and demands for greater political openness is real, as is apparent in two Chinese societies watched closely by Beijing—Hong Kong and Taiwan.

Some American observers talk of China's long view, of its patient, secret plan to dominate the world, consistently executed since 1949, if not before. The scholar and former U.S. Defense Department official Michael Pillsbury has called it China's "hundred-year marathon," in a book often praised by the Trump administration. But a more accurate picture is that of a country that has lurched fitfully from a tight alliance with the Soviet Union to the Sino-Soviet split, from the Great Leap Forward to the Cultural Revolution to a capitalist success story, and from deep hostility toward the West to close ties with the United States and back to a flirtation with hostility. If this is a marathon, it has taken some strange twists and turns, many of which could have ended it altogether.

Meanwhile, since 1949, the United States has patiently put in place structures and policies to create a more stable, open, and integrated world; has helped countries enter that world; and has deterred those

that sought to destroy it—all with astonishing success. Washington has been the opposite of vacillating or overly focused on the short term. In 2019, U.S. troops are still on the banks of the Rhine, they are still safeguarding Seoul, and they are still in Okinawa.

China presents a new and large challenge. But if Washington can keep its cool and patiently continue to pursue a policy of engagement plus deterrence, forcing China to adjust while itself adjusting to make space for it, some scholar decades from now might write about the United States' not-so-secret plan to expand the zone of peace, prosperity, openness, and decent governance across the globe—a marathon strategy that worked. 🌐

Chained to Globalization

Why It's Too Late to Decouple

Henry Farrell and Abraham L. Newman

In 1999, the columnist Thomas Friedman pronounced the Cold War geopolitical system dead. The world, he wrote, had “gone from a system built around walls to a system increasingly built around networks.” As businesses chased efficiency and profits, maneuvering among great powers was falling away. An era of harmony was at hand, in which states’ main worries would be how to manage market forces rather than one another.

Friedman was right that a globalized world had arrived but wrong about what that world would look like. Instead of liberating governments and businesses, globalization entangled them. As digital networks, financial flows, and supply chains stretched across the globe, states—especially the United States—started treating them as webs in which to trap one another. Today, the U.S. National Security Agency lurks at the heart of the Internet, listening in on all kinds of communications. The U.S. Department of the Treasury uses the international financial system to punish rogue states and errant financial institutions. In service of its trade war with China, Washington has tied down massive firms and entire national economies by targeting vulnerable points in global supply chains. Other countries are in on the game, too: Japan has used its control over key industrial chemicals to hold South Korea’s electronics industry for ransom, and Beijing might eventually be able to infiltrate the world’s 5G communications system through its access to the Chinese telecommunications giant Huawei.

Globalization, in short, has proved to be not a force for liberation but a new source of vulnerability, competition, and control; networks

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have proved to be less paths to freedom than new sets of chains. Governments and societies, however, have come to understand this reality far too late to reverse it. In the past few years, Beijing and Washington have been just the most visible examples of governments recognizing how many dangers come with interdependence and frantically trying to do something about it. But the economies of countries such as China and the United States are too deeply entwined to be separated—or “decoupled”—without causing chaos. States have little or no ability to become economically self-reliant. Hawks in Beijing and Washington may talk about a new Cold War, but there is today no way to split the world into competing blocs. Countries will remain entangled with one another, despite the dangers that their ties produce—bringing a new era of what might be called “chained globalization.” Under chained globalization, states will be bound together by interdependence that will tempt them to strangle their competitors through economic coercion and espionage, even as they try to fight off their rivals’ attempts to do the same.

In some ways, chained globalization makes the Cold War seem simple. The economies of the Western and Soviet camps shared few points of contact and thus offered few opportunities for economic coercion (and policymakers on both sides came to understand the existential danger of nuclear weapons and developed strategies for limiting it). The situation today is far messier. The world’s powers are enmeshed in financial, trade, and information networks that they do not fully understand, raising the risk of blunders that could set off dangerous conflicts.

Accepting and understanding the reality of chained globalization must be the first step toward limiting those risks. Policymakers cannot cling to fantasies of either decoupled isolation or benign integration. Like it or not, the United States is bound to its competitors. Since it cannot break those bonds, it must learn to master them.

BOTTLENECKS AND BLOCKAGES

For decades, commentators understood globalization as a natural extension of market freedoms. To the extent that international economic networks would lead to disagreements, the thinking ran, those squabbles would lie largely between the groups that benefited from open markets and those that opposed them. But that line of thinking missed the fact that globalization itself would also allow for a new kind of conflict. As the world’s economic and information networks expanded,

many of them coalesced around single points of control, and some states learned to wield those hubs as weapons against their competitors.

Among the first networks to undergo such a transformation was the system underpinning international financial transactions. In the 1970s, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network made it easier to route transactions through banks around the world, and the dollar clearing system allowed those banks to reconcile torrents of payments denominated in U.S. dollars. Once both banks and individuals had accepted this new messaging system, international exchanges became even more dependent on a single currency—the U.S. dollar—granting Washington additional leverage over the global financial system. International supply chains were next. In the 1980s and 1990s, electronics manufacturers began to outsource production to specialized firms such as Foxconn, creating supply chains with tens or even hundreds of suppliers. Then, in the first decade of this century, cloud computing began to centralize key functions of the Internet in systems maintained by a few large firms, such as Amazon and Microsoft. In each case, money, goods, and information passed through essential economic hubs. A few privileged powers ruled over those hubs, gaining the chance to exclude others or to spy on them.

The United States saw those opportunities before most other countries did, thanks to the fact that so many networks lay within its reach. Since the attacks of September 11, 2001, the Treasury Department has used the world's reliance on the U.S. dollar to turn the global financial system into a machinery of control, freezing out rogue actors such as al Qaeda and North Korea and using the threat of sanctions to terrify banks into advancing its goals. The National Security Agency has transformed the Internet into an apparatus of global surveillance by tapping into the networks of telecommunications providers such as AT&T and Verizon and running clandestine programs that can identify communications chokepoints and exploit them against both adversaries and allies.

Until recently, other states struggled to keep up. China, a latecomer to the globalized economy, could respond to perceived slights only by locking transgressors out of its valuable domestic market. And although the European Union played a significant role in global economic networks, it lacked the kind of centralized institutions, such as the U.S. Treasury Department's Office of Foreign Assets Control, that Washington had been able to convert into instruments of power.



The sum of its parts: a Nissan factory in Sunderland, England, October 2019

Driven by both fear and opportunism, however, China is now insulating itself from networked attacks and building networks of its own to turn against its rivals. Take Huawei, which seeks to build the world's 5G communications network with the tacit support of Beijing. If Huawei comes to dominate global 5G, the Chinese government could exploit its access to the firm to tap into communications around the world, using its new powers over the network against its rivals. Or to put it another way: China could do to the United States what the United States has already been doing to China.

That explains why Washington has worked so hard to frustrate Huawei's ambitions. The Trump administration has barred Huawei from U.S. markets, lobbied U.S. allies to shun the company's 5G infrastructure, and forbidden U.S. companies from selling to Huawei the sophisticated semiconductors that it cannot easily acquire elsewhere. The Chinese government has responded to those moves by threatening to blacklist U.S. firms such as FedEx and companies based in countries allied with Washington, such as the British bank HSBC. Even if the Trump administration eases up on Huawei as part of a trade deal with Beijing, a bipartisan coalition in Congress will likely try to undermine those concessions.

Europe has also been drawn into a fight over networks, in part as a result of the United States' campaign against Iran. Ever since 2018,

when the United States pulled out of the international agreement limiting Iran's nuclear activities, it has used its control of the dollar clearing system to limit Iran's access to global financial resources and has threatened to sanction European firms that do business with Iran.

European governments worry that such measures are a prelude to a wider campaign of U.S. coercion. After all, the economic cost that isolating Iran imposes on European countries pales in comparison to the damage that would follow if the United States used similar tactics

For decades, commentators understood globalization as a natural extension of market freedoms.

to force them to decouple from Russia, by, for example, making it harder for them to obtain Russian natural gas and other raw materials. Some European policymakers are thinking about how to play defense. One option would be to turn the United States' economic ties with Europe

against it by withdrawing U.S. companies' rights to operate in the EU if they comply with U.S. sanctions that harm EU members.

Smaller powers are also joining the fray. Japan, incensed by rulings from South Korean courts that have criticized Japanese companies for their use of forced labor during World War II, threatened in July to strangle the South Korean technology industry by restricting Japanese exports of the specialized chemicals on which major South Korean firms, such as Samsung, rely. South Korea responded by threatening to stop exporting the heating oil that Japanese homes and businesses count on each winter. The dispute has highlighted the power states can wield when they target a crucial link in transnational supply chains.

CHAIN REACTIONS

In this landscape, blunders could set off escalatory spirals, and mutual suspicion could engender hostility. By targeting a firm with an unexpectedly crucial role in a broader industrial network, for instance, a government could mistakenly generate widespread economic damage—and trigger retaliation from other states in turn. As global networks grow thanks to developments such as the so-called Internet of Things, such dangers will grow, as well.

Accordingly, it is not surprising that countries want to free themselves from chained globalization by smashing its links. U.S. commentators speak of a great decoupling from the Chinese economy, only vaguely

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understanding what such a rupture might involve. China, for its part, is pouring resources into an indigenous semiconductor industry that would protect it from U.S. threats. South Korea has sought to build up its own chemical sector in order to lessen its dependence on Japan. Russia, meanwhile, has embarked on a quixotic project to create what it calls a “sovereign Internet”: one that could prevent perceived foreign meddling and let Moscow monitor the communications of its own citizens.

In a few areas, some degree of insulation might be possible. When it comes to defense procurement, for example, countries can increase their autonomy by rerouting parts of their supply chains to minimize the risks of spying and sabotage. The United States has already made changes to limit the ability of China to compromise its military technology; among other things, it has identified companies with connections to the People’s Liberation Army and cut them out of its military’s supply chains. Other countries will surely follow suit.

Washington should break down the traditional barriers between economic and security concerns.

Except in the case of total war, however, governments will find it impossible to re-create the separate national economies that prevailed before the advent of globalization. After all, today’s states do not simply make use of worldwide financial systems, manufacturing supply chains, and information networks: they rely on them. Washington may be able to reshape its military procurement, but it would set off massive resistance and economic chaos if it tried to remake the consumer economy along similar lines, since that would overturn entire industries and vastly increase prices for ordinary people.

THE TIES THAT BIND

Instead of withdrawing from global networks, the United States must learn to live with them. Doing so will give the United States new powers and generate enormous vulnerabilities, and policymakers will need to carefully manage both. U.S. officials must remember that willfully trapping its rivals in U.S.-dominated financial and information systems could provoke a backlash, encouraging other states to enmesh the United States in nets of their own—or encouraging them to slip out of the country’s grasp for good.

Washington also has to worry about other kinds of unintended consequences. For example, in April 2018, when the Treasury Department

announced that it would impose sanctions on the Russian oligarch Oleg Deripaska and his vast aluminum empire, it apparently failed to realize that doing so would produce chaos in the car and airplane manufacturing supply chains that relied on products made by Deripaska's businesses. (After lobbying by European companies and governments, the Trump administration delayed enforcement of the sanctions and then unwound them entirely.) As less savvy governments seek to bend networks to their own ends, the risks of such blunders will grow.

To avoid such problems, policymakers need to understand not just how the world's networks function but also how each of them connects to the others. And because government agencies, international organizations, and businesses have only incomplete, scattered maps of those relationships, Washington must do the hard work itself. That will require making massive investments in parts of the federal bureaucracy that have withered in recent decades, as neoliberal, pro-market views took hold and regulation and oversight fell out of favor.

The government's broad goal should be to break down the traditional barriers between economic and security concerns. The Commerce Department could be expanded to deal with security issues, for instance, or the Pentagon could take a newfound interest in the private sector outside the defense industry. Congress, for its part, could reestablish its Office of Technology Assessment, which was shut down as a result of partisan disputes in the 1990s, to study emerging technologies and how to manage them. Finally, the government should establish specialized agencies to study threats related to specific networks, such as global supply chains, drawing on information from across the government and the private sector. In the U.S. Cybersecurity and Infrastructure Security Agency, policymakers have a valuable model.

Next, regulators will have to intervene in the economy more deeply than they have in decades. Washington has already taken a useful step in this direction through its reforms to the process run by the Committee on Foreign Investment in the United States, or CFIUS, which examines the security implications of foreign capital flows entering the United States. In 2018, Congress passed bipartisan legislation calling for the Department of Commerce to reevaluate the licensing requirements for firms working in a variety of high-tech fields, including artificial intelligence and machine learning. Congress has also pushed the Trump administration to revive a long-dormant law requiring U.S. officials to identify Chinese military companies and groups operating

in the United States. Other governments are following Washington's lead. The EU is rolling out its own process to scrutinize foreign investments, and some EU officials are debating whether to impose restrictions on the bloc's ties with China in sensitive areas, such as defense technology, energy infrastructure, media, and telecommunications.

But scrutinizing foreign investments is not enough. U.S. regulators should also seek to protect sensitive domestic markets from foreign exploitation. In some sectors, Washington will need to restrict access to trusted groups. Policymakers could make it harder for U.S. adversaries to use social media to undermine the country's political system by, for instance, banning on those platforms political advertisements that target narrow demographic groups. In other cases, the government may need to go further. By building redundancies at key points in the country's critical infrastructure—such as its telecommunications, electricity, and water systems—policymakers could help those networks survive outside attacks.

Finally, governments need to learn to talk to one another in new ways. During the Cold War, the Soviet Union and the United States established a shared vocabulary to avoid crises, drawing on the work of scholars in a variety of fields who had developed concepts such as mutual assured destruction and second-strike deterrence. Today, China, the United States, the EU, and other powers need to do something similar. Academics can play an important role in building that new vocabulary, much as they did during the Cold War. But they can do so only if they break out of the confines of their disciplines by homing in on the intersections of economic and security concerns and by working with the specialists who understand the technical underpinnings of global networks. Most national security experts know little about the infrastructure that supports the Internet. If they worked with engineers to understand those systems, protecting them would be easier.

EASING THE TENSIONS

A common language should be a first step toward common rules. Developing such rules of the road won't be easy, since networked conflict and its consequences are messy and unpredictable. And whereas the tacit rules of the Cold War were developed mostly by politicians, military leaders, and nuclear physicists, their twenty-first-century equivalents will necessarily involve the participation of a broader and more

quarrelsome set of communities, including not just state officials but also businesses and nongovernmental organizations.

Governments should tread carefully around others' network hubs, such as the SWIFT system or the essential focal points of the world's telecommunications architecture. Much like nuclear command-and-control systems, those hubs let the states that control them exercise enormous offensive and defensive power. That is why China's efforts to use Huawei to topple the United States' control over global telecommunications are so provocative.

For its part, the United States needs to recognize that its attempts to weaponize the world's financial and information networks threaten others and moderate its behavior accordingly. Restraint will not just encourage stability; it will also serve the country's own narrow interests. U.S. policymakers should remember that their punitive measures can encourage states to defect to networks beyond Washington's control, stripping the United States of important sources of leverage.

Take President Donald Trump's October 2019 threat to "destroy Turkey's economy" through financial sanctions and tariffs if Turkish forces overstepped in some unspecified way in their invasion of northeastern Syria. At the time, Turkey had already begun to lay the groundwork to insulate some of its international financial transactions from the U.S. dollar and the dollar clearing system by embracing Russia's alternatives to the SWIFT system. Even though Trump's threat was quickly withdrawn, it surely unsettled Turkish leaders, who feared that Congress might press for more substantial and long-lasting sanctions. And although Turkey or other midsize powers will probably not cut themselves off from the U.S.-dominated financial system, they certainly could persuade their banks to make greater use of networks that are beyond Washington's grasp. The United States should not use such tactics against China, Russia, or other major powers except under extraordinary circumstances, since those countries might respond to economically crippling attacks not just with economic measures but also with military force.

States should work to make their decisions transparent and predictable. Today, as in the nuclear era, mixed signals could lead to catastrophic consequences. The United States' recent inability to decide whether its sanctions against Iran were meant to change that country's behavior or its regime may have empowered Iranian radicals who were eager to retaliate by threatening regional shipping lanes and

U.S. allies. To reduce the chances of mistaken escalations, the United States and other powers should use rules-based structures akin to CFIUS to decide when to take offensive and defensive steps, and they should broadcast those choices clearly.

The United States must also avoid overreacting to other countries' efforts to make themselves less vulnerable to chained globalization: China's investments in its semiconductor sector, Russia's development of alternatives to global financial networks, EU members' efforts to insulate their firms from U.S. overreach. Just as it did after other countries acquired nuclear weapons without that leading to war, Washington must now recognize that it can benefit when other states take steps to feel secure.

The broader lesson of the nuclear era is that existential dangers do not have to be paralyzing. Indeed, careful planning can help the United States manage the risks of chained globalization, even as Washington reaps its benefits. Failing to do so would plunge the United States into a more dangerous world, one in which the ties of economic interdependence do not just constrain U.S. interests—they choke them. 🌐

The Shoals of Ukraine

Where American Illusions and Great-Power Politics Collide

Serhii Plokhyy and M. E. Sarotte

At first, it might seem surprising that Ukraine, a country on the fringes of Europe, is suddenly at the turbulent center of American politics and foreign policy. With an impeachment inquiry in Washington adding further detail to the story of the Trump administration's efforts to tie U.S. security assistance for the country to Ukrainian cooperation in investigating President Donald Trump's Democratic opponents, Trump's presidency itself hangs in the balance. And the repercussions go even further, raising questions about the legitimacy and sustainability of U.S. power itself.

In fact, that Ukraine is at the center of this storm should not be surprising at all. Over the past quarter century, nearly all major efforts at establishing a durable post-Cold War order on the Eurasian continent have foundered on the shoals of Ukraine. For it is in Ukraine that the disconnect between triumphalist end-of-history delusions and the ongoing realities of great-power competition can be seen in its starkest form.

To most American policymakers, Ukraine has represented a brave young country—one that, despite the burden of history, successfully launched itself on a path of democratic development as part of a new world order after the fall of the Berlin Wall. To the Kremlin, meanwhile, it has remained an indispensable part of a long-standing sphere of influence, one that operates largely according to old rules of power. The difference between these two views

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goes a long way toward explaining why post–Cold War hopes have given way to the strife and uncertainty of the world today.

U.S. and other Western policymakers have long skirted hard questions about both Ukraine’s place in the Eurasian order and its role in the fraught relationship between Washington and Moscow. Although the end of the Cold War may have marked the end of one geopolitical competition, it did not mark the end of geopolitics. Nor did the dissolution of the Soviet Union mean the disappearance of Russian anxieties, ambitions, and abilities. The Soviet Union may have ceased to exist on paper in December 1991, but its influence did not. Empires do not simply vanish. They die long and messy deaths, denying their decline when they can, conceding their dominions when they must, and launching irredentist actions wherever they sense an opening. And nowhere are the consequences of the still ongoing Soviet collapse clearer than in Ukraine—a country that has wrecked attempt after attempt at establishing a durable order on the Eurasian continent.

The story of Ukraine over the past quarter century is a story of magical thinking’s remarkable persistence and ultimate price—paid not just by Ukrainians but more and more by Americans, too.

THE END OF AN ERA

In 1991, after the fall of the Berlin Wall and the subsequent crumbling of the Warsaw Pact, both the last Soviet leader, Mikhail Gorbachev, and the first Russian president, Boris Yeltsin, thought that they could reshape the Soviet Union rather than dissolving it. They promoted the idea of a new form of union, one that would turn itself into a looser federation, via treaty, of the 15 republics that had composed the Soviet Union. They thought they could achieve this without giving citizens a real choice about whether they wanted to stay within a reformed empire or not.

As often happens in an empire’s political center, Gorbachev and Yeltsin badly misjudged sentiment on their imperial periphery. The large majority of Ukrainians had no interest in propping up the vestiges of empire; they wanted outright independence. Yet without the second most populous Slavic republic, neither Gorbachev nor Yeltsin could see any viable path forward to a new union—partly because they did not want the non-Slavic republics gaining greater importance in a rump union and partly because it would be difficult for Russia to bankroll and police such a union without Ukraine.



Terms and conditions: signing the Budapest Memorandum, December 1994

In the face of this effort, U.S. President George H. W. Bush fell prey to magical thinking. Although he was the leader of a country born out of revolt against empire, Bush also hoped to persuade Ukraine to remain part of the Soviet Union. He feared that if it collapsed, the Soviet Union could become a nightmare version of Yugoslavia: disintegrating into ethnic violence, with nuclear weapons in the mix. In August 1991, on his last trip to the dying Soviet Union, Bush delivered his infamous “Chicken Kiev” speech as a result, hoping to prevent Ukraine from pulling out. “Freedom is not the same as independence,” Bush lectured the Ukrainian parliament. “Americans will not support those who seek independence in order to replace a far-off tyranny with a local despotism.” The irony of the speech was sharp: a U.S. president was actively trying to prolong the existence of the country that had been, until recently, the United States’ greatest foe.

Bush failed to convince the Ukrainian parliament, which seized on weakness in Moscow in the wake of a failed coup to declare its intent to become fully independent. Kyiv called for a dual election in De-

cember 1991, enabling Ukrainians both to vote on that parliamentary declaration and to choose a new president. More than 90 percent of those who went to the polls endorsed independence, including 54 percent of voters in Crimea, a largely Russian-populated peninsula containing the major Black Sea port of Sevastopol. In the Donbas region of eastern Ukraine, support for independence exceeded 80 percent.

Yeltsin, who by then had edged out Gorbachev as the preeminent leader in Moscow, belatedly realized how much he had misjudged Ukrainian desires to break free from the collapsing Soviet empire. After the failed coup, he had been trying to keep Ukraine in the union by threatening Kyiv with the annexation of Crimea and the Donbas. The December vote proved, however, that Yeltsin's threats had backfired; they had instead stiffened resistance in Kyiv and alarmed the rest of the Soviet republics (and Washington, as well).

Yeltsin saw himself forced to change tack dramatically. He decided to meet the leaders of Ukraine and Belarus a week after the Ukrainian vote for independence at a Belarusian hunting lodge near the Polish border. Recognizing that he could not keep Ukraine in the union, and realizing that many other republics would follow Ukraine's example and pull out as well, he decided to destroy the union—the only political order he had ever known—rather than be stuck mainly with non-Slavic republics. The three leaders agreed to announce the end of the Soviet Union, telling Gorbachev only after calling Bush.

BORN NUCLEAR

On independence, Ukraine immediately became a direct threat to the West: it was “born nuclear.” The new state had inherited approximately 1,900 nuclear warheads and 2,500 tactical nuclear weapons. To be sure, Ukraine had physical rather than operational control over the nuclear arms on its territory, since the power to launch them was still in Moscow's hands. But that did not matter much in the long run, given its extensive uranium deposits, impressive technological skills, and production capacities, particularly of missiles; every single Soviet ballistic missile delivered to Cuba in 1962, for example, had been made in Ukraine.

Ukraine instantaneously became the world's third-biggest nuclear power, with an arsenal larger than those of China, France, and the United Kingdom. (Two other new countries—Belarus and Kazakhstan—also inherited nuclear weapons, but not nearly as many.) Ukrainian strategic weapons could destroy American cities. Determining

who, exactly, would have both launch command and practical day-to-day control over the weapons became an immediate priority of the Bush administration.

U.S. Secretary of State James Baker provided a stark assessment of the significance of these developments to Bush. Baker told Bush, “Strategically there is no other foreign issue more deserving of your attention or time” than the future of the Soviet nuclear arsenal in the wake of the country’s breakup. “A Yugoslavia-type situation with 30,000

On independence, Ukraine became the world’s third-biggest nuclear power.

nuclear weapons presents an incredible danger to the American people—and they know it and will hold us accountable if we don’t respond.”

Baker thought that there was no value, and much risk, for the United

States in nuclear rivalries among former Soviet states. Only one nuclear power could be allowed to emerge out of the Soviet Union: Russia. In part, this preference was due to the fact that Washington had a long history of dealing with Moscow on issues of arms control. Better to stick with the devil you know, Baker believed, than deal with a whole new set of nuclear powers. As a result, Washington’s and Moscow’s interests suddenly became identical: both wanted all the nuclear weapons of the former Soviet Union destroyed or relocated to Russia. The Bush administration and its successor worked hard in cooperation with Yeltsin to make that happen, using a series of inducements and diplomatic arm-twisting.

Scarred by the horrors of the Chernobyl nuclear catastrophe—which irradiated sizable areas of Belarus, Ukraine, and other European countries—the Ukrainians initially seemed inclined to go along with U.S. and Russian plans for Ukraine’s denuclearization. But the ongoing imperial contest with Russia, particularly over the status of Crimea, led to rethinking in Kyiv. In May 1992, Moscow and Kyiv clashed over the fate of the Soviet Union’s Black Sea Fleet, which was based in Sevastopol. A dispute over the division of the fleet and control of the port would drag on for the next five years. As tensions flared, the Ukrainian parliament began making new demands in exchange for giving up the formerly Soviet missiles: financial compensation, formal recognition of Ukraine’s borders, and security guarantees.

At an international summit held in Budapest in December 1994, more than 50 leaders were scheduled to create the Organization for

Security and Cooperation in Europe out of a preexisting conference of the same name. British, Russian, and U.S. leaders used the occasion to offer Kyiv the so-called Budapest Memorandum in an effort to assuage Ukrainian concerns. The memorandum's goal was to get denuclearization back on track and to finalize the removal of nuclear weapons from Ukraine. In exchange for parting with all its weapons, Ukraine would get assurances of territorial integrity—not guarantees, a meaningful difference, but one that seemed not to matter so much in the heady, hopeful post-Cold War world.

Washington had by then also spearheaded the establishment of a NATO-related security organization called the Partnership for Peace. This partnership was open to post-Soviet states—meaning that it offered a security berth to Ukraine, thus providing it with a further inducement to give up its nukes.

Ukraine decided to sign the memorandum, despite not getting firmer guarantees. Kyiv did so because it had a weak hand; the country was on the verge of economic collapse. But with the United States and Russia allied against it on this issue, Ukraine faced the prospect of international isolation if it did not sign. Signing the agreement seemed to be a way to escape isolation and get badly needed financial assistance.

The Budapest Memorandum initially seemed to represent a significant moment of shared triumph and unity between Washington and Moscow. As U.S. President Bill Clinton advised Yeltsin, they were jointly engaged in a worthy cause: “We have the first chance ever since the rise of the nation state to have the entire continent of Europe live in peace.” Clinton rightly emphasized that Ukraine was the “linchpin” of that effort.

But recently declassified documents show that the triumph was incomplete—something that Ukraine recognized at the time but could do little about. As a Ukrainian diplomat confessed to his U.S. counterparts just before signing the Budapest Memorandum, his country had “no illusions that the Russians would live up to the agreements they signed.” Kyiv knew that the old imperial center would not let Ukraine escape so easily. Instead, the government of Ukraine was simply hoping “to get agreements that will make it possible for [Kyiv] to appeal for assistance in international fora when the Russians violate” them.

And in a sign that there was worse to come, Yeltsin blindsided Clinton at the same conference with an attack on U.S. plans to enlarge NATO, saying that Clinton was forcing the world from a Cold War into

a “cold peace.” Newly available documents reveal that this broadside triggered a showdown in Washington just before Christmas 1994. U.S. Secretary of Defense William Perry insisted on an audience with the president to warn him that a wounded Moscow would lash out in response to NATO expansion and derail strategic arms control talks between the United States and Russia.

But Perry’s efforts were to no avail. As the removal of nuclear weapons from Ukraine resumed after the signing of the Budapest Memorandum, Ukraine became much less of a priority for Washington. Meanwhile, opponents of the Partnership for Peace, who wanted to expand NATO proper as soon as possible to a few select states rather than build another, looser security alliance from the Atlantic to the Pacific, gained new momentum thanks to the midterm election victory of the Republican Party, which was in favor of NATO enlargement, in November 1994. Despite Perry’s efforts, Clinton made clear to his secretary of defense that the United States would now proceed with NATO enlargement into central and eastern Europe.

Ukraine thus found itself increasingly, and dangerously, stranded: it was both on the border of a truncated Russian empire forging dreams of a comeback out of the humiliation of its recent defeat and outside the emerging Western post–Cold War order. It had neither a berth nor any clear path to one in either the main post–Cold War security organization, which turned out to be NATO rather than the Partnership for Peace, or the EU. As a result, it struggled to democratize and fight corruption and its own internal demons, as it languished in a kind of gray area, a situation that became an invitation to Russian irredentism.

Ultimately, Ukraine’s struggle had repercussions beyond Ukraine—indeed, repercussions for the post–Cold War order itself. Having helped denuclearize Ukraine, Washington thought it could largely stop worrying about the country, believing its independence to be an accomplished fact. The reality was that Moscow never truly accepted that independence, in part because it viewed Ukraine not only as a key element of its former empire but also as the historical and ethnic heart of modern Russia, inseparable from the body of the country as a whole.

The Budapest Memorandum could not paper over that disconnect forever. Had the memorandum provided the guarantees of their country’s territorial integrity that the Ukrainians sought instead of mere assurances, Russia would have met with much greater obstacles to violating Ukraine’s borders, including in Crimea and the Donbas. (An-

other policy alternative would have been to strengthen the Partnership for Peace, of which Ukraine was a member, instead of marginalizing the partnership and promoting NATO's expansion to a small number of countries.) Before long, the consequences of going without such supports would become clear.

BAD OMENS

Washington's magical thinking was again on full display when a former KGB agent named Vladimir Putin suddenly became acting president of Russia on December 31, 1999. In the wake of what appeared to be a secret deal (trading power for protection in retirement), Yeltsin made a surprise television announcement on that New Year's Eve that he was resigning, effective immediately, and that Putin was in charge. The strategic environment became, at a stroke, much less permissive of Ukraine's ongoing efforts to assert its independence. In contrast to Yeltsin, Putin made a concerted effort to reassert Russian influence in the post-Soviet space, first through political and economic means and then by using military force. Western policymakers, however, clung to the belief that Putin had been installed to continue the domestic and international course established by Yeltsin.

Few people in Kyiv could imagine Russians and Ukrainians shooting at each other.

The flaw in this thinking was not immediately apparent, as Putin at first seemed willing to cooperate with the West, most notably after the 9/11 attacks. Putin saw this cooperation not as a reflection of shared interests, however, but as a concession that should earn Moscow concessions from the West in return. Yet Washington refused to do what the Kremlin expected in exchange for its backing of the U.S. invasion of Afghanistan, namely, allow it a free hand in the post-Soviet space. Instead, the United States maintained its support for the sovereignty of the post-Soviet republics and refused to acknowledge what Putin considered to be Russia's ongoing right to dominate its former empire.

Problems worsened when further expansion by both NATO and the EU into eastern Europe put an effective end to the short-lived honeymoon between Putin and U.S. President George W. Bush. In March 2004, NATO accepted into its ranks the three Baltic states—Estonia, Latvia, and Lithuania—which were once part of the Soviet Union, and four other states. The accession of the Baltics signaled that NATO enlarge-

ment would not halt at the former border of the Soviet Union. The EU followed suit in May 2004, extending its border eastward to include a number of former Soviet republics and allies, including the Baltic states, the Czech Republic, Hungary, Poland, Slovakia, and Slovenia. Since Putin, a leader of an empire denying its own decline, still considered Soviet borders significant, he viewed such moves as a massive affront.

These expansions highlighted Ukraine's vulnerability. As one of a handful of fully functioning democracies remaining east of NATO's and the EU's borders, Ukraine suddenly found itself in a particularly painful form of limbo between the East and the West. Partly in response came the so-called Orange Revolution, through which Ukrainians made their aspirations to join the EU clear. Crowds flooded the streets of Kyiv in November and December 2004 in the wake of a presidential election of questionable legitimacy and succeeded in demanding truly free new elections. These resulted in the success of the pro-European candidate Viktor Yushchenko.

For Putin, the Orange Revolution was a double defeat. Not only did his candidate lose (despite the Russian president's having traveled personally to Ukraine to campaign on his behalf), but the democratic protests in Ukraine deepened anti-Russian sentiment in the two other states that had "color revolutions," Georgia and Kyrgyzstan. Putin was peculiarly sensitive to popular movements that could provoke widespread street demonstrations. (He had served as a KGB agent in East Germany when similar protests destabilized the country's pro-Soviet leadership in 1989.) And because he refused to accept that Ukraine had truly removed itself from his domain, he viewed the street demonstrations as inseparable from protests against his authority inside Russia. In his eyes, they were all one and the same: direct threats to the stability of his personal regime.

Yet the Bush administration concluded that this was the moment to push for NATO to expand further, to include Georgia and Ukraine. The timing was terrible, as became clear in retrospect. The United States had missed out on two earlier opportunities to promote Ukrainian security at a lower cost: it could have given Kyiv the guarantees it had sought as part of the Budapest Memorandum in 1994, or it could have prioritized the more inclusive Partnership for Peace over NATO. Instead, the Bush administration was pushing for NATO's expansion just as Russia's postimperial trauma was on the verge of violence. The administration wanted to use the 2008 NATO summit in

Bucharest to sanction the start of accession procedures for Georgia and Ukraine. But after last-minute interventions, especially on the part of French and German policymakers, the summit instead merely announced that Georgia and Ukraine “will become members of NATO”—keeping the promise of membership alive but the door to the alliance closed. Yet the damage was done.

Shortly afterward, Putin decided to invade Georgia, a signal whose full significance the West failed to recognize at the time. The invasion was not a one-off, caused by Georgian recklessness; rather, it showed the extent of Russian trauma resulting from both the ongoing imperial collapse and resentment of the United States and its policies in the region. But in its own instance of magical thinking, most of the political class in Kyiv agreed with Westerners that such a fate could not befall Ukraine, since war between the two largest post-Soviet states had (they thought) become a virtual impossibility in the post-Cold War world. Given the historical and cultural ties between the two Slavic nations, few people in Kyiv could imagine Russians and Ukrainians shooting at each other.

The Russo-Georgian war was viewed at the time as a mere bump on the road to a “reset” in U.S.-Russian relations under a new Russian president, Dmitry Medvedev. Relations briefly improved, making possible the signing of the New Strategic Arms Reduction Treaty, or New START, under President Barack Obama in 2010. Yet this new agreement, like the Budapest Memorandum of 1994, while promoting nonproliferation generally, contributed little to the security situation in the post-Soviet space specifically.

RUSSIA RESURGENT

In 2014, 20 years after the signing of the Budapest Memorandum, violence resulted again when Kyiv, its NATO ambitions dashed, tried to strengthen its relations with the EU instead by negotiating a trade agreement. This renewed effort by Ukraine to assert its independence once again angered Putin. Russia also sought to preserve a sphere of influence in the post-Soviet space by stopping NATO and EU expansion at the western border of Ukraine. Putin successfully pressed Ukraine’s president, the pro-Russian politician Viktor Yanukovich, to reject the proposed trade association—only to be shocked by the virulence of the Ukrainian people’s response: the Maidan protests of late 2013 and early 2014.

Furious at these demonstrations, Putin gave full vent to his imperial instincts. In violation of the Budapest Memorandum, Russian regular and paramilitary troops took control of the Crimean Peninsula. Putin sought openly to reintegrate the post-Soviet space in a new Eurasian military, political, and economic alliance to balance against both the EU and China. Russia also launched hybrid warfare in the Donbas region of eastern Ukraine. Moscow's goal was to make the "federalization" of Ukraine necessary, with each of its provinces deciding foreign policy issues on its own, because that would spell the end of Ukraine's pro-Western aspirations.

Ukraine fought back with all the means available to it, including the help of volunteer battalions and its own existing armed forces, which were quickly rebuilt after years of neglect. As a result, Russia turned its hybrid war into a conventional one by sending regular units into battle. European leaders stepped in to negotiate the Minsk agreements in September 2014 and February 2015, thereby providing at least a framework for dialogue. But the fighting continues, and it has claimed close to 13,000 lives, including soldiers, members of paramilitary units, and civilians. Millions have become refugees, and around four million people are now stuck in unrecognized separatist republics, financed and backed militarily and politically by Russia but barely surviving economically.

Having succeeded in gaining territory and destabilizing Ukraine, Putin has felt emboldened to expand elsewhere. His regime has projected military power beyond the post-Soviet space, into the Middle East, Africa, and Latin America. It has also stepped up its cyberwarfare significantly, most notably in the United States in 2016, when, in the year that marked the 25th anniversary of the event that caused Putin's bitterness—namely, the collapse of the Soviet Union—Russia used social media and other online tools to interfere in the U.S. presidential election. Given that Putin views the Soviet Union's collapse as the "greatest geopolitical catastrophe" of the twentieth century (despite much competition for that tragic title), he was hardly going to organize a parade for the anniversary. Instead, he decided to avenge himself on former U.S. Secretary of State Hillary Clinton, the Democratic presidential nominee—whom he viewed as having masterminded many of the protests in the post-Soviet space from the State Department—by meddling in the U.S. election in favor of her opponent, with fateful conse-

quences. The misunderstood grievances of the old imperial center had yet again dashed hopes of durable a post–Cold War order.

A FESTERING WOUND

Leaving the issues of Ukraine’s security and its place in the new international order unresolved for decades had the effect of turning the country into a dangerous arena. It became a space where the interests of the great powers clashed and yet no conflicts were resolved. It also became a place where there was money to be made by outside consultants advising the locals on how best to outmaneuver their opponents.

One American distinguished himself particularly in this regard: Paul Manafort. Yanukovich became president of Ukraine in 2010 in no small part thanks to Manafort’s management of his campaign. In exchange, Manafort earned more from Yanukovich than the American ever bothered to admit to American authorities. Trump’s fateful decision to ask Manafort to manage his own presidential campaign brought Trump and his advisers onto the shoals of Ukraine, as well.

“Ukrainegate” began soon thereafter, when documents revealing illicit payments to Manafort were leaked to the Ukrainian newspapers. Manafort’s close ties with Yanukovich became the subject of an FBI investigation, leading to his removal from the helm of Trump’s presidential campaign. Manafort was put on trial in 2018 for tax evasion and fraud and was sentenced by two U.S. district courts to 90 months in jail. Before disappearing behind bars, however, Manafort and his pro-Russian Ukrainian associates appear to have planted in Trump’s head the notion that corrupt Ukrainian officials were out to undermine him and his presidency.

The president soon developed his own magical thinking about Ukraine. He decided, despite the consensus of the U.S. intelligence community, to believe not that Russia had hacked the election on his behalf but that Ukraine had hacked it on behalf of Clinton. He also seized on a conspiracy theory that former U.S. Vice President Joe Biden—now a candidate for president—helped fire a corrupt Ukrainian prosecutor general not, as was actually the case, to advance U.S. anticorruption policies but to protect his son Hunter Biden. Hunter had joined the board of Burisma, Ukraine’s largest gas-producing company, which was at the time under investigation for money laundering. The practical result of Trump’s magical thinking was the suspension of

U.S. military aid, which could not have been more pleasing to Moscow and more damaging for the reputation of the United States in the region. Putin had effectively enlisted Trump in his irredentist efforts.

Now, Trump's delusion threatens to undermine American voters' already shaky confidence in the U.S. democratic system—and the rest of world's already eroding faith in the U.S.-led order that was supposed to bring decades of peace and prosperity in the wake of the Cold War's end. Past impeachments in the United States have focused on either immoral behavior or illicit domestic political activities, but the impeachment process underway now centers on a president's misuse of American power abroad. Decades after they supposedly disappeared, Moscow's imperial ambitions—which Putin pursues through the network that runs from the Kremlin through Ukraine to the White House—have now unsettled American democracy itself.

Meanwhile, the question of Ukrainian security remains open. The past decades have made clear that as long as Ukraine's status is unsettled and insecure, the consequences will continue to reverberate beyond its borders. Washington believed that it could ensure Ukraine's control over its own destiny without major effort and at low cost. The reality is that it could not. What is worse, the best means for promoting Ukrainian security are in the rearview mirror. Expanding NATO to include Ukraine now would most likely result in more, not less, conflict with Russia. Washington's best option at this point is to strengthen its bilateral political and security ties with Ukraine while working closely with its European allies to ensure Ukraine's ability to protect its sovereignty. And although he is unlikely to do so, Trump should stop playing games with the aid he has promised to Ukraine; he should prioritize security assistance and diplomatic engagement over ad hoc dealings. Above all else, Washington must protect the impeachment process from Russian interference and get past the illusion that it can promote a stable political order either at home or abroad without successfully navigating the shoals of Ukraine. 🌐

How to Fix American Health Care

What Other Countries Can—and Can't—Teach the United States

William C. Hsiao

There are many statistics that illustrate the flaws of the U.S. health-care system. One in particular stands out. In 2017, Americans spent an average of \$10,224 per person on health care, according to a Kaiser Family Foundation study. The equivalent figure across similarly wealthy countries that year was just \$5,280. Yet despite spending almost twice as much as Australians, Canadians, Japanese, and many Europeans, Americans suffer from lower life expectancy, higher infant mortality rates, and a higher prevalence of heart disease, lung disease, and sexually transmitted infections.

This reflects the deep dysfunction in the U.S. health-care system. Experts estimate that around 30 percent of the money spent on health care in the United States—around \$1 trillion a year—is wasted on inefficiencies, excessive administrative expenses, the duplication of services, and fraud and abuse in insurance claims. Meanwhile, huge numbers of Americans remain uninsured or underinsured. The 2010 Affordable Care Act (ACA) attempted to address such problems but has proved insufficient for many reasons—including the Trump administration's efforts to hollow out the legislation.

It is true that some Americans have better access to advanced technologies and drugs than do most Canadians and Europeans. And in certain fields, such as cancer diagnostics and treatment, the United States offers unsurpassed care. What is more, on average, Americans experience shorter wait times for certain specialty ser-

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vices, such as orthopedic surgery. But the fact remains that when it comes to health care, Americans pay more and get less.

Establishing truly effective and affordable universal health care will require a dramatic overhaul. Just what sort of change will be necessary is the subject of fierce debate right now, especially within the Democratic Party. One alternative would be to shift to a single-payer system along the lines of the Medicare for All proposals introduced by Senator Bernie Sanders of Vermont and Senator Elizabeth Warren of Massachusetts, who are running for the Democratic presidential nomination. If properly carried out, such a plan would be cost-effective and would bring about major improvements in U.S. health care. But it is far from certain that it would prove politically possible, since it would require raising taxes and, even more controversial, abolishing most forms of private health insurance.

A less far-reaching, less cost-effective, but perhaps more politically achievable option would be a gradual transition that would maintain the multiple-payer model for two to three decades while steadily increasing the role and authority of government at the federal and state levels. The ultimate result would be a hybrid system in which a number of insurers, including private ones, would continue to exist but a single payer—a partnership between the federal and state governments—would predominate.

Proponents of major reform often point to the disparity between health-care costs and outcomes in the United States and those in other developed economies and argue that Washington should look abroad to fix what is broken at home. This is indeed a good idea—but only if U.S. policymakers choose the right foreign models. For examples of highly successful single-payer systems, they should look to Canada and Taiwan. For inspiration on a hybrid system that would not require scrapping private insurance right away, they should consider the German model. The governments and societies of those places differ in important ways from those of the United States, of course; in considering foreign health-care systems, U.S. policymakers should adapt rather than adopt. But any reform effort that ignores these successes would deprive Americans of solutions that would allow them to live longer, healthier lives.

A DIFFERENT KIND OF AMERICAN EXCEPTIONALISM

The United States is the only advanced economy that does not offer universal health-care coverage. For the past five decades, Washington has moved in fits and starts toward that goal but has never quite ar-

rived. In 1965, major reforms to expand insurance coverage led to the establishment of Medicare (to cover the elderly and the disabled) and Medicaid (to cover the poor). That expansion was extended in 2010 by the ACA, or Obamacare, which made coverage accessible to the “near poor” (those making an income between the poverty line and 25 percent above it) and others without health insurance. Today, however, 28 million Americans remain uninsured, and 44 million are underinsured, meaning they spend more than ten percent of their incomes on out-of-pocket health-care expenses.

This has a profound effect on American society. The news media often focus on the more than half a million household bankruptcies that medical bills induce every year, but other substantial harms are less well recognized. The uninsured and the underinsured delay or even forgo treatment when they are ill, and their children often do not receive critical immunizations. This contributes to a pernicious form of inequality: on average, the top quarter of American earners live ten years longer than those in the bottom quarter.

Making matters worse, the system is terribly inefficient. The amount spent in the United States on administrative expenses related to health care is three times as high as that in other advanced economies. That is because in a multiple-payer system, insurers offer many different policies, each one featuring distinct benefits packages, premium rates, and claim procedures. At the same time, insurers negotiate separately with hospitals and clinics, which means they pay different prices for the same services. So to file claims, health-care providers have to employ vast administrative staffs to sort out the various plans, rules, and prices.

Fraud and abuse also drive up the price of care, accounting for around \$150 billion in unnecessary spending every year, according to the best estimates available. A cottage industry has sprung up to advise hospitals and physicians on how to game the claims system by fragmenting bills and “upcoding” services—exaggerating their complexity—in order to maximize payments. Large providers now employ workers whose main task is to find ways to pad charges. Some hospitals and clinics take a blunter approach: they simply file claims for services they have not actually performed.

The structure of the U.S. system also plays a role in driving up prices. Multiple payers lack the market power to negotiate effectively with pharmaceutical companies and providers for reasonable prices.



Best practices: a doctor's office in Minden, Germany, July 2016

When one insurance plan is able to negotiate a lower price, a company or a provider can adapt by simply charging other insurance plans higher prices. Indeed, the exact same service or medical procedure can vary in price by more than 300 percent. Meanwhile, in some places in the United States, hospitals enjoy a monopoly on most forms of medical care, which allows them to charge high prices. And even in places where competition exists, patients often mistakenly believe that higher prices indicate a higher quality of care.

The root of these problems is that as the United States became a prosperous, industrialized society in the early twentieth century, it chose to treat health care as a commercial product rather than as a social good, such as education. As a result, whereas government-mandated universal schooling had become the norm by the 1920s, health care still remains primarily a private-sector activity driven by the profit motive.

But the markets for health insurance and health care have failed in a number of serious ways. Consider, for example, the effects of the asymmetry of information between buyers and sellers of health insurance, what economists call “adverse selection.” Unhealthy people are much more likely to buy insurance than healthy people, which drives

up premiums to unaffordable levels. Insurers, meanwhile, optimize profits by trying to sell coverage only to those they consider “good risks,” such as relatively young and healthy people, and by avoiding the unhealthy, the disabled, and the elderly. A similar asymmetry distorts the health-care market, because physicians (the sellers) have far superior medical knowledge compared with patients (the buyers), which puts the former in a dominant position in any transaction.

In a hybrid system, private insurers would continue to exist, but a single payer would predominate.

The system of employer-based health insurance that defines the current U.S. system blossomed during World War II. At that time, wages were largely frozen, and employers found that offering health insurance was one way to compete for scarce workers. After the war, the United States did not follow European countries in establishing universal health insurance programs owing in part to institutional opposition from powerful special interests that took advantage of the politics of the early Cold War period. In the late 1940s, President Harry Truman made a concerted effort to introduce national health insurance. But the deep-pocketed American Medical Association opposed the program, hoping to protect physicians’ superior market power and professional autonomy. The AMA mobilized its nationwide network of county medical societies to stir up fear that the plan would lead to “socialized medicine.” The AMA went so far as to call the plan “un-American” and deride the Truman administration as following “the Moscow party line.” Opponents of universal coverage have relied on variations of the same playbook ever since.

Slowly but steadily, however, public sentiment has shifted, resulting first in the advent of Medicare and Medicaid and later in the passage of the ACA. According to public opinion polls conducted by the Kaiser Family Foundation, between 2000 and 2019, the proportion of Americans with a favorable opinion of a single-payer, government-run health insurance system rose from 40 percent to 53 percent. The question, it seems, is no longer whether the United States will establish a single-payer system, or at the very least a hybrid system radically different from the one it has now. The question, instead, is how that change will take place and what kind of system it will produce. To help find answers, Americans should look to three places: Canada, Taiwan, and Germany.

HEALTHY, WEALTHY, AND WISE

Canada established single-payer universal health insurance in 1968. The Canadians opted for a one-tiered system built on the principle that coverage should be not just universal but also equal. Canada thus forbids private insurers from duplicating the benefits offered by the government and prohibits physicians and hospitals from serving both publicly insured patients and those with private insurance. Providers must choose to serve one group or the other.

In the Canadian system, the federal government sets national standards and funds 50 percent of the cost. The country's 13 provinces fund the other half and run their own programs, acting as the single payer for their residents, determining payment rates to providers, and negotiating with pharmaceutical companies. This arrangement vastly reduces the potential for fraud and waste because the single payers maintain uniform records of each medical transaction and closely monitor every provider's behavior. In 2018, Canada spent \$4,974 per person on health care. Administrative expenses related to insurance accounted for just six to eight percent of overall spending because there is only one set of rules and procedures for filing claims. Likewise, hardly any fraud or abuse occurs because a comprehensive data-collection system allows authorities to monitor the performance of all providers. And the system is highly effective: life expectancy in Canada is 82 years, and the infant mortality rate is 4.5 deaths per 1,000 births—better on both counts than in the United States, where life expectancy is 79 years and the infant mortality rate is 5.8 deaths per 1,000 births.

Canada served as the most important model for Taiwan, which established universal health insurance in 1995. Like the Canadians, the Taiwanese set up a single-payer system in which people freely choose their providers, which encourages clinics and hospitals to compete on quality and efficiency. But there are some significant differences between the two approaches. As a small, densely populated island, Taiwan opted to centrally administer its program. Patients also have modest copayments to deter the overuse of services and drugs. In Canada, government budgets finance the program, which means that the level of support fluctuates, depending on the agenda of the political party in power at any given time. Taiwan, in contrast, adopted a more stable financing arrangement that relies on earmarked taxes, insulating the system from changes in the political

landscape. Taiwan also took inspiration from the actuarial methods used by the U.S. Medicare program to assure its long-term sustainability.

Taiwan leapfrogged other countries with single-payer systems by developing innovative data technology to monitor patients' care and to detect and deter fraud and abuse. For example, in the initial years of its program, Taiwan found that several physicians were submitting suspicious bills that, had they been accurate, would have required them to work 24 hours a day, seven days a week. Administrators turn over such suspect claims to a local committee of practicing physicians, which deals with fraudsters by applying sanctions—including, in serious cases, stripping them of their licenses to practice. During the first year in which this process was followed, the overall amount that physicians and hospitals charged the system fell by eight percent.

The Taiwanese system is remarkably cost-effective: in 2016, Taiwan spent \$1,430 per person on health care, and only between five and six percent of that spending related to the administrative costs of the single-payer system. As in Canada, there is hardly any fraud or abuse. And as in Canada, life expectancy (81 years) is better than in the United States, as is the infant mortality rate (3.9 deaths per 1,000 births).

Germany offers a different model—not least because its system has evolved over a long period of time. In 1883, German Chancellor Otto von Bismarck declared that industries, occupational guilds, and agricultural cooperatives would have to form nonprofit health insurance programs, called “sickness funds,” for their members. Numerous funds were established, each one offering distinct benefits packages, premium rates, payment rates to providers, and claim procedures. People could enroll in the fund of their choice. But many opted out and remained uninsured. Eventually, in 1914, Germany passed legislation compelling all workers in selected industries earning less than a certain amount to obtain coverage; those who earned more could voluntarily enroll or purchase private insurance. After World War II, West Germany continued that system, which was extended to the former East Germany after reunification.

Germany's multiple-payer system, however, suffered from inefficiency and waste because separate groups of people were pooling their health risks, which led to highly variable premium rates. So in the

Should the United States treat health insurance primarily as a commercial product or as a social good?

1990s, Germany's legislature began requiring all funds to offer a standard benefits plan. The various funds pool the premiums they receive, which the central government then allocates to the funds based on the health risks of the people enrolled in them. Meanwhile, associations of sickness funds in each state negotiate with that state's medical association to design a single set of claim procedures and a uniform payment rate for physician services. Likewise, all hospitals in a given state negotiate one uniform set of rules, procedures, and rates with that state's hospital association. One result of these reforms has been a vast reduction in the number of sickness funds, from around 1,200 in 1993 to just 115 today.

Germany's hybrid system now relies on doctors in private practice for physician services and a mixture of public and private hospitals for hospital care. Patients can freely choose their providers. The federal government sets the rules and negotiates with pharmaceutical companies, allowing Germany to keep drug prices relatively low. In 2017, Germany spent \$5,728 per person on health care. Some fraud and abuse exist, but at far lower levels than in the United States. Life expectancy is better than that in the United States (81 years), and the infant mortality rate (3.4 deaths per 1,000 births) is lower.

THE PERFECT AND THE GOOD

A number of clear lessons for the United States emerge from these three places. Perhaps the most basic one is the need for a broad public consensus about the values that should shape any reform. Should the United States continue to treat health insurance primarily as a commercial product shaped by market forces and one that everyone can choose to either acquire or do without? Or should health insurance be understood more as a social good akin to primary and secondary education: guaranteed by the state, paid for primarily by taxation, and mandatory for everyone?

If Americans do decide to shift away from a market-based system, the cases of Canada, Taiwan, and Germany show that Washington would need to mandate that every citizen and permanent resident enroll in a health insurance plan that offers a standard benefits package. Otherwise, health risks would not be pooled across the healthy and the unhealthy, the rich and the poor. The U.S. federal government could fund universal coverage through a payroll tax on both employers and employees; the poor and the near poor would receive subsidies to offset the tax burden.

A better method, however, would be taxes on income and wealth, which would be more progressive and therefore fairer. Moreover, payroll taxation is less effective than in the past because in contemporary economies formal employment has become less common as companies increasingly hire independent contractors rather than staffers. It's for these reasons that Taiwan and Germany gradually shifted away from payroll taxes to fund their systems and adopted ear-

marked income taxes instead.
Would Americans have to pay more for health care under a single-payer system similar to those in Canada and Taiwan? A definitive study published

in 2018 by a team of researchers led by the economist Robert Pollin has determined that they would not. In fact, Americans would see a net reduction in overall health expenditures. According to the report, the United States could save more than \$250 billion each year by establishing a single-payer system.

The plans put forward by Sanders and Warren incorporate many features of the Canadian and Taiwanese approaches: a single payer with one comprehensive standard benefits package for all, free choice of providers, uniform payment rules, and procedures that would vastly reduce administrative expenses and limit fraud and abuse. The savings would be great enough to pay for covering uninsured and underinsured Americans while still giving most Americans a reduction in their health expenses. The plans would raise taxes: some payroll, income, and wealth taxes would have to increase. But those increases would be offset by reductions in other taxes and by a vast drop in premiums.

Medicare for All, or a plan similar to it, would encounter strong opposition. People's fear of a major change would be a paramount obstacle. Americans who are currently insured might worry that their benefits would be reduced. Physicians, nurses, and hospitals might see a threat to their incomes. The public would resist higher taxes, even though they would be paying less for health care overall. And insurance companies, pharmaceutical firms, and powerful interest groups such as the AMA and the American Hospital Association would lobby hard against a shift to genuine universal coverage. Although Americans have begun to take a more favorable view of single-payer systems in recent years, it's far from clear that the idea has enough popular support to clear such hurdles.

Proponents of Medicare for All should take a careful look at the German model.

Perhaps a more practical approach would be for the United States to follow Germany's lead and to undertake reforms that would allow for multiple insurers but create a uniform system of payments and electronic records to help control waste and fraud. Such a system would also let insurers collectively bargain with major pharmaceutical companies for reasonable drug prices. These measures alone could save somewhere between \$200 billion and \$300 billion each year—savings that, along with modest tax increases, could be used to expand existing public coverage for the uninsured.

Over time, the United States could go further, as Germany did, and pool the enrollees of various private insurers into a state-level or federal-level risk pool and then introduce regional health budgets to control costs. This gradual approach might take two to three decades and would likely require additional taxes along the way, since the savings available under this hybrid system would not be sufficient to cover the uninsured and the underinsured. But the German alternative would not require the abolition of private insurance in the near term, thus sidestepping one of the most politically problematic aspects of Medicare for All.

It's possible that public sentiment will continue to shift and that support for a straightforward single-payer system will gain enough momentum to overcome the institutional and political obstacles that stand in its way today. In the meantime, however, proponents of Medicare for All and other sweeping reforms should take a careful look at the German model. It may not achieve all their goals as quickly as they would like. But the perfect should not be the enemy of the good, and such an approach would put the United States on the road to an equitable, sustainable, and affordable system of health care for all Americans. 🌍

Adapt or Perish

Preparing for the Inescapable Effects of Climate Change

Alice Hill and Leonardo Martinez-Diaz

Ever since climate change became a concern for policymakers and laypeople alike, the focus of public debate has largely been on mitigation: limiting greenhouse gas emissions, capturing carbon, and transitioning to renewable energy. Those efforts must continue if we hope to keep the planet hospitable. But it is also time to acknowledge that—no matter what we do—some measure of climate change is here to stay. The phenomenon has already affected the U.S. economy, U.S. national security, and human health. Such costs will only grow over time. The United States must build resilience and overhaul key systems, including those governing infrastructure, the use of climate data, and finance.

Otherwise, the blow to the U.S. economy will be staggering. Assuming that current trends continue, coastal damage, increased spending on electricity, and lost productivity due to climate-related illness are projected to consume an estimated \$500 billion per year by the time a child born today has settled into retirement. Other estimates suggest that the U.S. economy will lose about 1.2 percent of GDP per year for every degree Celsius of warming, effectively halving the country's annual growth.

Climate change also threatens to fray the United States' social fabric. Although no region will be spared, some parts of the country—es-

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pecially the South and the lower Midwest—will likely suffer more from climate change, and poor and vulnerable people across the United States will feel the greatest pain. Hundreds of thousands of people will be forced from their homes by coastal flooding. Against the backdrop of already high economic inequality, these effects will further deepen the United States' political and regional cleavages.

The country is already getting a preview of the chaos to come. Hurricanes in the Atlantic and on the Gulf coast and wildfires in the West have intensified. Floods have hampered agriculture in the Midwest, even as droughts and heat waves have grown longer and more common across the Southwest. Once regarded as theoretical possibilities in the distant future, the impacts of climate change have become the stuff of daily headlines.

Yet much of this future damage is preventable. The best approach is also the most obvious: cutting greenhouse gas emissions to arrest rising temperatures. The 2015 Paris agreement on climate change established a global framework for governments to cut emissions, but in 2017, U.S. President Donald Trump announced his intention to withdraw the United States from the deal. (He began the formal exit process in 2019.) Washington should return to the Paris agreement and redouble its efforts to reduce carbon emissions.

At the same time, the United States must prepare itself for the future effects of climate change. The country's industrial, commercial, and military infrastructure has been built to withstand historical weather extremes. But no matter what is done to slow it, climate change will push beyond historical boundaries, setting new records. The infrastructure, data systems, and financial policies of the United States must be upgraded in order for the country to survive.

FINDING SAFER GROUND

The road to preparedness begins with stronger regulations about where and how the country builds public infrastructure, as well as commercial and residential buildings. Today, building standards and practices assume that the climate is stationary, but climate change has rendered that assumption untenable.

Consider the Kwajalein atoll, a group of islands that is home to the U.S. Air Force's "space fence," a radar system that can track objects as small as a baseball through outer space to avert collisions with spacecraft. Before construction began on the \$1 billion project, the Depart-

ment of Defense conducted a risk assessment based on historical data and concluded that neither tidal nor wave flooding would pose a threat. But four years later, once construction was already underway, the military commissioned another study, this one informed by future projections. It found that flooding from rising sea levels could threaten the supply of freshwater used by military personnel living on the islands in the near future and that by 2055 a majority of the atoll could flood every year. The problem is not limited to this one facility. In 2019, the Government Accountability Office, an independent watchdog that works for Congress, found that most U.S. military installations failed to use climate projections in their master plans.

By 2100, an estimated 3.4 million homes nationwide could face regular inundation.

Civilian construction is also at risk.

Unlike many developed countries, the United States has no single, national building code. Private organizations—such as the International Code Council and the National Fire Protection Association—create their own standards. Then, state governments, local communities, and the military decide whether to adopt those regulations. As a result, some parts of the country have outdated codes in place. Others have none at all. Even in areas with strict standards, the building codes do not yet account for future risks from climate change.

This is not to suggest that the federal government should develop a mandatory national building code. (Such a code could well run contrary to the constitutional division of power between the federal government and the states.) But it could certainly create a standard for federally funded projects, which would allow it to redirect existing tax dollars to those investments that have been designed to withstand future climate impacts. The Obama administration took this approach when it created the Federal Flood Risk Management Standard to govern construction in floodplains. But in 2017, ten days before Hurricane Harvey dumped some four feet of rain on Houston, the Trump administration rescinded that standard.

Federal, state, and local governments must also work together to encourage people to move out of places that cannot be salvaged or protected at a reasonable cost. Typically, the federal government does this by providing funds to local governments to buy at-risk homes. In the past 30 years, the United States has bought more than 40,000 flood-

prone properties. But because such relocation programs remain voluntary, they often result in piecemeal change. To solve this, both the federal and state governments must implement strategies that target the most at-risk areas and encourage community-wide participation.

Another key obstacle is cost. The federal government has recently undertaken two experiments in relocating entire communities to safer ground. In 2016, it awarded a grant to move the approximately 80 residents of Isle de Jean Charles, an island off the coast of Louisiana that is slipping into the sea. The bill came to \$48 million—a staggering \$600,000 per person. In 2018, the federal government paid the 350-odd residents of the tiny Alaskan village of Newtok \$15 million to move farther inland. This is just a fraction of the full cost of that relocation, which is estimated to surpass \$100 million. For much larger communities, the relocation costs would soon become exorbitant. The government, working with academics and community leaders, must devise more cost-effective ways to facilitate community-scale relocation.

The government should also withdraw taxpayer dollars from new developments in risky areas. The problem is that the areas that are the fastest growing and most lucrative for developers are often also the most flood-prone, since the most coveted places to live are typically next to water along rivers or coastlines. In New Jersey, for example, developers have built almost three times as much housing in coastal flood areas as in less risky areas since 2009. By 2100, if such trends continue, an estimated 3.4 million homes nationwide could face regular inundation. To avoid this, the federal government must phase out the insurance subsidies and federally backed mortgages that prop up communities knowingly built in risk-prone areas.

The story in wildfire-prone California is not any better. Within weeks of the 2018 Camp Fire—the deadliest and most destructive wildfire in the history of the state—the county of Los Angeles approved a 19,000-home development in areas designated by the state’s fire agency as being particularly vulnerable to fire. Those homes will add to the estimated 1.7 million residences across the country that have already been identified as being at risk from wildfires.

Even if some communities relocate successfully and new construction in dangerous areas declines, extreme weather events will still displace hundreds of thousands of Americans. Indeed, managing climate-related internal migration could become a major social and economic challenge, the likes of which the United States has seen only

in miniature. In 2005, Hurricane Katrina turned more than one million people into migrants—in what was among the largest displacements of Americans in history. A quarter of a million of them ended up in Houston; about 150,000 were still there a year after the storm, increasing the total population of the city’s metropolitan area by almost four percent. After the Camp Fire in California, the city of Chico saw its population swell by 20 percent within a matter of hours. In the coming decades, hundreds of thousands of people may leave vulnerable cities such as Miami and New Orleans. Such large and sudden movements of people will likely put unprecedented economic and social pressure on the communities that take in the migrants.

To prepare for this challenge, federal, state, and local governments should set aside funds to assist communities that receive large numbers of migrants. They should also identify mechanisms that would facilitate the transit and resettlement of displaced people—providing, among other things, modest cash grants to help individuals with their initial moving expenses. Governments should also ease the transition by offering job training and placement assistance, as well as tax relief to cover resettlement expenses. And to shore up the infrastructure in cities likely to be at the receiving end of internal migration, the public and private sectors should collaborate to create transitional housing units, develop additional capacity in schools and medical facilities, and strengthen social service provision. In other words, federal, state, and local governments need to consider how they will reconfigure themselves to deliver better support in the face of growing displacement, perhaps even creating a White House–led national relocation commission to coordinate federal efforts and strategy.

KNOW THY ENEMY

All these improvements will be tougher to make in the absence of reliable information about where climate change will likely hit the hardest, and how. In a warming world, a variety of activities, from purchasing a home to cultivating crops, will require highly localized climate and weather data. Thus, the quest for resilience will also demand greater access to such data—information that can enable governments, businesses, and households to understand the climate-related risks they face and how to manage them. Without that information, communities will be flying blind.

Governments and the private sector collect and process more climate and weather data today than at any other time in history. Satel-



It's getting hot in here: a fire in Windsor, California, October 2019

lites, drones, land- and sea-based sensors, and even cell phones collect data about everything from soil moisture to ocean temperatures. And thanks to cloud computing and machine learning, governments and businesses can now use all this information to build ever more powerful models for visualizing and managing future risks.

Yet many of those who desperately need these tools and information cannot access them. Think, for example, of Perdido Beach, a small town on the coast of Alabama threatened by rising sea levels, floods, and hurricanes. During a 2014 meeting with government officials focused on building resilience to climate change, Patsy Parker, the town's part-time mayor, explained her predicament: "I don't have a big planning staff, grant writers, or any resources. So how can I even know the size of the threats we are facing—and what can I do to protect the people of my town?" Thousands of communities across the United States face the same quandary.

During the Obama administration, the federal government worked hard to make climate change data more widely available. But the result was less than ideal: a patchwork of partially overlapping data "hubs" run by separate government agencies, including the Department of the Interior, the Department of Agriculture, the National Oceanic and At-

mospheric Administration, and the Federal Emergency Management Agency. To get the information they need, farmers, city planners, first responders, and others are forced to navigate this unwieldy system. Even federal policymakers have trouble. As the Government Accountability Office warned in 2015, the federal government's climate data system is so fragmented that "decision makers are vastly underserved."

Cost is another problem. Private-sector companies continue to develop powerful tools to help clients understand how climate impacts could affect individual industrial parks, farms, and other assets. But those tools remain proprietary and unaffordable for many communities and small businesses.

To remedy these problems, the federal government should consolidate the existing system into a network of "resilience hubs," each serving a different region of the country. Backed by the federal and state governments, these centers would provide localized climate and weather data to those who need the information most. They would also provide technical help and guidance to local governments, small businesses, and communities seeking to build resilience. The hubs should ensure that climate information collected with taxpayer money remains freely and openly available, along with basic tools for translating the information into useful formats. Academic and nonprofit institutions should also do their part by promoting the development of free, open-source climate and disaster models—simulations that local governments and small businesses could use to forecast and manage risks.

THE PRICE OF CHANGE

Building resilience on the scale required will be expensive—but not as expensive as trying to deal with the damage after it has occurred. The U.S. government must therefore fundamentally rethink the way it finances preparedness for and recovery from climate-induced disasters. The prevailing approach is to underinvest in resilience and then pay for the damage afterward, leaving taxpayers to foot the bill.

Already, the costs are significant. For example, in 2017, after devastating wildfires and the unprecedented destruction of Hurricanes Harvey, Irma, and Maria, Congress authorized nearly \$140 billion in emergency aid. It borrowed most of this money, adding to the growing national debt. This is neither smart nor sustainable. As natural disasters grow in frequency and intensity, they will only weaken the country's already deteriorating fiscal situation. Com-

munities and businesses will need more and more money to rebound from the effects of extreme weather, especially if shortsighted building and land-use practices continue.

The smarter way is to spend before disaster strikes. One review conducted by the National Institute of Building Sciences of several thousand federally funded projects over a period of 20 years concluded that every \$1 spent on preparation saves society an average of \$4. (An update to that study revised the savings upward, to \$6.) Similarly, the Global Commission on Adaptation, a group of public- and private-sector leaders from around the world, has calculated that investing \$1.8 trillion on preventive and protective measures globally could generate as much as \$7.1 trillion in net benefits.

But even if investing in resilience is cost effective, these measures will require new money. Prudent borrowing and higher taxes could fill the financing gap. In 2017, under a Republican mayor, voters in Miami approved a referendum to issue \$400 million in “Miami forever bonds,” the proceeds of which will pay for coastal-protection infrastructure, new flood pumps, and upgraded storm drains. These investments will buy Miami valuable time to consider longer-term options as the water rises.

In general, however, tax hikes are unpopular, and bonds—although useful for funding specific projects—rarely generate the type of sustained, reliable revenue required for investments in climate resilience over the long haul. Governments will need to combine these tools with other approaches. For instance, they could use revenues from carbon taxes and cap-and-trade schemes designed to reduce emissions. But this hasn’t hap-

pened yet. The Regional Greenhouse Gas Initiative, a cap-and-trade system run by a group of northeastern U.S. states, has raised at least \$2.6 billion through the sale of permits. Yet only Delaware appears to have used a portion of its share to build resilience; the other states have in-

vested primarily in efforts to cut emissions or have returned the money back to taxpayers. Meanwhile, California’s cap-and-trade mechanism generated \$4.5 billion between 2012 and 2016. Some of the revenue has been used to pay for activities related to resilience, but the state has not formally designated a share of the funds exclusively for that purpose.

Businesses and homeowners will also need to be given incentives to embrace resilience in the first place. To provide those incentives,

*Every \$1 spent on
preparation saves society
an average of \$6.*

the government will have to fix the National Flood Insurance Program—the federal program that serves as the primary flood insurer in the United States. The program does not always charge insurance premiums that reflect the true risk of flooding. About 20 percent of the properties insured, typically those in risky floodplains, receive subsidized insurance, transferring the risk to the government and reducing incentives for homeowners to move to safer ground or to invest in retrofits to make their dwellings safer. The NFIP also continues to insure homes that have repeatedly flooded. Because its rates do not reflect actual risk, the program is now billions of dollars in debt.

Congress tried to fix the flood insurance system in 2012 by charging actuarially sound premiums, but a political backlash forced the proponents of the change into a swift retreat. The failed NFIP reform did not provide enough time and support for at-risk households to adjust to the increased costs. Congress must try again, but this time it should phase out the subsidies over a longer period of time and offer adequate assistance to affected homeowners, especially to low-income households.

WAKING UP TO THE TRUTH

If the effects of climate change are increasingly obvious, then why are the public and private sectors so unprepared for its consequences? One reason is that academic disciplines and government agencies often remain isolated from each other, and neither is particularly good at working with the private sector. Resilience will require unprecedented levels of collaboration among different kinds of experts and across different kinds of organizations. For example, public health officials will have to partner with geospatial analysts and biologists to anticipate how climate change may shift the geographic spread of mosquito-borne diseases, such as dengue and Zika. Corporate risk managers will need to work with engineers to figure out how to protect industrial facilities from new weather extremes. And military planners will have to learn from climate modelers how to secure bases and supply chains.

The politics of the moment haven't helped, either. Out of a false belief that climate change is exaggerated, the Trump administration has taken a hatchet to Obama-era reforms designed to manage its risks. Meanwhile, local governments have largely been left to build climate resilience on their own, with inadequate support from an administration that has all but erased the term "climate change" from its strategic

documents. But federal leadership is urgently needed. It seems likely that the country will have to wait for a new administration to provide it.

Besides politics, the other major obstacle to progress is psychological. For decades, both public officials and private citizens have underestimated the growing risks from climate change. Behavioral economists refer to this as “availability bias,” the tendency to judge the likelihood of an event based on how easily a relevant example can be called to mind. The government commission charged with investigating the 9/11 attacks, for example, singled out “a failure of imagination”—the simple inability to conceive of hijackers flying planes into buildings—as a key reason the United States had let its guard down.

The 9/11 Commission therefore recommended “routinizing . . . the exercise of imagination.” The same idea could help decision-makers with climate resilience. The Task Force on Climate-Related Financial Disclosures, an advisory group with backing from financial regulators, has recommended that all publicly listed corporations regularly discuss and disclose potential climate-related scenarios to understand how accelerating climate impacts could affect their businesses.

Climate change is here. Reducing its impacts on lives and livelihoods will demand a sustained, collective effort across the United States. Both the government and private actors will need to rethink where and how they build infrastructure, how they use climate and weather data, and how they mobilize financial resources to offset potential risks. The economic case for such a transformation is clear. But putting it into practice will require creativity and collaboration. Politicians, business leaders, and the public will have to envision a planet different from the one they have come to know and put in place new systems that can ensure survival, health, and prosperity in a warmer world. 🌍

The Age of Great-Power Competition

How the Trump Administration Refashioned American Strategy

Elbridge A. Colby and A. Wess Mitchell

U.S. foreign policy is, by most accounts, in disarray. Headlines—including in these pages—proclaim the death of global American leadership. Famous columnists send regular dispatches from the frontlines of U.S. President Donald Trump’s supposed campaign against the postwar liberal order. The damage to Washington’s standing in the world, we are told, is irreparable.

But step back from the day-to-day commotion, and a different picture emerges. In truth, the United States is gearing up for a new era—one marked not by unchallenged U.S. dominance but by a rising China and a vindictive Russia seeking to undermine U.S. leadership and refashion global politics in their favor.

This shift in Washington’s focus has been some time coming. Elements of it emerged, mostly in a reactive form, under President Barack Obama. The Trump administration has gone one important step further, recognizing that great-power competition warrants rebuilding U.S. foreign policy from the ground up, and it has based its formal strategy documents on that recognition. When future historians look back at the actions of the United States in the early twenty-first century, by far the most consequential story will be the way Washington refocused its attention on great-power competition. Beneath today’s often ephemeral headlines, it is this shift, and the reordering of U.S.

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military, economic, and diplomatic behavior that it entails, that will stand out—and likely drive U.S. foreign policy under presidents from either party for a long time to come.

THE COSTS OF INACTION

For years, American policymakers and analysts have argued about what China's rise and Russia's resurgence mean for U.S. interests. Since their introduction in the most recent National Security and National Defense Strategies, the words "great-power competition" have circulated widely enough to become a faddish catch phrase. But by now, the nature of the challenge, as an empirical fact, should be clear: the United States today faces rivals stronger and far more ambitious than at any time in recent history. China—seeking hegemony in the Indo-Pacific region first and global preeminence thereafter—is likely to become the most powerful rival that the United States has ever faced in its history. Russia may fall short of being a peer competitor but has proved capable of projecting power in ways few anticipated at the close of the Cold War. Today, it is intent on resurrecting its ascendancy in parts of eastern Europe that once fell within its sphere of influence and hopes to speed up the end of Western preeminence in the world at large. Its disruptive potential lies in part in its ability, through self-interested moves, to bring about systemic crises that will benefit Chinese power in the long term.

Until recently, Washington was not giving much thought to how it could meet these challenges. Such was the extent of the United States' economic and military dominance that, for a whole generation following the collapse of the Soviet Union, neither Democratic nor Republican administrations took seriously the possibility of facing another peer competitor. Great-power rivalries were, in those heady days, a thing of the past; the very language of geopolitics was an anachronism. Other major powers were instead partners in waiting in the fight to tackle problems of the "global commons," from nuclear proliferation to terrorism to climate change.

China's and Russia's actions slowly gave the lie to this sanguine outlook. As China became pivotal to global commerce, it did not so much change its discriminatory economic practices—forced technology transfers, mandatory joint ventures, and outright intellectual property theft—as cement them. It complemented this with a military buildup of historic scale, aimed specifically at dominating Asia and, in the long

run, at projecting power throughout the world, and with a massive effort to expand its influence through the Belt and Road Initiative and related projects. Russia, meanwhile, rebuilt its military, invaded Georgia, annexed Crimea, initiated a festering insurgency in eastern Ukraine, and began a systematic campaign to resurrect its military, economic, and diplomatic influence in Africa, Latin America, and the Middle East.

And yet most people in Washington long refused to acknowledge the new reality. Instead, American leaders continued to herald an “era of engagement” with Moscow and talked up Beijing’s potential as a “responsible stakeholder” in the international system. The former found expression in the “reset” with Russia in 2009, just months after Moscow’s invasion of Georgia, and the latter took the form of repeated efforts to deepen relations with Beijing and even an aspiration among some to establish a U.S.-Chinese “G-2” to lead the international community. But China’s brazen militarization of islets in the South China Sea and its increasing assertiveness beyond eventually forced Washington to reevaluate its assumptions about Beijing, and Russia’s seizure of Crimea in 2014 put to rest what was left of the so-called reset. By the end of the Obama administration, it was clear that the United States’ course was seriously off.

The resulting policy changes were no exercise in American strategic foresight; they were reactive, ex post facto adjustments. Considerable damage had already been done. Prizing the appearance of stability over the pursuit of definable national interests, the United States had for years ignored China’s flagrant theft of U.S. intellectual property—not to mention government secrets—and Beijing’s slow-motion takeover attempt in the South China Sea. In the hopes of recruiting Russia as a partner in upholding an international status quo that Russian President Vladimir Putin manifestly disdained, Washington had courted and unwittingly emboldened the Kremlin on its path of territorial revision while unnerving frontline NATO allies in eastern Europe. The cost for the United States was steep, with allies in East Asia and Europe beginning to doubt that Washington was willing to stand up for itself, let alone for them.

COURSE CORRECTIONS

It was time to call a spade a spade. The Trump administration, more realistic and blunter than its predecessors, did just that. “Trump,” as Henry Kissinger pointed out in the *Financial Times* in 2018, “may be



Great again: a NATO war game in Lithuania, June 2017

one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretenses.” Dispensing with the paradigm of unipolarity, the new government created an opening to articulate a new grand strategy. In the 2017 National Security Strategy, the 2018 National Defense Strategy, and their ancillary regional strategies for the Indo-Pacific and European theaters, the United States made clear that it now saw relations with China and Russia as competitive and that it would focus on maintaining an edge over these rivals. As both then Secretary of Defense James Mattis and then National Security Adviser H. R. McMaster made clear, great-power competition would now be the primary focus of U.S. national security.

The idea behind this shift is not to be blindly confrontational but to preserve what has been the central objective of U.S. foreign policy since the end of World War II: the freedom of states, particularly U.S. allies, to chart their own courses without interference from a domineering regional hegemon. As articulated in the Trump administration’s strategy statements, that vision is deliberately ecumenical: it applies both to the Asian nations that find themselves under growing economic and military pressure from Beijing and to the federating heart of the European continent and the more loosely affiliated states on its fringes. But faced with a rising and enormously powerful China and

an opportunistically vengeful Russia, the United States will realize this vision of a free and open world only if it ensures its own strength and economic vitality, maintains an edge in regional balances of power, and communicates its interests and redlines clearly.

In many respects, the U.S. Department of Defense is the furthest along in putting that agenda into practice. In its National Defense Strategy, in its 2019 *Indo-Pacific Strategy Report*, and through its public statements, the U.S. military has made clear that its overriding concern

The United States must prepare for competition against large, capable, and determined rivals.

today is how to effectively defend the likes of Taiwan and the Baltic states against a potential Chinese or Russian attack, especially one based on a fait accompli strategy, which involves seizing vulnerable territory, digging in, and making any counterattack too costly to envisage. In anticipation of

such attacks, the Pentagon is shifting from the playbook it has used ever since Operation Desert Storm three decades ago—slowly and methodically surging forces to a threatened area and only counterattacking after total U.S. dominance is assured—to a force that can fend off Chinese and Russian attacks from the very beginning of hostilities, even if it never attains the kind of dominance the United States was once able to gain in such places as Serbia and Iraq. The Pentagon's budget requests have slowly begun to shift accordingly. Short-range fighter jets and bulky amphibious vessels, both vulnerable to enemy attacks, are making way for stealthier long-range bombers and submarines, unmanned ships and aircraft, long-range ground-based missiles and artillery, and large stocks of precise, penetrating munitions. The military is also experimenting with how to use this new hardware—what the new force should look like, how it should operate, and where.

The shift in the economic arena has been just as dramatic. Until a few years ago, U.S. officials regularly argued that the United States could not afford turbulence in the U.S.-Chinese economic relationship. Stability with Beijing, it seemed, was too valuable to jeopardize by demanding that U.S. companies be treated fairly. Today, the Trump administration—acting with considerable bipartisan support—is levying tariffs on Chinese imports to induce Beijing to cease its market-distorting trade practices or, failing that, to at least have the prices of those imports reflect the costs of those unfair practices for U.S. com-

panies and workers. Some have rightly pointed out that these penalties are causing the United States' middle and working classes pain. But so, too, have China's unfair trade practices, and further inaction would have only made things worse. U.S. economic pressure, by contrast, has helped put urgently needed trade policy adjustments on the agenda.

A similar process has played out in Europe. The United States long hesitated to confront the European Union about its one-sided tariff and nontariff barriers against U.S. products, even as trade deficits mounted. Unwilling to accept that status quo, the Trump administration has tried to achieve by shock therapy what earlier successive administrations failed to obtain with finesse and gradualism. But the collateral damage of this aggressive approach has been significant, with potential spillover effects for the transatlantic relationship that risk undermining the common push against China.

In parallel, the United States is sharpening the powerful commercial tools at its disposal. The Trump administration and Congress have overhauled the Overseas Private Investment Corporation to provide alternatives to Chinese financing among the vulnerable states of both Asia and Europe. The Better Utilization of Investments Leading to Development, or BUILD, Act, which passed in October 2018, offers countries financing alternatives to the golden handcuffs of Beijing's Belt and Road Initiative. More still may follow. The bipartisan EQUITABLE Act, introduced by leading members of Congress, would require Chinese companies to follow the same disclosure rules as U.S. firms do to be listed on U.S. stock exchanges. Powerful legislators of both parties have said they will revoke Hong Kong's economic and trading privileges in the United States if Beijing violates its commitment to the region's autonomy. And U.S. officials are, at long last, actively warning other countries about Chinese telecommunications investments that could offer Beijing access to, and leverage over, their sensitive technologies.

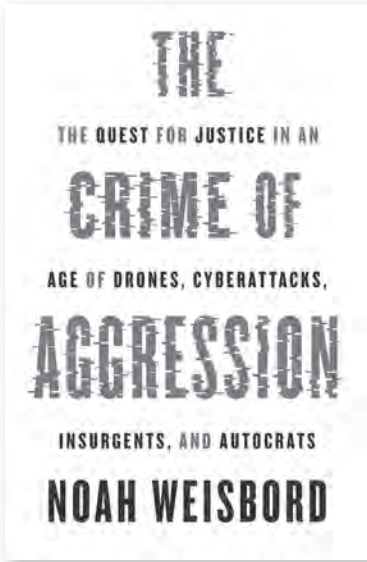
Priorities have changed in the diplomatic arena, too. After decades of a disproportionate focus on the Middle East, the 2017 National Security Strategy and the 2018 National Defense Strategy came as long-overdue correctives. Asia and Europe are where the greatest threats to U.S. power today lie, the documents argue, and the United States central objective should be to keep large states in both regions from gaining so much influence as to shift the local balance of power in

their favor. This is a welcome departure from every National Security Strategy since the end of the Cold War, each of which downplayed major-power competition in some way or another.

In practice, two diplomatic initiatives stand out. The first is the Trump administration's effort to balance against powerful rivals with the help of larger and more capable coalitions. In Europe, this yielded \$34 billion in increased European defense spending in the past year alone, even from a reluctant Germany. In Asia, the United States has made clear that it will defend Philippine aircraft and vessels in the South China Sea, has increased its diplomatic and military support for Taiwan, and has deepened its political and military relations with India and Vietnam—all counterparts that share Washington's apprehension about Chinese aspirations to regional hegemony.

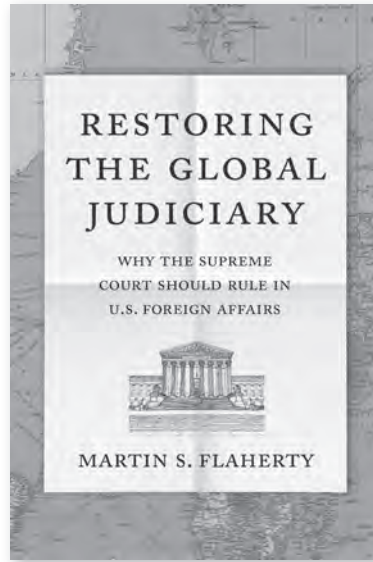
Second, the United States is leveraging its economic and political influence in regions that it neglected until recently, ramping up its engagement and aid in several places where China and Russia have been gaining ground. It has stepped up its diplomatic presence in central Europe, the western Balkans, and the eastern Mediterranean, where the vacuum left by an absent United States allowed China and Russia to exploit local political fissures and promote authoritarian politics. In several of the countries in these regions, the United States has increased its support for good governance and the fight against corruption, introduced initiatives to counter Russian propaganda, expanded youth and cultural exchanges, and warned allies and partners about the long-term risks of aligning with Beijing and Moscow. In Asia, Washington has upped its development capacities to compete with Beijing's by founding the International Development Finance Corporation and making new financing available through the BUILD Act. The United States is also promoting good governance and anti-corruption efforts in the region, particularly through the Indo-Pacific Transparency Initiative, and is publicly challenging China's treatment of its Tibetan and Uighur minorities. It is also paying more attention to Pacific states such as Micronesia, Papua New Guinea, and the Solomon Islands, which are particularly susceptible to Chinese pressure.

None of this is to diminish the importance of the day-to-day turmoil in Washington or to defend the administration's every policy. Engaging in a war with Iran, sustaining a large military presence in Afghanistan, or intervening in Venezuela, as some in the administration want to do, is antithetical to success in a world of great-power



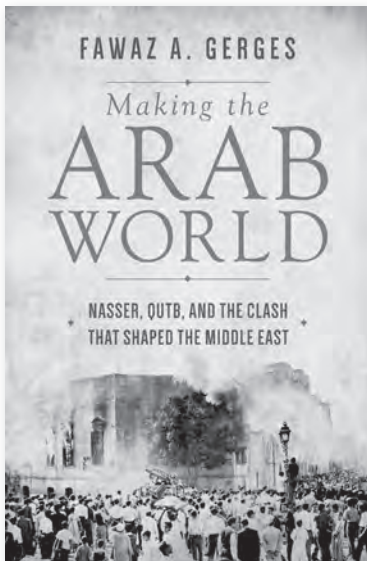
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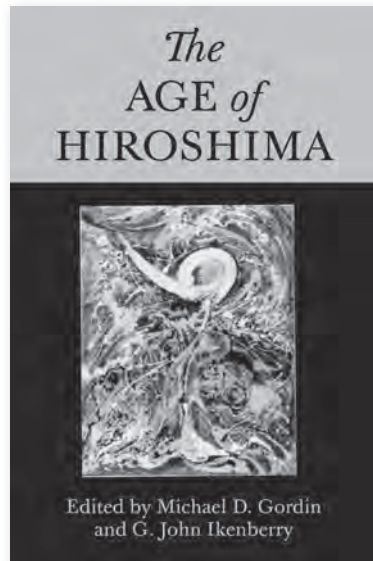
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competition. And if it pushes its allies too far, Washington will risk undermining the single greatest comparative advantage it has over its rivals. Nor is the United States on course yet to compete successfully—on the contrary, the progress thus far has been uneven and halting. Nonetheless, the country now has a template for reorienting its foreign policy that enjoys bipartisan support and is likely to endure, at least in its fundamental tenets, in future administrations.

WHAT MATTERS NOW

This is where things now stand for Washington. The United States has signaled its willingness and ability to adopt a more competitive approach toward its rivals, militarily, economically, and diplomatically. At home, that course correction has enjoyed far more bipartisan support than is often appreciated; the administration's tough approach to China, in particular, has the backing of most members of Congress, Democratic and Republican. Likewise, after years of vacillation, there is finally a bipartisan consensus that the threat from the Kremlin is serious and must be countered. Abroad, Washington's new message has led to important adjustments. European allies have increased their defense outlays and maintained a united front against Russia with sanctions; U.S. defense relations with India, Japan, and Poland have warmed considerably; and multinational companies are diversifying their supply chains away from China—to name just a few examples.

Yet this is only the beginning of what is likely to be a decades-long effort. China shows no sign of giving up its pursuit of ascendancy in Asia. Moscow looks no more likely to mend ties with the West; if anything, it is deepening its partnership with Beijing. The United States, then, must prepare for a generational effort.

To thwart China's bid for ascendancy in Asia and beyond, the United States must maintain favorable regional balances of power with yet far more urgency. Building and sustaining the necessary coalitions in Asia and Europe should be at the heart of its strategy. To be clear, this will require more than just polite requests and reassurances. Because the United States can hardly pretend to be able to balance both China and Russia by itself, it must ask more of its allies and new partners, with insistence and real pressure if need be. At the same time, if Washington generates so much political dissonance as to undermine alliance structures from within, it will put at risk its

efforts to encourage greater material contributions from its allies.

Nonetheless, the need for greater material support is urgent. Washington's post-Cold War alliance architecture still reflects arrangements formed during the unipolar era, when the United States needed little help to underwrite the security of its partners. With a few noble exceptions, such as Poland and South Korea, Washington's allies are lightly armed, if not completely disarmed, especially compared with China and Russia. Japan will play a central role in any successful defense posture vis-à-vis China, yet its defense spending is approximately the same today as it was in 1996, whereas China's expenditures have increased by an order of magnitude. Taiwan—a place more threatened by the People's Liberation Army than anywhere else—has hardly increased its defense spending in the last 20 years. In Europe, much of the Russian threat to eastern NATO members could be alleviated if Germany fielded a mere fraction of the 15 active and ready reserve divisions it boasted in 1988. Today, Berlin can barely summon a single one. Figuring out how to induce U.S. allies to do more in an era when the United States has a more than \$23 trillion national debt and can no longer do everything itself—and doing so without putting too much strain on these alliances—will be one of the major challenges of the years ahead.

Returning to the somnolent complacency of years past is not an option.

Another question is what exact form the United States' coalitions should take, particularly in Asia. The United States need not replicate NATO in the region; the point is to form a coalition that checks China's aspirations to regional hegemony. Such a coalition could be a mixture of formal alliances (Australia, Japan, the Philippines, and South Korea come to mind), quasi alliances (Taiwan), and deepening partnerships that do not involve formal security guarantees (India and Vietnam). Washington's ties to New Delhi and Tokyo will anchor the coalition, but sustaining it in the face of a powerful China will require the United States to play an active leading role. Meanwhile, the smaller and more vulnerable states of Southeast Asia will likely be the focus of the strategic competition with China.

In Europe, the United States already possesses a highly serviceable framework, NATO, which it needs to preserve and update to better match the scale of the challenge from China and Russia. Since the Russian land

grab in Ukraine, the alliance has modified its command structures and begun to adapt its force posture, which remains trapped in the amber of 1989. But more change is needed to deter future attempts by Russia to create *faits accomplis* along its border. In particular, the United States needs forces that can deploy quickly enough to contest any Russian land grab from the outset. And given how many U.S. resources will be tied down in Asia, European NATO allies will need to augment their militaries' ability to integrate with U.S. forces to blunt a Russian assault.

When it comes to galvanizing European resistance against predatory Chinese trade practices and ill-advised infrastructure partnerships, Washington's efforts have been less successful, marred in part by trade differences with Europe. Yet it is hard to overstate how indispensable transatlantic unity on this front is, and both sides would do well to resolve their squabbles. European policymakers should recognize the long-term geopolitical consequences of their asymmetric tariff and nontariff barriers and stop applying the EU's regulatory regimes in ways that target large U.S. firms while letting state-owned Chinese and Russian companies off the hook. Failure to do so will undermine the prospects of a Europe resilient to Chinese and Russian coercion. American officials, for their part, should understand that fighting to make trade with democratic allies more mutually beneficial is not as urgent a task as waging a trade war with China. The United States cannot relitigate every inequitable trade relationship at once, and presenting a unified front against China should remain Washington's overriding concern. The same holds true for U.S. economic relations with India and Japan.

The overarching purpose of this strategy is neither to decouple the U.S. and Chinese economies entirely nor to force U.S. allies and partners to pick a side (although building a low-barrier Western trade area encompassing both Asian and European allies should be a long-term U.S. objective). Instead, it is to better protect intellectual property and sensitive technologies and, by extension, to reduce China's economic leverage over the United States and other places. Canada, Japan, the Philippines, South Korea, Taiwan, states in central and southeastern Europe, and others have already felt the sting of Chinese economic coercion. Extensive integration with the Chinese economy is necessary for all states, but they must limit Beijing's ability to turn that exposure into coercive leverage—not as a favor to Washington but for the sake of their own sovereignty.

In addition, Washington should try to create some distance between Beijing and Moscow. It has long been a truism of American statecraft that it is unwise to allow the two primary Eurasian states to partner together, yet that may be precisely what is happening today, as Russia, deeply alienated from the West, appears to be tilting toward China even at the cost of its autonomy. Moscow recently welcomed the Chinese telecommunications giant Huawei into Russia, for instance, and the two countries have deepened their engagement on energy and military matters. For now, attempts to lure Russia away from China are unlikely to succeed, so the United States will have to settle for deterrence and wait for a more propitious opening. The United States should strengthen NATO's deterrent against Russia in the Baltics and central Europe while using sanctions to punish Russian aggressive actions in places such as Syria and Ukraine. To the extent that a future interests-based détente with Russia is possible, it will be because Moscow concludes that resurrecting its Soviet-era influence by force is too costly to be worthwhile.

Even with allied help, however, the United States will not be able to achieve the kind of military dominance over China and Russia that it once had over its opponents in the unipolar era. Trying to do so would be wasteful and counterproductive. What Washington truly needs is the capacity to resist successful assaults on its allies and partners. This means providing enough defense to keep these confederates onboard. More important still, it means ensuring they cannot be occupied, especially in a *fait accompli*, or strangled by a blockade or coercion—a strategy that might be termed “denial defense.” Denying China and Russia the ability to take and hold the territory of Taiwan or one of the Baltic states will be hard, but it is feasible in today's world of precision munitions and enormously capable intelligence, targeting, and data-processing capabilities. Doing this will require forces that can weather an initial attack and help deny China the ability to seize Taiwan or Russia the ability to hold Baltic territory.

Getting there means that other commitments will have to be put on the back burner or even sacrificed. In a unipolar world, Washington might have been able to be all things in all regions, like a colossus bestriding the world, but this is wholly untenable in an era of great-power competition. Instead, Washington will have to scale back its efforts in secondary and peripheral regions. Consider the U.S. footprint in the Middle East: instead of trying to stabilize the region and uphold “global

norms” there, Washington should focus much more narrowly on finding cost-effective ways to fight transnational terrorism. Likewise, it cannot be the United States’ goal to transform the governments of states such as Iran; denying them hegemony in the Persian Gulf is enough and requires much less effort and fewer resources. Gradually reducing the U.S. military’s exposure and engagement in Afghanistan, Iraq, and Syria—with the help of local proxies and a greater reliance on offshore forces—will free up further capabilities.

THE END OF COMPLACENCY

Trump will continue to break china on Twitter and elsewhere, delighting some and discomfiting or enraging others. And many will continue to be transfixed by the crisis du jour in the Middle East. But all the while, the United States is entering what is likely to be a protracted struggle over who will decide how the world works in the twenty-first century. The coming era will be less forgiving of hubris and unpreparedness than were the circumstances of the recent past. Recognition of that has prompted a long-overdue reassessment of U.S. military, economic, and diplomatic priorities, which future administrations will need to carry forward.

Doing so will require painful tradeoffs and sacrifices. It will mean relinquishing old dreams of unfettered military dominance and ill-suited weapons platforms and asking greater material contributions of U.S. allies. It will also mean sharpening the U.S. technological edge in strategically relevant sectors without undermining the American commitment to international free trade and focusing much more rigorously on Asia and Europe at the expense of other regions. Returning to the somnolent complacency of years past—when the United States assumed the best intentions of its rivals, maintained economic policies that often undercut its national security, and masked dangerous shortcomings among its allies in the name of superficial political unity—is not an option. Neither is withdrawing in the hopes of sitting out geopolitical competition altogether. As in the past, the United States can guarantee its own security and prosperity as a free society only if it ensures favorable balances of power where they matter most and systematically prepares its society, economy, and allies for a protracted competition against large, capable, and determined rivals that threaten that aim. 🌐

Women Under Attack

The Backlash Against Female Politicians

Jamille Bigio and Rachel Vogelstein

In recent years, a rising tide of women's activism has swept across the world. Online and on the streets, millions of women have raised their voices and called for action against systemic abuse, harassment, and discrimination. This activism has translated to the ballot box, with higher numbers of women running for office than ever before.

In 2018, women in war-torn Afghanistan and Iraq brought their fight for equal rights to the political arena, with unprecedented numbers of female candidates running in parliamentary elections: 417 in Afghanistan and 2,011 in Iraq. From 2005 to 2018, Lebanon saw more than a 27-fold increase in the number of female parliamentary candidates, from only four to 111. In the United States, over 500 women—a record number—ran for Congress or for statewide office in 2018. And this past spring, local elections in Ireland and national elections in India and Japan featured more female candidates running for office than in any prior election in those countries.

The result has been more women in power. For the first time in U.S. history, women hold close to 25 percent of the seats in the House of Representatives and the Senate. In Brazil, a historic number of female candidates in the 2018 election produced a 35 percent increase in women's representation in state legislatures compared with four years earlier and a 50 percent improvement in the lower house of the National Congress. In Sri Lanka, following a 2016 electoral quota law that reserved 25 percent of local councils seats for women, 2,000 were elected country-wide, compared with 82 in 2011. Similarly, in Tunisia, a 2016 law demanding the alternation of women and men on political parties' candidate lists dramatically increased the number of women in local council

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positions; as a result, women now hold nearly 50 percent of local government positions, compared with 27 percent in 2010. And in Mexico, a record number of nearly 3,000 women ran in the election in 2018, leading to full gender parity in Congress and the first elected female mayor of Mexico City. The largest percentage increase in female parliamentarians as a result of an election in 2018 took place in Djibouti, where women's representation rose from a meager 11 percent in 2013 to 26 percent.

There have been setbacks in some places—such as in Iceland, where women's parliamentary representation fell from 47 percent in 2016 to 38 percent in 2017, the lowest it had been since 2007. Overall, however, women's global parliamentary representation has vastly improved: as of September 2019, women held 24 percent of all seats in national parliaments around the world, nearly double their representation 20 years ago. Although women's representation remains far from equal to that of men, the rate of change is increasing.

Female representation is not simply a matter of fairness. Research shows that gender diversity in leadership correlates with better governance. Women are more likely than men to advocate laws supporting children and social welfare. In India, a study by the scholars Raghavendra Chattopadhyay and Esther Duflo found that village councils led by women were more likely to support investing in clean drinking water, childhood immunizations, and education. And in Norway, women's representation in municipal councils has been linked to greater child-care coverage, which has improved women's ability to participate in the workplace. Gender diversity in governments has also been associated with decreased corruption: an analysis by the economists Chandan Jha and Sudipta Sarangi of over 125 countries found that corruption levels are lower in countries with a higher percentage of female legislators.

Women are also more likely to reach across political divides: a 2015 study of the U.S. Senate found that female senators more frequently worked across the aisle than did their male counterparts. Research from Uppsala University, in Sweden, has shown that women's political participation is associated with a lower risk of civil war and a lower incidence of state-perpetrated political violence, such as killings, forced disappearances, torture, and political imprisonment. A quantitative analysis by the political scientist Mary Caprioli found that when women's parliamentary representation increased by five percent, a country was one-fifth as likely to respond to an international crisis with violence.



Targeted: Marielle Franco, Jo Cox, Caroline Spelman, and Diane Rwigara

Yet as the number of women seeking political office has grown, so, too, has the backlash. This hostility is far from unexpected. Whenever underrepresented groups gain power and rights, they are met with opposition—and, frequently, violence. As women enter politics, they face a disproportionate number of attacks, many of which take on specifically gender-based forms. To protect the progress of recent decades, governments, civil society organizations, and activists must work together to make it easier for women to participate in politics—and harder for others to block their rise.

TAKE COVER

Politically motivated attacks on women have been on the rise in nearly every region of the world, reaching a record high in 2019, according to the Armed Conflict Location and Event Data Project. Even women who are merely exercising their right to vote fall victim to violence at nearly four times the rate of men, especially in rural areas and at polling locations and voter-registration drives. As women have shifted from voting to seeking elected office, the violence has followed them. Surveys conducted in 2017 in Côte d'Ivoire, Honduras, Tanzania, and Tunisia found that 55 percent of female officials were subjected to violence while carrying out political

LEFT TO RIGHT: ELLIS RUA / AP IMAGES; YUI MOK / AP IMAGES; SUZANNE PLUNKETT / REUTERS; JEAN BIZIMANA / REUTERS

party functions. In Kenya's 2017 parliamentary election, a record number of women ran for office, thanks in part to a rule requiring that no more than two-thirds of the seats in a governing body be controlled by one gender. But during the campaign, many of those candidates faced targeted forms of violence, including threats of public stripping. Many of these threats explicitly demanded that the women quit politics, hoping to discourage women from accessing male-dominated political spheres. Similar violence against female candidates and officials has marred the political sphere in Bolivia in recent years. "Women [are close to parity] now, and men cannot easily accept this," remarked Katia Uriona, the former president of Bolivia's Supreme Electoral Tribunal.

Female participants in politics are disproportionately targeted online as well, where they confront an onslaught of harassment on social media. A 2016 survey of female politicians from 39 countries around the world found that 82 percent had experienced some form of psychological violence, with 44 percent facing violent threats. Similarly, a 2018 survey of European female parliamentarians and staffers found that 58 percent had experienced threats of violence online, with nearly half being threatened with death or rape. In Afghanistan, the International Foundation for Electoral Systems has uncovered widespread harassment of female candidates, often at the hands of party leaders, police officers, or election administrators. And in the United States, according to a study conducted by the Australian artificial intelligence research company Max Kelsen, Hillary Clinton received close to twice as much abuse on Twitter as did Bernie Sanders, her main opponent in the 2016 Democratic presidential primary election.

A particularly pernicious element of the abuse that female political participants endure is its sexual or gender-specific quality. Whereas abuse against men in politics largely relates to their professional duties, the online harassment of female candidates is far more likely to include comments about their physical appearance or threats of sexual assault. In some instances, harassers distribute sexual photos of female politicians, as was the case in Rwanda, when harassers posted fake nude photos of Diane Rwigara, the only female presidential candidate in the 2017 election. Harassers also threaten female politicians' loved ones: in 2018, researchers at the University of Bradford found that an astonishing 62 percent of female parliamentarians in the United Kingdom had received physical threats to their friends and family, compared with only six percent of their male counterparts.

At its most extreme, violence against female political leaders has become lethal. Last year in Brazil, Marielle Franco—a black, gay, feminist city councilor in Rio de Janeiro—was assassinated by militia members opposed to her political positions. Similarly, a series of violent attacks against elected female leaders across Bolivia in 2012 culminated in the assassination of Juana Quispe, a councilor in Ancoraimes who had come under fire for assisting female colleagues in filing harassment complaints. And in 2016, an assassin motivated by a toxic mix of white supremacy, xenophobia, and misogyny took the life of Jo Cox, an outspoken feminist British parliamentarian.

Violence against female politicians undermines their credibility and limits their electoral success.

Also distressing is the way that such violence threatens to undermine the credibility and limit the electoral success of female politicians. According to the National Democratic Institute, violence against female politicians in Asian and Latin American democracies has led them to serve fewer terms, on average, than their male colleagues. In the United Kingdom, several female members of Parliament decided not to run for reelection in December 2019 in large part owing to the abuse they experienced. Caroline Spelman, one such member, wrote in *The Times* of London that “sexually charged rhetoric has been prevalent in the online abuse of female MPs, with threats to rape us and referring to us by our genitalia. It is therefore not surprising that so many good female colleagues have decided to stand down at this election.”

And this abuse prevents women from running for office in the first place. In a 2014 survey in Australia by the YWCA and the University of Adelaide, two-thirds of the women polled who expressed interest in running for office said that threats against female politicians made them hesitant to do so. In Afghanistan, women reported to the International Foundation for Electoral Systems in 2019 that pervasive sexual harassment was one of the primary factors discouraging them from running for higher office. And in Iraq in 2018, one woman entirely withdrew her candidacy for parliament after a fabricated video surfaced online showing her in bed with a man.

These forms of harassment and violence not only damage a woman personally; they also hinder her ability to govern effectively. In a 2016 survey by the Inter-Parliamentary Union, almost 40 percent of the fe-

male parliamentarians interviewed who had experienced violence said that those acts undermined their ability to speak freely and uphold their mandates. Consider, for example, the financial burden female candidates and officials face in requiring unusually high levels of security in the form of paid guards and protected facilities. In Kenya in 2017, some female candidates chose not to hold meetings at night, thereby putting themselves at a severe disadvantage as compared to their male opponents. And in the United Kingdom, nearly 100 percent of female legislators have increased their security at home, compared with 75 percent of the men.

BLANKETING THE BACKLASH

Much of this violence is driven by misogyny, a deep-seated pathology in most societies and cultures that won't be eliminated anytime soon. But it is overly fatalistic to conclude that policy changes would be useless. In fact, governments, international organizations, and technology companies can enact reforms that would help blunt the corrosive violence.

In 2011, the UN General Assembly issued a declaration calling for zero tolerance of violence against female candidates and elected officials; an investigation by Dubravka Simonovic, the UN's special rapporteur on violence against women, followed in 2018. Regional bodies have also taken up the issue: in 2015, the state parties to the Inter-American Convention on the Prevention, Punishment, and Eradication of Violence Against Women endorsed a proclamation that committed political parties, trade unions, and social organizations to "create their own internal instruments and mechanisms to prevent, punish and eradicate political violence and/or harassment against women." In response, several Mexican state agencies developed a protocol to coordinate their efforts on combating such violence, which has supported survivors in bringing and winning claims.

A growing number of countries have also taken steps to criminalize violence against women in politics. Latin American countries have taken up this issue, passing standalone laws and amending electoral codes. In 2012, for example, Bolivia passed a law criminalizing political harassment and violence against women; since then, the law has increased consciousness and accountability on the issue. Other countries around the world should follow suit; new legislation is needed to recognize the specific threats that female politicians and candidates face.

But legal reform is worth little if governments don't enforce the laws. Bolivia's landmark legislation is a case in point: despite nearly 300 prosecutions, there has been just one conviction. Countries like

Bolivia can increase enforcement by providing judicial and law enforcement training to the local authorities processing prosecutions.

As a start, authorities should better track violence against female politicians. The hidden nature of the problem is exacerbated by underreporting: many women remain silent so as not to feed the stereotype that they are ill equipped for politics. Another problem is the lack of data that would allow analysts to compare rates of violence suffered by women to those suffered by men. Governments, nonprofits, and academic institutions should fund research that fills this gap. Additionally, governments can look to civil society

Governments too rarely enforce laws intended to protect women.

organizations that have developed ways to measure violence against women in politics. The National Democratic Institute, for example, has created a risk-assessment tool that helps identify the personal, professional, and political risks that women face; shape response plans; and report incidents to the relevant governing entity.

Simonovic, the UN's special rapporteur, has urged governments to train observers and authorities to monitor and report attacks against female voters and candidates and submit their findings to treaty-monitoring bodies, such as the UN Human Rights Committee. States should hold election administrators accountable if they fail to take measures to prevent the harassment of female politicians. Countries could also establish independent observational bodies responsible for identifying and reporting violence against female members of political parties.

Meanwhile, only a few parliaments have internal mechanisms for handling harassment within their ranks. The 2016 Inter-Parliamentary Union survey found that fewer than ten of the 42 parliaments investigated had policies on sexual harassment against parliamentarians, and fewer than half had policies designed to protect female staff. Even where these mechanisms do exist, parliamentarians and their staff often don't realize it. Political parties also have a role to play, by adopting codes of conduct, introducing zero-tolerance policies, monitoring social media accounts for abusive speech, and providing training to party members. Governments can also combat harassment in parties by ratifying the Convention Concerning the Elimination of Violence and Harassment in the World of Work, which was adopted in Geneva in

2019 by the International Labor Organization and obligates governments to monitor, prevent, and resolve workplace harassment.

The prominence of online abuse demands action from technology firms. Social media companies have done far too little to address abuse and harassment of female public figures. Platforms such as Facebook should automatically identify and remove intimidating content—including threats of rape—and enable users to alert police to illegal online activity. And if corporations continue to delay making such reforms, governments should enact legislation to hold them liable. The French government is taking steps to require technology companies to remove hateful content within 24 hours or suffer financial penalties, such as multimillion-dollar fines. (France encouraged other governments to follow suit during its presidency of the G-7 in 2019, and the United States should broaden the call when it assumes that leadership in 2020.) Governments could also classify gender-based attacks on public figures online as hate speech and regulate it accordingly. To address concerns over the effect such a move would have on freedom of expression, legal scholars have outlined changes to communications laws and judicial procedures that would help shut down online abuse without infringing unduly on free speech. For example, Danielle Citron has proposed that social media platforms ban only those threats that name specific individuals, not those targeting unspecified groups.

Washington, for its part, should use foreign aid as a lever to drive reform. Particularly in conflict areas, the United States should earmark assistance for the physical protection of female candidates. U.S. programs that train criminal justice officials and media professionals in other countries also ought to emphasize the issue.

Violence should not be the cost of women entering politics. Governance suffers when women are harassed into leaving politics or are too intimidated to get involved in the first place. As women around the world raise their voices and step into the political arena, countries committed to representative democracy must do more to ensure that the playing field is level—and safe. 🌐

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Inequality and the New Elite

Nicholas Lemann

The Meritocracy Trap: How America's Foundational Myth Feeds Inequality, Dismantles the Middle Class, and Devours the Elite

BY DANIEL MARKOVITS. Penguin Press, 2019, 448 pp.

About 25 years ago, I spent a memorable afternoon in London with Michael Young, the author of the strange 1958 dystopian novel in the form of a dissertation called *The Rise of the Meritocracy*, which introduced that term into the English language. In the United States, for years, people have liked to insist that wherever they work or go to school is a meritocracy, meaning, roughly, that they understand it as an open competition in which the most deserving succeed. Americans assume meritocracy to be an unalloyed good; the term implies a contrast to some past system or an era when success went instead to lazy inheritors, timeservers, or adept players of office politics.

Young, however, wanted not to celebrate meritocracy but to warn the world against it. He had the detached

air of someone who has quietly noticed everything, and a sense of humor so bone-dry that most people missed it. By the time I met him, he was Baron Young of Dartington—an oft-noted irony. But intellectually, he was a creature of the post-World War II British Labour Party, in which he served as an important adviser on education, and of the impoverished East End, where he did his sociological research. He had been involved in the great expansion of the state-run school system after the war, which was an aspect of the broader socialist project aimed at creating structured mass opportunity for the first time in British history. It was in keeping with the tenor of the time that this effort relied on administering intelligence tests to masses of 11-year-olds, who were then each directed into what was, essentially, a blue-collar or a white-collar educational track and who would, when they were a few years older, take another set of exams that would anoint a small cohort as bound for higher education.

Young assumed that this would be a fair system—that what the tests measured was “merit,” something crucial and immutable. But its results forced him to confront the question of whether there was any real moral difference between the new, deserving upper class and the older, undeserving one. He concluded that meritocracy functioned as a justification for a new and especially harsh class system and that therefore he preferred the old elite. As a socialist, his primary commitment was not to equal opportunity but to just plain equality, and he foresaw that what he had decided to call “meritocracy” would make equality harder to sell, since it would provide a supposedly scientific justification for

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inequality. “To be good, a society must have a fault,” he told me. The United Kingdom’s fault was a class system based on inheritance, which made the country a propitious environment for midcentury Labour socialism; the new meritocracy that Labour was creating would be much less propitious. *The Rise of the Meritocracy* ends by telling us that its author, a scholar named Michael Young, has regrettably been killed in a bloody mass uprising against the meritocrats.

In the current moment of global populist, nationalist, and socialist revolts against elites, this scenario seems prescient. And yet in his new book, *The Meritocracy Trap*, the legal scholar Daniel Markovits rather ungenerously insists that “Young’s satire missed its mark by a mile.” By that, Markovits means two things: that Young failed to understand that meritocracy is itself actually based on the circumstances of birth rather than merit, and that his idea that meritocracy was something to be avoided, not embraced, never caught on. Quite the reverse happened: in Markovits’s maximally bleak view, meritocracy has ruined American life. By presenting itself as a means of providing equal opportunity, it has preemptively shut down opposition; it pushes inequality to ever-higher levels; it serves as an efficient mechanism for the inheritance, rather than the upending, of privilege; and it turns even its relatively small number of beneficiaries into miserable, relentlessly pressured workaholics who have to expend most of their large incomes on their children’s private schools and tutors. Markovits’s picture of American society is so lurid, so inexorably dark, that it invites skepticism more than it persuades.

CASTE OF CHARACTERS

Young was sort of kidding about the threat meritocracy posed. Markovits most definitely is not. He attributes to meritocracy a very high level of social and economic damage—maybe not on a level with what Soviet communism wreaked in Russia, but not entirely out of that range. The charge can’t be evaluated without first defining “meritocracy” precisely, which isn’t so easy.

Like all social systems, the one that Markovits describes was made and not born. His righteous rage against it is powered by a sense of betrayal, or promises unkept: as he puts it, “Despite the motives that led to its adoption, meritocracy no longer promotes equality of social and economic opportunity, as it was intended and expected to do.” But historically, it was neither intended nor expected to do that. The founders of the system Markovits’s book examines did not have the word “meritocracy” available to them, because Young hadn’t yet written his book at the time when they were devising it. They also did not think they were addressing the problem of opportunity in the United States. The British Education Act of 1944 was aimed at expanding the state-run educational system. The American meritocracy, launched at roughly the same time, had a narrower purpose: to use IQ tests as an admission device for elite undergraduate institutions, as a way of changing the character of those schools and creating a new breed of high-level technocrats.

If the system had a father, it was James Bryant Conant, the president of Harvard University from 1933 to 1953, whom Markovits mentions only in passing. It was Conant who arranged for the SAT, an adapted IQ test, to become

the dominant college admission device. While he was doing this, in stages during his reign at Harvard, he was also occasionally writing essays calling for the establishment of a new, classless America. But it's worth noting that during his peak period of influence, he was also a leading opponent of the GI Bill, the greatest expansion of educational opportunity the country had ever seen. Historical figures act according to the assumptions and exigencies of the moment; Conant was focused on promoting the research university model at Harvard and other elite academic institutions and on winning the Cold War. The prospect of wasted scientific and administrative talent haunted him, and he feared that class divisions would weaken American society.

His solution to these problems was to create large but strictly tracked public high schools whose male graduates would also have to go through a period of compulsory national service. If everybody went to high school and did their national service together, he believed, that would prevent class tensions from developing, so the project of strict elite selection could proceed unimpeded. Expanding access to college was not part of his plan; doing so would have diluted the focus on super-achievers that Conant thought universities should maintain. He also expected that the new American elites would be overwhelming oriented toward public service, as were graduates of top universities in Europe, and that they would not try to rig the system that had produced them in order to advantage their children. Those qualities, too, would forestall any resentment the new elites might engender.

Like most social visionaries, Conant was substantially wrong in his expecta-

tions about the system he was helping create—especially about how it would be perceived by the public. Today, many people assume that admission to Ivy League schools is a process that is highly susceptible to corruption by prosperous parents, and degrees from those institutions are widely perceived as tickets to gaudy status and material success, not to careers in public service. This is partly, but not entirely, accurate. Ivy League admissions now rely on a pastiche: remnants of the pre-Conant system—preferences for athletes and the children of alumni, for example—persist alongside a genuine commitment to racial and class diversity, as well as the strong emphasis on academic criteria that Conant wanted. And Ivy League students are inculcated into an elite culture defined less by crass ambition than by a peculiar mixture of soaring liberal idealism and an overwhelming preoccupation with success.

Markovits's home institution, Yale Law School, is an exemplar. It was founded in 1824 but essentially refounded in the late 1920s, when a coterie of fiery young reformers led by the legal scholar and future Supreme Court justice William Douglas arrived after defecting from Columbia University and gave the school a decidedly more liberal cast than its competitors. Yale still overproduces law professors, judges, and government officials. It is also intensely conscious of being considered the country's number one law school. Its students have run a brutally competitive academic gauntlet for two decades before they arrive, and when they leave, they are highly attractive to prominent commercial law firms. *The Meritocracy Trap* grew out of a speech Markovits gave at the Yale Law School graduation ceremony

in 2015, which he began by assuring his listeners of their preeminence. “You are sitting here today because you ranked among the top three-tenths of one percent of a massive, meritocratic competition,” he said, “in which all the competitors conspicuously agree about which is the biggest prize.” But the system that produced them, he added, had been “a catastrophe for our broader society.” This blending of status consciousness and stinging social critique is deeply woven into the fabric of the institution.

The story Markovits tells isn’t so different from the one that Richard Herrnstein and Charles Murray laid out, controversially, in *The Bell Curve* in 1994, except that Markovits vigorously insists that the special qualities of meritocrats result from their upbringing and their own efforts rather than from inherited traits. But in both versions of this tale, there existed a baseline period, before SAT-based admissions, when Ivy League students were not especially bright and when, conversely, potential meritocrats were scattered randomly across the class system. Then came a dramatic change in admission policies at elite universities, which led to the displacement of the old American upper class by a new, more deserving one. The resulting meritocratic elite efficiently replicates itself through campus-based “assortative mating,” ruthless residential and social self-segregation, and high-pressure child-rearing practices. Therefore, Markovits writes, “American meritocracy has become precisely what it was invented to combat: a mechanism for the concentration and dynastic transmission of wealth, privilege, and caste across generations.”

The consequences of these developments, in Markovits’s account, are even

worse than the plain fact of an aristocracy-to-meritocracy-to-aristocracy dynamic would indicate. The old aristocracy presided over a “classless society,” he writes, a near paradise of middle-class prosperity and opportunity. The new meritocrats, who on graduation quickly become extravagantly paid “superordinate workers” in fields such as finance and law, have created “a stagnant, depleted, and shrinking world” for the middle class by redefining economic value in terms that reward the kinds of labor only they, the meritocrats, perform and by pulling an increasing proportion of all economic activity into their purview and away from everyone else’s.

To Markovits, because of what the meritocrats have done to American society, there is hardly any difference these days between the middle class and the poor: “Meritocracy remakes the middle class as a lumpenproletariat.” The United States now features a bipolar labor market, “epitomized by Walmart greeters and Goldman Sachs bankers.” And the meritocrats don’t even get to enjoy feasting on the carrion of the good society they have ruined, because they are working too hard: “A brilliant vortex of training, skill, industry, and income holds elites in thrall, bending them from earliest childhood through retirement to an unrelenting discipline of meritocratic production that alienates superordinate workers from their labor, so that they exploit rather than fulfill themselves and eventually lose authentic ambitions that they might never fulfill.” A meritocrat can’t go into “teaching, . . . or journalism, public service, or even engineering,” because to do so would mean “sacrificing her own, and her children’s, caste.”

THE BAD OLD DAYS?

Markovits is hardly the first writer to notice that inequality is rising and middle-class incomes are stagnating in the United States. What's distinctive about his argument is the direct causal link he draws between a change in the admission policies of a handful of elite universities and, a few decades later, a tableau of vast, nearly hopeless social and economic ruin. He regularly makes the connection simply by using the phrase "meritocratic inequality" as a synonym for "inequality." That certainly gets the reader's attention, but it's also highly tendentious.

The first problem with Markovits's version of the world is that the pre-meritocratic society he conjures up is more a projection than a rigorously established historical fact. He asserts that in an earlier era, the elites were "dull, sluggish, and inert" people who didn't work hard—"lazy rentiers who deployed inherited wealth and power to exploit subordinate labor." The top universities they attended were characterized by "uncompetitive mediocrity." Their education "had no compelling purpose." These are pleasing thoughts if one happens to be a meritocrat, but they are very difficult to prove, partly because pre-meritocrats were not evaluated with standardized tests. American popular culture in the pre-meritocracy period was full of hagiographies of economic titans, but they were self-made industrialists, not landed gentry: Andrew Carnegie, Thomas Edison, Henry Ford. Even more plausibly aristocratic (but hardly lazy) types, such as Henry Adams and Edith Wharton, were exquisitely aware by the early twentieth century that their class's preeminence was being threatened by uncouth people with newly acquired

fortunes not based on landownership. And universities such as Harvard, Princeton, and Yale were already well on their way to being considered among the best in the world, decades before they had altered their admission policies.

A better way of thinking about the change in Ivy League admissions is as a chapter—and not one with "no historical precedent," as Markovits claims—in the never-ending recalibration of the membership criteria for this particular corner of the American elite. Owen Johnson's 1912 young-adult novel, *Stover at Yale*, a bible of sorts for generations of Old Blues, depicts a fanatically competitive college culture but with a narrow group of participants and a set of standards that attributed much less importance to academic achievement than to factors such as "character" and "leadership," which were hard to define but nonetheless palpable to the students at the time. Kingman Brewster, Jr., the president of Yale for most of the 1960s and 1970s, whom Markovits credits with bringing meritocracy to the university, dialed up the importance of academic criteria and tried to include groups such as African Americans and women but didn't entirely scrap the old system, either. Brewster used to say that the alternative to the changes he was pushing was that Yale would become merely "a finishing school on Long Island Sound"—meaning that he was preserving its importance, not remaking the entire U.S. political economy and opportunity structure.

FINAL GRADE: INCOMPLETE

The Meritocracy Trap gives the impression that today, the superprosperous one percent is essentially conterminous with the new class of Ivy League

graduates and that all of them face the kinds of punishing work schedules maintained by Markovits's former students who bill 2,000 hours a year at white-shoe law firms. They dominate the business world. Their money and status are a reward for their superiority—"no prior elite has ever been as capable or as industrious as the meritocratic elite"—and therefore, "to deny that meritocrats earn and deserve their income seems to require denying that anyone ever earns or deserves anything."

A theory is supposed to be predictive and testable, but Markovits often falls into the post hoc fallacy when presenting evidence for his: if anybody does anything amazingly productive, it must mean that person is a meritocrat, regardless of his or her educational background. He claims, for example, that "the cascading innovations behind the managerial revolution did not arise spontaneously. Instead, they were all—every one—generated from within meritocracy, by . . . workers coming out of America's newly meritocratic schools and universities." Because his meritocrats apply their nearly superhuman talent and resources to the fullest extent to raising their children in a meritocratic hothouse, whatever they have, the next generation will surely have, too.

The mind teems with objections to these extravagant assertions. Aren't there any members of the one percent who inherited their money, or who started their own businesses, or who invest for a living? Aren't there people who work at the Wall Street and Big Law bastions that Markovits identifies with meritocracy who didn't go to Ivy League schools? What about people whose main compensation does not take the form of salaries

based on hours worked (which is how Markovits suggests that all meritocrats are paid) and instead consists of bonuses based on measurable economic performance—traders, fund managers, and the like? What about meritocrats who have somehow managed to do something they enjoy that doesn't pay boatloads of money? What about meritocrats whose children go to college but not to Ivy League schools? Readers of *The Meritocracy Trap* might be surprised to learn that 65 percent of Yale's current sophomore class went to public school and that only 11 percent were admitted owing to a "legacy affiliation," such as being the child of an alumnus.

Outside the tight confines of elite education, the broader social order that Markovits calls "meritocracy" comprises three distinct concepts that he lumps together: equality (that is, how evenly distributed income and wealth are), mass mobility (whether conditions are improving for the whole society), and circulation mobility (how efficiently socioeconomic status is passed on from parents to children). It's possible that changes in elite college admissions would affect none of those, because the numbers involved are too small to move the needle in a country of more than 325 million people. Other possible causes of the "great compression" of income inequality during the third quarter of the twentieth century include high marginal tax rates on the rich, widespread unionization, and a heavily regulated economy that made what is now called "disruption" difficult. During that period, mass mobility was driven by a growing economy and a substantial expansion in access to higher education, mainly in the relatively unselective public univer-

sities that the great majority of U.S. students attend. Circulation mobility in the United States, contrary to American mythology, has never been appreciably higher than in Europe, and it hasn't changed much over the years.

OUTSIDE THE IVORY TOWER

If one believes that the overall social and economic conditions of the United States have been produced by meritocracy, then it's natural to look to meritocracy as the zone where reforms should take place. Markovits proposes to solve the larger problems of the country by taking away private universities' tax deductions unless they draw half their students from the bottom two-thirds of the income distribution; he believes this would force them to expand their enrollment. The narrowness of this remedy is a sign of how little space the nonelite, non-university world takes up in Markovits's vision. There is very little politics or economics or history in *The Meritocracy Trap*—only the cascading effects of changes in elite college admissions, which explain practically everything.

Even within higher education, Markovits's scope is strikingly limited. Public universities, plagued by low graduation rates and large cuts in funding, might be a plausible place to look if one wants to enhance opportunity and promote equality, but they are hardly mentioned in the book. "The thought that a generic BA constitutes a general ticket of admission into the elite is . . . a midcentury idea," Markovits writes dismissively. But the data clearly show that getting any college degree meaningfully improves one's life chances and that the difference in value between an elite degree and a "generic BA" is less than most upper-

middle-class parents probably believe. Anyway, isn't shoring up the middle class, rather than providing access to membership in the elite, Markovits's larger mission?

Rising inequality and the stalled progress of the middle class are the preoccupying problems of American society today, and most of the possible solutions offered by politicians, intellectuals, academics, and activists don't involve meritocracy at all. Markovits suggests changes in the notoriously regressive payroll tax and redistributing work in ways that support "mid-skilled production." But these fall far short of the grand effort, on the scale of the New Deal, that he plausibly insists would be necessary to address the situation successfully. Because he is so focused on selling the distinctiveness of his approach, he tends to ignore or under-rate the many other possible remedies that are part of the national conversation right now. These include enhanced antitrust policies (a concentration of economic power and inequality go together), wealth taxes, higher income tax rates in the top brackets, and significant enhancements to the basic welfare-state package of public education, health care, and old-age pensions. Ninety percent of young American adults now go to college, but their completion rates are parlously low—60 percent for those pursuing a bachelor's degree and 30 percent for those pursuing an associate's degree at a community college. Both those degrees are strongly correlated with higher lifetime incomes and lower unemployment rates. Enhancing teaching and advising so as to improve college completion rates would be a good way to expand opportunities for most Americans.

Works of social diagnosis and prescription are always produced from within a particular time and place and culture. Some of them wind up looking like trenchant analysis, and others like documents that vividly expose the world from which they emerged. *The Meritocracy Trap* seems destined to wind up in the latter category. It displays a brilliant mind choosing to understand a great global turn toward market ideology and policy as the product of changes at a handful of elite universities. That's a sign of how unconsciously constrained the view from those places can be. 🌐

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Dreams of Westphalia

Can a Grand Bargain Solve the Middle East's Problems?

Suzanne Maloney

Towards a Westphalia for the Middle East
BY PATRICK MILTON, MICHAEL AXWORTHY, AND BRENDAN SIMMS. Oxford University Press, 2018, 176 pp.

The year 2019 may be remembered as an inflection point for the Middle East, when the seemingly intractable violence and instability that have beset the region finally exhausted the United States' prodigious confidence in its capacity for problem solving. Fifty years ago, the United States began to fill the void left by the British withdrawal from the Persian Gulf and, tentatively at first, take on the role of regional peace broker. For all its flaws—and there were many—U.S. leadership during this period generated some historic dividends, including the 1978 Camp David accords between Israel and Egypt, the 1991 liberation of Kuwait, and the preservation of oil exports in times of intense conflict.

Now, however, the presumption of a vital U.S. interest in promoting peace and

security in the Middle East is crumbling under the weight of changing energy markets and the human and financial toll of Washington's seemingly endless wars in the region. "Let someone else fight over this blood-stained sand," U.S. President Donald Trump said in October 2019, explaining his abrupt decision to remove U.S. troops from northeastern Syria. The president has long decried the \$8 trillion he says the United States has spent on wars in the region, and he has passed the responsibility for his much-touted Middle East peace plan to Avi Berkowitz, a 31-year-old law school graduate with no diplomatic experience.

Trump's readiness to disengage from the Middle East appears to resonate not only with his base but also with a number of the Democratic candidates in the 2020 presidential campaign, who, like him, have advocated troop reductions or even withdrawal from the "forever wars" in Afghanistan and Iraq. When Iran attacked Saudi oil facilities in September 2019, Trump's disinclination to respond with anything other than perfunctory sanctions met with bipartisan assent.

So long as somewhere between 60,000 and 70,000 U.S. troops remain deployed across the wider Middle East, concerns about a supposed American retreat from the region are premature. Still, it is hard to escape the sense of defeatism that now infuses the discourse around the Middle East more than at any time in the past half century—not just in Washington but also in Europe, where the fallout from multiple vicious civil wars has hit home in the form of millions of Afghan, Iraqi, Syrian, and Yemeni refugees. In Iraq, a hubristic U.S. intervention intended to promote democracy failed catastrophically, and with the exception of Tunisia, the

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mass uprisings that swept the Arab world beginning in late 2010 yielded little lasting progress. Among some disillusioned politicians, one even senses a temptation to take cover in dangerous tropes of ancient hatreds and perpetual conflict in order to allow the West to simply wash its hands of the Middle East.

That Zeitgeist of gloomy resignation is precisely why a new volume by Patrick Milton, Michael Axworthy, and Brendan Simms is such a refreshing contribution to the literature on conflict resolution in the Middle East. Milton and Simms are historians of Europe at the University of Cambridge, and Axworthy (who died earlier this year) wrote or edited five books on Iran after a career in the British Foreign Office. Their innovative approach applies the lessons drawn from the Thirty Years' War, a devastating series of conflicts that ravaged central Europe between 1618 and 1648, and the accord that eventually settled them, the Peace of Westphalia, to the war in Syria and the violence that has afflicted the Middle East since the Arab uprisings of 2010–11. The Thirty Years' War was, as the book's promotional material emphasizes, "the original forever war": what began as a Protestant rebellion against the Catholic Holy Roman Empire over time drew in major powers such as Denmark, France, Spain, and Sweden, resulting in a decades-long conflagration. Released to coincide with the 400th anniversary of the conflict's outbreak, the volume rectifies common misconceptions about the peace that ended it, especially the notion that Westphalia firmly enshrined the principles of state sovereignty and nonintervention. The treaty's true innovation—

and the reason it offers a blueprint for the Middle East today—was the legal, continent-spanning mechanism for dispute resolution that it put in place. Such a mechanism indeed seems an appealing solution for a region that is today wracked by conflict and upheaval. But the book fails in its attempt to argue that a similar framework could see the light of day in the contemporary Middle East and succeed.

"SAND AND DEATH"

Towards a Westphalia for the Middle East emanated from a series of workshops funded by the Körber Foundation, the German foreign ministry, and the University of Cambridge that brought together more than 100 participants from across Europe and the Middle East. That kind of format provides a welcome sounding board for policy prescriptions, but the resulting analysis in this case suffers somewhat from the romanticism that often arises in convenings of scholars and diplomats in various European capitals. Milton, Axworthy, and Simms exult in the bonds of shared custom, religion, and language that "quickly emerge when people from the region come together, especially outside the region" and thus find it confounding that "the divisions in the region have often been so bitter." Yet given the physical and psychological distance between conference-goers and combatants, it should not be surprising that passions rarely manifest themselves as sharply in European salons as they do on the battlefields of the Middle East.

Still, drawing on historical precedents in the search for answers to contemporary crises has tremendous value. Historians tend to see "presentism as a sin

rather than a virtue” (in the words of two of them, Hal Brands and Jeremi Suri), and so they have often refused to insert themselves into policy debates. But at a time when emotion and partisanship have replaced factual evidence, some historians have sought a much wider audience in an effort to refute falsehoods and add nuance to sanitized or oversimplified interpretations of the past.

This sense of professional and moral responsibility seems to have driven the authors of this book and the phalanx of funders and government officials who contributed to the discussions that underpin it. “Memory is essential—it makes us what we are; it is the same with history, collectively,” Axworthy implores in his foreword, adding, “Westphalia has something to tell us.” Reflecting on the agonies of early modern Europe should also refute the notion that the Middle East is a historical outlier and show that endemic violence need not be a permanent condition. It could, in other words, reinject a measure of faith in the possibility of diplomacy in a region that much of the West has written off as mired in “sand and death,” as Trump himself so crudely put it.

At the heart of the book is a profound sense of urgency about ending the bloodshed in Syria. The Syrian civil war is not the oldest conflict in the region—the war in Afghanistan predates it by nearly a decade—and it is uncharacteristic in that Western powers have managed to keep their interventions in it limited. Still, Milton, Axworthy, and Simms rightly identify the Syrian war as the region’s most grievous conflagration, with hundreds of thousands of Syrians either killed or injured, nearly six million forced to flee the country, and another six

million internally displaced. The conflict has also embroiled a cast of regional actors and great powers in ways that will reverberate long after the violence abates.

Syria is also the burial ground for the ambitions of a never-ending series of intermediaries, diplomats, tactical interventions, and would-be peacemakers. But Milton, Axworthy, and Simms are not daunted by this miserable track record. Past diplomacy, they argue, failed because it was construed too narrowly to succeed. The authors are certainly no friends of timid diagnoses or partial solutions; after a brief tour of the horizon, they appraise the “various wars, cold wars and crises” underway in the Middle East—including the Syrian disaster—not “as distinct conflicts” in various countries with individualized geneses but as “a single regional crisis afflicting the Middle East.” Most of the region’s troubles, they contend, derive from a lack of state legitimacy, sectarianism, and the competition for influence between Iran and Saudi Arabia. In this, the Middle East recalls the Europe of the Thirty Years’ War: a war-torn region in which localized conflicts quickly spin out of control and draw in regional powers, with horrendous humanitarian consequences.

FALSE HOPES

On the basis of this diagnosis, the authors call for “a wider ‘grand bargain’ that seeks to address all the conflicts that are raging across the Middle East today,” based explicitly on the Peace of Westphalia. They envision a peace congress that engages all the antagonists, is launched even as hostilities still rage, and lasts for as long as necessary, years even. The resulting agreement would account for the security interests of all the leading



Teachable moment: Carl Wahlbom's painting of the Battle of Lützen (1632)

players, put into place some kind of power-sharing arrangement among confessional groups, and include rights for minorities. A system of collective security would safeguard the settlement.

Granted, the book was written at a less conclusive moment in the Syrian war, when it still appeared possible that Syrian President Bashar al-Assad might not prevail. Regardless, the authors' prescriptions reveal an idealism that at times borders on delusion. The return of Palestinian exiles to Israel is an obvious nonstarter, as is the idea that Russia should act as the region's security guarantor. The proposition that a Middle East peace conference can and must include parties that consider each other existential enemies, such as Israel and Hezbollah, is another case in point. (The authors

hedge slightly on the prospect of inviting the Islamic State, or ISIS, to the table.)

With the Trump administration now engaged in peace talks with the Taliban, such quibbles may look like a failure of imagination. One can look back on the experience of the past decade and conclude with some certainty that withdrawal or disengagement will deliver no better outcomes. So it makes sense to draw on a more distant past to chart a path out of the current predicament, even if that path is mildly utopian.

The problem, however, is not that the book's historical analogy is overly ambitious or inapplicable; it is that the authors focus too much on European history and too little on Middle Eastern history. The book is at its best when it chronicles the interconnected conflicts

that over time became conflated into the Thirty Years' War and analyzes what enabled the arrangements of Westphalia to endure. But although it points out the parallels between premodern Europe and the contemporary Middle East almost to a fault, the book devotes only cursory attention to the conflicts that have roiled the Middle East in the modern era: the decades of strife between Arabs and Israelis, the ruinous war between Iran and Iraq, the insurgencies that over time have morphed into transnational terrorist movements. For a study that venerates history, the analysis is oddly ahistorical.

The desultory attention to regional conditions compromises the book's conclusions and recommendations. Historical precedents can illuminate, but prescriptions that do not take into account local experiences are unlikely to bear fruit. The suggestion that sectarian violence can be corralled through some kind of power-sharing arrangement fails to tackle the dysfunction and frictions that have been generated by these very kinds of confessional pacts in both Iraq and Lebanon. And although the Thirty Years' War resembled the multifarious conflicts in the Middle East today in important ways, it emerged on a continent whose political customs were clearly different. The Holy Roman Empire depended on "a high degree of cooperation, consensus and the willingness to compromise on the part of its constituent political parts," and even before the carnage of the war, early modern Europe had developed a "peace-oriented culture" in which "the most important actors viewed peace as the chief norm regulating inter-state relations." It strains credulity to suggest that anything of the sort has yet emerged in the contemporary Middle

East; rather, leaders in every major state in the region have demonstrated an existential reliance on the use of force.

Another, more serious drawback is the preoccupation with interstate remediation and the near-total disregard for the internal factors that contribute to instability in the region. The conflicts of the Middle East did not spring fully formed from confessional disputes or rivalries among regional powers; each theater has its own domestic drivers of instability, which are usually the result of governance failures. Addressing these factors by strengthening accountability and legitimacy within states rather than between them would help inoculate them against the instability that cultivates proxies and attracts regional predation in the first place. Otherwise, it is absurd to contemplate a "holistic new regional order of peaceful legality," as Milton, Axworthy, and Simms propose, among states whose leaders have shown nothing but contempt for the rule of law.

The same slogan that unleashed the civil war in Syria—"The people want the downfall of the regime"—is now echoing in Algiers, Baghdad, Beirut, and beyond. This latest wave of dissent is undermining leaders' authority and raising the specter of yet more instability. The ultimate resolution to the violence that afflicts the Middle East and ripples far beyond will require at least as much attention to the internal sources of conflict and the internal exercise of power as to the regional. Although the authors embrace a nuanced interpretation of Westphalia, their reverence for the mechanisms that helped achieve the peace in central Europe and institutionalize a stable interstate order predisposes them to favor grand-scale diplomatic ventures, which are

inherently more difficult to sustain. An end to the “forever wars” in the Middle East will be delivered neither by the stroke of a pen on a pact among warring leaders nor through the United States’ military might. It will come rather through the power of engaged citizens demanding reform, buttressed by diplomatic engagement, technical assistance, and economic investment aimed at building coherent, responsive, and accountable governments in the region. What the Middle East needs today is not a Peace of Westphalia but its own version of the Helsinki Accords—a process that marries domestic political, social, and economic reforms with a regional security dialogue. Without such an effort and without the political will for peace among any of the major players, the long wars of the Middle East are likely to continue. 🌐



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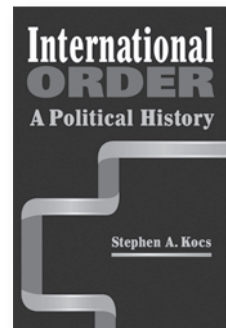
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Dirty Money

How Corruption Shapes the World

Oliver Bullough

Kickback: Exposing the Corporate Bribery Network

BY DAVID MONTERO. Viking, 2018, 304 pp.

There is an old joke about a drunkard searching for his keys under a streetlight. A passerby stops to help. After a few minutes of failing to find them, he asks the drunkard if he is sure that this is where he lost them. “No,” the drunkard replies, “but it’s dark everywhere else.”

That is how humans approach many daunting tasks, not least of them writing about corruption. We know that it’s a problem, we know that it’s serious, but we are reduced to hunting for evidence in the light cast by the few countries willing and able to prosecute the crime. Darkness stretches all around: we are missing out on a whole world of evidence that remains completely obscure.

In a speech he delivered in 1996, James Wolfensohn, then president of the World Bank, likened corruption to cancer. “Corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign inves-

tors,” Wolfensohn explained. It was a new, post-Cold War world, and he wanted to spearhead a push for cleanliness and corporate accountability now that it was no longer acceptable to ignore kleptocracy for reasons of geopolitical expediency. Two years later, Wolfensohn’s counterpart at the International Monetary Fund, the economist Michel Camdessus, put a figure on the phenomenon: he estimated that between two and five percent of global money flows had criminal origins.

Anything involving that much money and doing that much damage to so many people should clearly become a public policy priority as well as a focus of detailed research. Activists, authorities, and journalists need data on the scope, dynamics, and causes of the problem to figure out how best to fight it. And yet, despite efforts by Wolfensohn, Camdessus, and others to sound the alarm, such clarity has remained elusive. Some additional light has been cast on the issue over the past two decades, mostly by legal proceedings brought under U.S. and British antibribery laws and by reports produced by nongovernmental organizations such as Global Witness and Transparency International. But on the whole, we know little more than we did 20 years ago.

Camdessus’s figure was based on very rough estimates, but it has been fossilized by long usage. Those who have tried to improve on it have come up against an obstacle that has long prevented a clearer picture of global corruption: the opaque financial structures that corporations and wealthy individuals use to hide their assets. Academics such as the economist Gabriel Zucman have done excellent work to ascertain the volume of such secret wealth. Zucman has concluded that around eight percent of global financial

OLIVER BULLOUGH is the author of *Moneyland: The Inside Story of the Crooks and Kleptocrats Who Rule the World*.

assets are concealed in various offshore accounts. No one knows, however, what proportion of that money is criminal in origin, let alone how much comes from bribes.

This means that no reliable data exist to measure how widespread corruption is, which prevents systematic action against bad actors, including major corporations that routinely pay bribes in exchange for contracts, concessions, and other favorable treatment. Given the urgency of the problem, it is notable that governments, universities, and think tanks have not dedicated more resources to doing the basic research. The generous explanation for their failure is that journalists and academics have not succeeded in adequately conveying the urgency of the issue, which has thus not caught the public imagination. A less charitable explanation is that, around the world, powerful people worry that restricting dark and dirty cash will cost them, and so they have taken steps to keep the public ignorant of what is happening.

To make matters worse, much of the research that does get published is misleading. Transparency International's annual Corruption Perceptions Index (CPI) ranks how crooked each country is according to experts and business executives, and it underpins much of the journalistic and policy discussion of corruption. But the index considers only the public sector and focuses on "officials using public office for private gain." It explicitly does not consider, among other things, illicit financial flows, money laundering, and what Transparency International calls "enablers of corruption." In this limited view, when it comes to the act of bribery, the only party that contributes to corruption is the one who

takes the bribe. That leaves out not only whoever pays the bribe but also the entire support mechanism for modern corruption, provided by, among others, the bankers in London and Zurich who accept the dirty money, the lawyers in New York who channel that money into real estate, and the officials in offshore tax havens who disguise its ownership behind shell companies. Thinking about corruption without reference to those players is akin to discussing the drug trade only in the context of an addict buying his fix and excluding the farms and factories that produce and process illicit substances, the cartels and dealers who distribute them, the governments that protect the distributors, and the banks that launder their money.

The consequences of this narrow scope are perverse. In the latest CPI, issued in January 2019, Denmark was ranked as the cleanest country in the world despite the fact that just months earlier its largest bank had confessed to laundering 200 billion euros—one of the largest money-laundering operations the world has ever seen. This is representative of a larger, systemic problem with the CPI: it covers only the aspects of corruption that take place in poorer countries and not those that help boost the economies of the wealthy Western countries. A true measure of corruption would give at least as much weight to the willingness of a jurisdiction to launder dirty money.

Fortunately, a growing body of work is challenging the traditional approach. David Montero's *Kickback* is a fine new addition to the genre. Like everyone else trying to get their arms around corruption, Montero must confine himself to the available data. But he adds caveats reflecting the limited nature of the material,

avoids the inflated estimates that afflict more sensationalistic accounts, and points the way toward some new thinking about how to combat this global scourge.

“A SLOW-MOTION DISASTER”

Montero selects his evidence with care, and he correctly focuses not just on the recipients of bribes but also on the companies that pay them. These include some of the biggest names in business: Chevron, Halliburton, IBM, Pfizer, and many more. “Bribery, unlike other crimes, often plays out slowly, with secret payments flowing between a company and a government over the course of years,” he writes. “The result is a slow-motion disaster, leaving economic, political and social damage that cannot be detected unless someone begins to look for it.”

Montero analyzes a succession of scandals in order to draw out different lessons. He begins with the oil-for-food program that the UN ran in Iraq between 1995 and 2003, when the United States invaded the country. That deeply flawed initiative allowed more than 2,000 corporations to connive with the regime of the Iraqi dictator Saddam Hussein to avoid UN-imposed sanctions, and it serves as an example of the failure of global anticorruption conventions. The program was intended to ensure that the most vulnerable people in Iraq did not suffer for the actions of their government. Instead, it allowed insiders in Baghdad to profit by extracting kickbacks from companies hungry for oil, all the while denying ordinary Iraqis food, clean water, and basic medicines.

The scandal demonstrated how, when confronted by officials who demand bribes, corporations often put the interests of their shareholders ahead of those of

their own governments. The reasons why are spelled out in perhaps the most interesting section of Montero’s book, in which he contrasts the risks and rewards that come from engaging in corrupt behavior. He cites the work of the economist Jonathan Karpoff, whose research suggests that, on average, companies have little more than a five percent chance of getting caught if they pay a bribe overseas; meanwhile, each \$1 they spend on bribes results in an average of an additional \$5 in earnings. The reward far outweighs the risk. From this perspective, paying bribes is rational.

Karpoff’s conclusions emerge from legal proceedings brought under the Foreign Corrupt Practices Act of 1977, a piece of U.S. legislation passed in the aftermath of Watergate that prohibits American companies from engaging in bribery overseas. FCPA prosecutions and the congressional investigations that sometimes accompany them are central to understanding how corruption works and remain the best resource available to anyone working on the problem. Montero uses them to great effect in his analysis of corruption in the Greek defense industry in the late 1990s and early years of this century, when American, Russian, and European arms companies paid off government insiders in order to win contracts, inflating their prices to cover the cost of the bribes. The higher prices naturally added to Greece’s intractable public debt, which exploded into a crisis when the country went bust in 2009.

Montero also explains how, before Chinese authorities took action a few years ago, Western pharmaceutical companies exploited the fact that Chinese doctors’ earnings were tied to the amount of drugs they prescribed. The payment

system was intended to reward performance but ended up incentivizing over-medication. The results were predictable: middlemen bribed doctors on behalf of major pharmaceutical firms desperate to take advantage of growth that was no longer available in their home markets. This not only undermined trust in doctors but also had serious public health consequences. “China’s pronounced overuse of antibiotics is responsible for the appearance of antibiotic-resistant strains of various diseases, such as tuberculosis and syphilis, as well as various superbugs,” Montero writes. “Health officials have called the latter ‘nightmare bacteria’ because they remain resistant to all known antibiotics and can therefore be lethal.”

Montero summarizes research showing that the higher the level of public dishonesty in a country, the lower its economic growth and the greater its income inequality. And that is just what can be measured: How do you quantify the loss of trust in public officials and institutions that results from pervasive bribery? If U.S. President Donald Trump’s assault on the norms of governance has been traumatic for many Americans, how must the residents of a country such as Nigeria feel after decades of entrenched kleptocracy? How will Ukrainians, for example, be able to build true democracy when they have become so accustomed to public servants stealing rather than serving?

CRACKING THE SHELLS

Everyone who writes about corruption finds it easier to diagnose the disease than to prescribe a treatment. This results partly from the lack of knowledge about the precise dimensions of corruption and also reflects just how stubborn the problem is. The modern epidemic of offshore-enabled venality, for example, is an outgrowth of globalization, and anything that restricted those financial flows would also limit the activities of powerful, well-networked, and tax-averse corporations and individuals. Such efforts would naturally struggle to gain political traction.

Many of Montero’s prescriptions focus on the countries where bribes are



ILLUSTRATION BY THE HEADS OF STATE

solicited, and he advocates better funding for anticorruption agencies and the strengthening of independent judiciaries through higher salaries and better legal protections. He does not, however, address the problem of how to achieve those changes in countries that have become so corrupt that the entire political class is on the take. Why would anyone in the Kremlin, for example, agree to reforms that would undermine its entire business model? Even if ordinary Russians were to rise up in revolt, the elite would still get to keep its stolen wealth, which is stashed irretrievably offshore. The only solution is long-term, incremental efforts to force honesty on public servants and private citizens alike. But that is incredibly hard to achieve when the rewards of corruption are so high and the downsides are so few.

Looking beyond the countries where bribes are solicited and toward the places where bribes are paid and laundered, Montero is correct in calling for governments to work together more closely to combat what he calls “the global kickback system,” particularly in countries such as Cyprus, the United Kingdom, and the United States, which are important nodes in the international banking system. He does not specify new ways in which they should act together, however, or how they can overcome the distrust that has infected politics all over the world—and made international cooperation less likely now than it has been for decades.

A critical solution that Montero does not tackle at great length is for governments to commit to corporate transparency. Every episode of corruption described in *Kickback* involves the use of anonymous corporate structures that allow crooked officials to put a layer of

deniability between themselves and the bribes they have solicited and make it possible for corporations to claim that they were unaware that they were engaging in bribery. It remains easy and absurdly cheap to create a network of shell companies that will baffle even the best-resourced law enforcement agencies by making it virtually impossible to determine the true owners of any particular financial entity. History has shown that when given the option of committing a crime with impunity, humans tend to commit the crime.

Although there has been some movement in the European Union and among some lawmakers in the U.S. Congress toward forcing companies to declare their true owners, the effort remains patchy and underresourced and has barely started to apply to the trusts and foundations that hold a great deal of the world’s wealth. If major wealth havens such as Switzerland, the United Kingdom, and the United States were to publicly declare the ownership of all real estate holdings and corporate entities, the space available for corrupt actors would shrink dramatically, and law enforcement agencies would find their jobs much easier.

Montero has done a good job of explaining why everyone should care about corruption. It is now up to politicians, academics, and government officials to make it a priority. Otherwise, the kind of authoritarian kleptocracy now ascendant in places such as the Philippines and Russia will become ever more the global norm. Consider how even relatively small amounts of murky cash have destabilized the U.S. political system. Fighting corruption is not just worth doing for its own sake. It is crucial to the defense of liberal democracy. 🌐

Ever-Further Union

What Happened to the
European Idea?

Andrew Moravcsik

The Capital

BY ROBERT MENASSE.

TRANSLATED BY JAMIE BULLOCH.

Liveright, 2019, 416 pp.

The European Union may well be the most ambitious and successful experiment in voluntary international cooperation in history. It has lasted longer than most national democracies in the world today. But it is deadly dull. So it is no surprise that novelists shun EU politics. How could a writer possibly find inspiration among the soulless steel and glass buildings of Brussels, where pedantic bureaucrats, politically correct diplomats, and remorseless lobbyists hammer out market regulations?

Robert Menasse, a popular Austrian author and essayist, accepted the challenge. Ten years ago, he moved to Brussels with the quixotic aim of writing the first great EU novel. The resulting work, *Die Hauptstadt*, was published in 2017 and won the most prestigious book prize in the German-speaking world, the German Book Prize. It now appears in English as *The Capital*.

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Menasse's novel is a satirical send-up of contemporary Brussels. Alongside subplots involving terrorists, contract killers, police officers, farmers, fathers, sons, and a (perhaps imaginary) wild pig, the main narrative follows the rise and fall of two absurd plans to reinvigorate the EU: an official proposes that the European Commission's 60th anniversary be celebrated at Auschwitz, and a retired Austrian economics professor—apparently the last true believer in federalism—seeks to renew European idealism by transferring the EU's capital to the same spot. Of course, neither plan stands the slightest chance of success. They are easily shot down by venal lobbyists, conformist consultants, cynical national diplomats, and, in a deliciously Machiavellian scene, a suave official sitting atop the European Commission.

Menasse gets many details of the EU just right. His cruel caricature of the technocratic, self-important, and sometimes petty bureaucratic culture of the commission is largely accurate. He skillfully renders the bland life of the expatriate in Brussels—not surprising, since his book research required him to become one. More profoundly, he captures how in modern Europe, where historical memories tied to a specific time and place have grown less vivid, people invoke the Holocaust and other epochal events without any real sense of their cultural and historical context. And Menasse has a way with metaphors—especially those involving pigs, which he invokes to symbolize a vast range of things, including pork-barrel politics, anti-Semitic rhetoric, and the wildness of human nature, from which modern bureaucrats are alienated.

Menasse's literary ambitions are far from modest. He explicitly models his book on one of the great modernist novels of the twentieth century: *The Man Without Qualities*, by his compatriot Robert Musil, who published three volumes of the novel between 1930 and 1943 but never completed it. Both works are political satires set during what Menasse called in a 2016 essay "the eve of an epochal rupture"—for Musil, it is World War I and the dissolution of the Austro-Hungarian Empire, and for Menasse, it is a possible collapse of the EU. Both peel back everyday routines to reveal a world in which historical memory and religious belief are eroding and individual actions seem to lack any sense of higher purpose. And both weave rich tapestries out of seemingly disconnected actions through a panoramic collection of archetypes: the criminal outsider, the lonely lady, the political expert, the self-important political climber, the master manipulator. As if to dispel any doubt, *The Capital* coyly mentions that Musil's novel is the favorite book of the fictional European Commission president—who, of course, has not actually read it.

Yet Menasse is no Musil. He cannot match his predecessor's edgy prose, and his comfortable and small-minded characters do not, as Musil's do, peer over the edge of an abyss, questioning whether basic moral principles, or even life itself, have any deeper meaning. And the dangers facing Menasse's Europe hardly compare with the existential threat World War I posed to Musil's Austro-Hungarian Empire.

If *The Capital* does not qualify as great literature, it is worth reading for another reason: to gain fresh insights

into the way Europeans perceive the EU's future. Many argue that the central challenge facing Europe today is the lack of a common political narrative with sufficient public resonance. Menasse explores a critical question that this concern raises: In an era in which historical memories, religious beliefs, and national identities are eroding, what ideals could revive public support for European integration?

TOUGH CROWD

The EU does not lack for critics. They divide into two camps: those who believe Brussels should do less and those who believe it should do more. Both assert that the EU aims to replace nation-states, but the first group resists this goal, while the second applauds it. Resisters include the Euroskeptics behind Brexit and their right-wing populist and nationalist allies in France, Hungary, Italy, and Poland. These critics see themselves as defending the nation-state in the face of a tyrannous EU "superstate" bent on imposing socialism. *The Capital*, completed before Brexit and concerns of Russian meddling in European democracy, largely ignores these views.

Instead, Menasse focuses on (and casts his lot with) the second group of critics—those who complain that the EU does not go far enough. Members of this group are generally left-wing in political orientation and view the EU as a dangerously neoliberal construction that fosters inequality, coddles corporations, and dampens progressive government policies. (That view may be reductive, but it is surely a more accurate critique of what the EU does than the one offered by the Euroskeptics.) These critics believe that Europe should move



A Brussels state of mind: in the European quarter in Brussels, October 2017

toward “ever-closer union” by enacting more generous pan-European fiscal and social policies, cushioning the harsh effects of globalization and liberalization, limiting environmental pollution and corporate prerogatives, defending human rights, and combating nationalism and right-wing populism.

Left-wing critics of the EU receive less media attention than their right-wing counterparts, at least in the English-language press, but they are probably more numerous across Europe, and especially in Brussels. Menasse’s most sympathetic and thoughtful characters belong to this group. The EU, they maintain, was an idealistic project from the start, and its fortunes have risen and fallen with the idealism of its supporters. In the 1950s, those who launched European integration were largely political moderates, mostly Christian democrats, who viewed federalism as an instrument

to vanquish the nationalism and political extremism that had caused two centuries of strife in Europe, culminating in World War II. The EU’s *raison d’être*, the idealists in Menasse’s book argue, was to prevent another war in Europe and another Auschwitz by stripping nation-states of their power and prerogatives in favor of a system of supranational governance.

The Capital espouses a radical variant of this critique in the form of a rant delivered by the retired Austrian professor, Alois Erhart. Nation-states, he says, no longer stand for any common beliefs or practices, let alone for worthy ethical ideals. Farmers, multinational firms, and other venal special interests have captured policymaking. And when these narrow interests conflict, EU policy gridlocks, as exemplified by the perennial quibbles over the EU budget and by the failure of Germany to be more generous toward the

eurozone debtor states, such as Greece. Even worse, Erhart charges, politicians peddle nationalism, which persuades citizens that their parochial claims are ethically justified and blinds them to their true identity as Europeans or as human beings. Even EU policy intellectuals lack a vision of the future. Instead, Erhart fumes, they are no better than the “pragmatists” who defended slavery in ancient Greece, low wages during the Industrial Revolution, or the following of Hitler’s orders.

For all these reasons, Erhart (and Menasse) concludes that nation-states will disintegrate of their own accord, as will the EU’s most powerful institutions, the European Council and the Council of Ministers, both of which represent member governments. The destruction of nation-states would also imply the collapse of national democracy as a mode of legitimation. The only remaining question is what to put in their place. Menasse argues that the EU must be transformed into a modern, postnational welfare state, with its own social, tax, fiscal, and human rights policies. Yet he does not, in *The Capital* or elsewhere, dwell much on policy details. His focus is on the radical new institutions and ideas required to legitimate such changes democratically—which would result in an “entirely new, globally innovative, bold European avant-garde” political system, as he described it in a 2012 essay.

Breathless adjectives cannot disguise the fact that the details of Menasse’s postnational system remain frustratingly scarce. In his essays, Menasse rejects the idea of endowing a European superstate with a large budget, overarching regulatory power, or an army. Instead, the European Commission’s

bureaucrats would somehow govern through persuasion, compelling symbolism, and stronger cultural policies—an approach modeled on the Erasmus program, which allows European college students to study in other EU member states. In place of the current state-centric system, Menasse suggests that subnational regions, such as Catalonia, Piedmont, and Scotland, should deal directly with Brussels through the European Parliament. In the novel, Erhart proposes a new EU passport, with no national identification, and a new European capital in Auschwitz to underscore Europe’s opposition to war and genocide. Beyond this, Menasse’s writings reveal little about what the new institutions would look like or how they could manage the ambitious European fiscal, social, and regulatory policies he advocates.

HEAD IN THE CLOUDS

Despite its paucity of detail, Menasse’s work has garnered praise and prizes from progressive European intellectuals, not least in German-speaking countries, where his premises are widely shared. Yet there is little reason to put much stock in his vision of Europe’s past, present, or future.

What is most glaring, Menasse gets the EU’s history wrong. A quarter century ago, historians debunked the belief—still found today in textbooks, political speeches, and *The Capital*—that preventing war or another Auschwitz was the primary motivation behind the founding of the EU. Such idealism may have provided the impetus for national leaders in the late 1940s to create Europe’s human rights body—the Council of Europe—and perhaps the European Coal

and Steel Community. Jean Monnet, the idealistic father of the EU, did envision locking in peace and democracy by incrementally replacing nation-states with a European superstate that would wield its technocratic authority over atomic energy, coal, steel, and other war materiel. But when European leaders created the European Economic Community, in 1957, taking the first step toward the EU that exists today, they overrode the objections of Monnet, who viewed a common market as an apolitical betrayal of his vision. They focused instead on trade and investment in civilian goods, not to save Europe from violence but because industrialists and farmers on the world's most interdependent continent, especially those in Germany, insisted that this was the best way to assure national prosperity and bolster the effectiveness of national policies. And they constructed more intergovernmental and decentralized institutions not to abolish nation-states but, in the words of the historian Alan Milward, to "rescue" them. In the decade that followed, the politician who did the most to promote Europe's first supranational institutions—those governing the EU's Common Agricultural Policy—was no idealist. He was an outspokenly nationalist French president named Charles de Gaulle.

Over the past 50 years, the EU's member states have slowly reformed the union in order to serve national interests, and Menasse is correct that national governments and institutions such as the European Council and the Council of Ministers dominate EU decision-making today. Yet he is wrong to assume that this intergovernmental structure has led to gridlock or impotence in the face of recent crises. To the contrary,

A SUPERBUG

GIRLS' EDUCATION

A KILLER ROBOT

SPACE JUNK

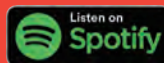
THE NUCLEAR BUTTON

TRASH

A WOOLY MAMMOTH

WHY IT _____ MATTERS

A podcast that brings the world home.



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the EU has compiled an extraordinary record of successful action. It has maintained the single market, enforced the world's highest regulatory standards, policed market competition, and protected the euro in the face of the Great Recession. It has all but eliminated Mediterranean migration yet retained nearly borderless travel. It has managed numerous military missions and, more important, used trade, sanctions, aid, and diplomacy to bolster Ukraine and face down a resurgent Russia. EU leaders are now constructing a common investment-screening policy directed at China, as well as a response to democratic backsliding in Europe itself. If some of these policies are less redistributive or humanitarian than perhaps they should be, the cause is not bureaucratic obstructionism or institutional paralysis but the absence of left-wing majorities in European capitals. Far from teetering on the brink of collapse, the EU's nation-state-based system remains effective and legitimate.

Of all the views that Menasse's novel implicitly backs, the most dubious is his conception of Europe's future. Even if one overlooks the vagueness of his vision, a more troubling question lurks underneath: Would Europeans view the demolition of nation-states or the construction of a postnational European state as legitimate? Here, Menasse displays another conviction typical of the European left: a blind trust in mass democracy. The new system would be legitimate, Menasse believes, because a process of genuinely democratic transnational deliberation would surely lead the European public to adopt more cosmopolitan and solidaristic ideals. If only the European masses could be edified

through such a process, they would firmly oppose nationalism and racism, support stronger European integration in areas such as fiscal and social policy, and become open to immigration—all at the expense of national governments.

This belief is far-fetched, even utopian, as the EU's own recent history has shown. Something akin to Menasse's vision, minus the insistence on regional representation, motivated the effort in the late 1990s to redress the EU's so-called democratic deficit by promulgating a European constitution. Advocates claimed that vibrant deliberation and more competitive elections for the European Parliament would encourage mass participation, voter education, deep reflection, and, ultimately, greater trust and support for the EU. The opposite occurred. In referendums and elections, Europeans voted erratically, ignoring basic facts and choosing hazy nationalist ideals over pragmatic problem solving. Far from serving as a font of cosmopolitanism, the European Parliament has become a source of legitimacy and funds for Euroskeptics such as Nigel Farage, one of the British politicians behind the pro-Brexit campaign in 2016. And in national elections, populists and nationalists have surged, largely at the expense of social democrats.

One senses that Menasse the satirical novelist, as opposed to Menasse the essayist, understands that his schemes to rekindle European idealism are bound to fail. In *The Capital*, all the genuine idealists in the novel are old, lonely, demented, or dead—with no connection to the modern world. Whatever commitment European leaders may have had to preventing war and genocide immediately after World War II, today

no EU citizen under the age of 75 (immigrants and some residents of Croatia excepted) has ever experienced either one. Nor does anyone today view war or genocide as a realistic threat on a continent of democratic, nationally satisfied, and economically interdependent nations.

Yet Menasse's idealism is hardly idiosyncratic: it is shared by most European left-wing party leaders, as well as prominent left-wing social philosophers, such as Jürgen Habermas. If faith in postnational democracy is misplaced, why does the European left cling to this vision? One reason is that this ideal serves as a comfortable fiction among European social democrats faced with an insurmountable contradiction. On the one hand, they are principled European federalists. On the other, they dislike many neoliberal EU policies. To square the circle, they tell themselves that if only Europe replaced existing states with postnational democracy and cosmopolitan ideals, everyone would surely do the right thing. The result is that these friends of Europe judge the EU even more harshly than do the Euroskeptics, further undermining European integration.

Postnational utopianism constitutes a missed opportunity, because it undermines the left's ability to combat Brexiteers and conservative nationalists. Fearing an electoral rebuff similar to those suffered in 2017 by the Brexiteers and by the far-right French presidential candidate Marine Le Pen, almost all right-wing political parties have moderated their criticism of the EU. Hardly any right-wing party leaders still advocate holding a referendum on exiting the EU or abandoning the euro, claiming instead that they will work within the EU system in order to weaken the union—

a strategy with little chance of success. If these Euroskeptics remain in power, it is in large part because the left has not proposed a coherent, workable, or legitimate conception of Europe's future. Instead of radical schemes, Europeans need a vision that appreciates the virtues of sound, realistic policies. In this context, the satirical condemnations of pragmatism in *The Capital* are part of the problem, not part of the solution. 🌐

When Progressives Were on the March

The Postwar Era's Lessons for the Left

James E. Cronin

The Postwar Moment: Progressive Forces in Britain, France, and the United States After World War II

BY ISSER WOLOCH. Yale University Press, 2019, 560 pp.

The rise of illiberal politics around the world is generating understandable anxiety over the future of the liberal international order. Most of that concern focuses on the fate of the international institutions that Washington and its allies created after World War II to promote peace and economic openness and to ward off the return of the protectionist, nationalist, and imperialist ideas that had produced so much bloodshed in the first half of the twentieth century. But equally important to the liberal order are the domestic policies and programs that accompanied these international arrangements. These involved a redesign of capitalism, with states balancing markets in order to ensure full (or at least fuller) employment and constructing comprehensive systems of social welfare. Historians have described these changes

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in various ways: a Keynesian compromise, a social democratic settlement, embedded liberalism. Whatever one calls them, the domestic changes that took place in Western countries after the war were essential for the emergence of the international order, because they made it possible to build and maintain political support for that order.

Isser Woloch's masterly account tells this story by focusing on what he terms the "progressive forces"—coalitions made up of parties of the left and center-left and the unions allied with them—that struggled to create societies where capital was constrained, workers and unions empowered, and governments mandated to ensure economic and social security. What Woloch calls "the postwar moment" was marked by an unusual degree of consensus and cooperation within and between these coalitions and by the strength of the trade unions at their core. By the early 1950s, the momentum of the immediate postwar years had faded, and the strength of these progressive forces had begun to wane. But even then, there was little to no rollback: the achievements of the postwar moment became more or less permanent features of the political and institutional landscape in France, the United Kingdom, and the United States. Woloch's book tells a compelling tale of weak and frequently divided parties on the left (and their allies in trade unions) gaining strength and coherence in response to the Great Depression, the rise of fascism, and World War II. The book also implicitly reminds readers that many of the conditions that helped produce the postwar moment are absent today. Those wishing for a resurgence of progressivism must therefore place their hopes on a wholly different set of driving forces.

LEFT TURN

Woloch tells his story using parallel accounts of developments in France, the United Kingdom, and the United States. As a distinguished French historian, he is at his best in recounting events in France, but the sections on the United Kingdom and the United States are strong, as well. He begins after World War I, when unions were weak and the left was fractured into communist and noncommunist blocs. In the 1930s, the Great Depression and the rise of fascism drove efforts to unify the left and mobilize unions. In France, an alliance of left-wing movements known as the Popular Front came to power. In the United States, Franklin Roosevelt was elected president and began to implement the New Deal. The gains were less dramatic in the United Kingdom, but there, too, the Labour Party and the trade unions began to regain some of the strength they had lost in the previous decade.

Then came World War II, which further invigorated progressive forces in the United Kingdom and the United States. Union membership grew enormously as the mobilization for war gave workers more leverage over employers and prompted governments to broker compromises in order to avoid hampering production. Contrary to the warnings of fiscal conservatives, the mobilization showed that massive public spending could generate jobs and growth without necessarily producing inflation. In both countries, the government performed effectively enough to counter conservatives' accusations of official incompetence. Nazi aggression simultaneously discredited advocates of isolationism and the appeasement of Germany, who were typically opposed

to progressive domestic policies. In the United Kingdom especially, elites lost credibility over their role in presiding over the Depression, then appeasement, and then the country's military ineffectiveness in the first phase of the war. Among many voters, a consensus formed that these "guilty men," as they were termed in a popular book published in 1940, should not be allowed to determine the course of postwar politics.

The situation was different in France, where the left and the center-left suffered catastrophically during the war. First, the Popular Front bitterly broke apart. Then, in June 1940, France fell to Nazi Germany, and the Socialists voted to support Philippe Pétain as chief of state of the French government at Vichy. During the occupation, disappointment and division among unions and parties on the left gave way to the outright oppression of both under the Vichy regime and the Nazis. It was not long before the French left was revived by the Resistance, the movement to fight the Nazi occupation. By the middle of 1943, the various left-wing parties and union federations had come together to form a fragile yet sustainable alliance.

As victory came into view, reformist forces and unions in all three countries began to develop plans for the postwar period. In France, the major resistance movements approved the Common Program of the Resistance in March 1944. A few months later, the Congress of Industrial Organizations, a coalition of U.S. labor unions, adopted a policy platform published as *The People's Program for 1944*. And in the United Kingdom, the Labour Party triumphed in the general election of 1945 by running on the progressive agenda outlined

in its manifesto *Let Us Face the Future*. These programs shared a common rhetoric, a sense of possibility, and very similar demands for jobs, economic and social security, housing, and health care. These commonalities underscore Woloch's argument that the postwar moment was a transnational one: progressives were advancing on both sides of the Atlantic and on either side of the English Channel, propelled by forces that transcended the otherwise diverse conditions in the three countries.

A TALE OF THREE COUNTRIES

The climax of all three stories comes after World War II, when political leaders of the left and center-left sought to implement the programs they had outlined at the war's end—with varied results. The British Labour Party had the greatest success. It brought coal mines, railways, and utilities into public ownership; reconfigured and strengthened the institutions and laws of the welfare state (and created some new ones, as well); built affordable housing; and faced down opposition from doctors and private hospitals in creating the National Health Service. All of this was achieved despite economic conditions that required the continuation and extension of rationing and controls on wages and prices. The party remained mostly united and, for most of the period from 1945 to 1951, retained the loyalty and cooperation of the trade unions.

The situation in France was much more complicated, but reformers there achieved major victories in the period between liberation and the middle of 1947. Unions emerged strong from the war and grew stronger. Women gained the right to vote. And the leaders of the

Resistance transformed their vision of social solidarity and economic security into legislation and institutions. Notably, the civil servant Pierre Laroque spearheaded the creation of a reformed and vastly expanded social insurance system that required substantially larger contributions from employers and therefore offered more to beneficiaries. Coverage grew from seven million people in 1944 to 20 million by 1949.

These achievements were made possible by the politics of “tripartism,” a governing coalition consisting of Socialists, Communists, and members of the Popular Republican Movement (MRP). The MRP drew support from many adherents of social Catholicism, a left-wing strain of thought rooted more in theology than in Marxism. Broadly speaking, the MRP represented voters and activists who were not part of the traditional left but whose experience of war and resistance made them strong advocates of reform after the war. The commitment to cooperation was itself largely a legacy of the Resistance, and it enabled the government to function even while political leaders were still resolving constitutional issues. The support of the Communists was key, for they alone could convince the organized working class to accept the sacrifices necessary for recovery.

Tripartism worked for a while, but by 1947, French workers were increasingly restive and determined to push up wages. The French Communist Party and the General Confederation of Labor, or CGT, ultimately gave way to the rank and file and threw their support behind a series of strikes. A fissure emerged between the Communists and the government of Prime Minister Paul Ramadier and grew



A more perfect union: meatpackers on strike in Kansas City, Missouri, 1946

over time as the strikes continued and the party increasingly fell in with the Soviet line on issues such as opposition to the Marshall Plan. By late 1947, tripartism had broken down. In its place came the so-called Third Force governments, which held power until 1951 and which excluded the Communists while moving slowly to the right. The reforms that had been enacted in the initial postwar moment mostly became permanent, but further ones were put off, in some cases forever.

Progressive forces in the United States faced a more difficult political landscape than their British and French counterparts, and their gains were accordingly more modest. Popular support for the New Deal remained high at the end of the war, bolstered by a robust labor movement and by the political organizing that African Americans had undertaken during the war. The New Deal's

appeal was reaffirmed by the passage of the GI Bill in 1944, with its transformative provisions for homeownership and educational assistance. But anti-New Deal forces were gathering strength, as well. In 1946, with the help of southern Democrats in Congress and mobilized business leaders, the Republicans were able to defeat key progressive measures, such as U.S. President Harry Truman's proposals to continue wartime wage and price controls and to commit the government to maintaining full employment.

The defining battle in the postwar United States was fought between labor and industry, both of which had emerged stronger from the war. Union membership was higher than ever. Business leaders, for their part, had built up huge profits and were eager to take back what they called their "right to manage." Unlike in France and the United Kingdom, where governments had convinced

unions not to use their newfound clout to demand higher wages immediately after the war, a wave of strikes broke out in the United States in 1945 and 1946. The Democrats, who had held the presidency since 1933 and whose most impressive domestic achievements were by that point a decade old, lost the congressional elections of 1946 to a resurgent and still quite reactionary Republican Party. This defeat paved the way for the passage of the Taft-Hartley Act in 1947, which severely restricted the power of the unions by limiting their ability to strike.

If the long-term effect of Taft-Hartley was to tip the scales in favor of corporate power, in the short term it motivated progressives to rally behind Truman, delivering him a surprise win in the election of 1948, which also saw Democrats retake control of both houses of Congress. The victory halted a major rollback of progressive legislation, but the coalition between the Republicans and southern Democrats did not leave much room for advancement. Truman succeeded in passing the Housing Act of 1949, which provided federal assistance for mortgage insurance and increased funding for public housing. Democrats also enjoyed some success in raising the minimum wage and making Social Security more generous and inclusive. They were thwarted, however, in their efforts to create a national health insurance program. Progress on civil rights was also mixed: Truman issued executive orders to integrate the armed forces and to ban discrimination in federal employment, but his administration failed to outlaw poll taxes, strengthen the Fair Employment Practices Committee, or establish a permanent civil rights commission. And as Woloch and others have

noted, New Deal programs were crafted and carried out within racist structures and traditions, which prevented African Americans from enjoying their full benefits. Truman's Fair Deal aimed to do better, but that effort was derailed by the same coalition of Republicans and southern Democrats that had limited the New Deal.

AMERICAN EXCEPTIONALISM

These three cases raise two big questions: Why the common pattern of advances, and why the uneven results? Woloch's answers are mostly implicit and need to be teased out of his rich narrative. The answer to the first question seems to be that the Depression and World War II discredited old elites, their faith in free markets, and their not-infrequent sympathy for the extreme right. At the same time, the center-left earned respect for its role in the struggle against fascism and its skepticism of unbridled capitalism. The mobilization for war reinforced these effects and also favored the growth of trade unions.

The answer to the second question is less clear cut. Woloch occasionally suggests that some degree of backlash against progressive advances was inevitable and therefore requires little explanation. As he argues, "In mature democracies, after all, swings of opinion were likely sooner or later to bring stalemate or reversals that made a steady course of long duration problematic." This seems reasonable but does not explain the variation across countries, which was presumably rooted in the three countries' differing political cultures and institutions.

In the United Kingdom, for example, the rejection of old ideas and of the elites who held on to them was extremely

thorough. The Labour Party and the trade unions were stronger there than left-wing parties and unions elsewhere, and they enjoyed more time to prepare for taking power. In France, leaders and parties associated with the defeat at the hands of Nazi Germany and with the Vichy government's collaboration with the Nazis were also seriously discredited—indeed, some paid with their lives. But the left could overcome its political fragmentation for only so long.

In the United States, the rejection of the old guard was less total than in the other two countries. Business elites and their Republican allies were reasonably held responsible for the Depression, but they paid the price for this failure in the 1930s, earlier than did their British and French counterparts. Big business remained powerful, however, and regained confidence as the Depression receded and as corporations were seen to perform well in the war. Republicans, for their part, could rely on various local sources of political strength in rural areas and among whites. In Congress, their alliance with conservative southern Democrats placed strict limits on what progressives could achieve. Put simply, race mattered profoundly in the United States.

There is yet another possible cause for the weakening of progressive forces: the onset of the Cold War and the rise of anticommunism, which divided the far left and the center-left. This is a common explanation for the derailing of progressivism, but Woloch does not attribute quite as much importance to it as have other historians. Instead, his narrative shows that conflict between sections of the left stretched back to the 1920s, when communist and noncommunist parties first split over support for the Soviet

Union. The schisms waxed and waned over the next several decades but were always present in some form. The coming of the Cold War intensified these conflicts, and in the United States, McCarthyism took them to new heights—but they were not simply the invention of party bosses, or the result of the FBI's quest to root out communists, or a response to the CIA's machinations abroad.

THE FUTURE OF PROGRESSIVISM

For Woloch, the advance of progressive forces before and during the postwar moment was mainly a response to the crises of the Depression and the war, and the petering out of progressivism once those crises had passed was predictable. What is remarkable is that the legacy of the postwar moment survived the shifting political winds that followed. It gave the world a reformed capitalism that was capable of generating sustained growth and increased welfare for over three decades; in so doing, it underpinned the political stability of the entire Cold War era. Even today, when the growth formula of the postwar era has been replaced by something vastly different and when political stability and the advance of democracy are no longer assured, the major achievements of that period remain firmly embedded.

Many readers of Woloch's book will wonder whether the story he tells has any bearing on today's debates over the future of progressivism. The first thing they will notice is that the interests and conditions that boosted the left in the postwar era appear lacking today. The global economy is not in depression, and decades of economic growth have raised standards of living so that the extreme poverty of the 1930s is rare, at least in

the three countries Woloch discusses and elsewhere in the developed world. A downturn will undoubtedly come sooner or later, but its political consequences are unpredictable. The Great Recession raised hopes of a renewed Keynesian politics, but in fact the immediate result was a politics of austerity. Economic inequality today may well be comparable to what existed just before the Depression, but inequality can deter mobilization as easily as it can spur it. More important, since the postwar years, the shape of Western societies has been altered almost beyond recognition. The base of reformist parties in the 1930s and 1940s was the working class, largely organized through trade unions. Today, the working class is both harder to define and far smaller, and the unions that once gave it voice are far weaker.

In the absence of those forces, some hope that cultural or environmental concerns might motivate collective action and lead voters to embrace progressive candidates. That hope has yet to be realized. Others believe that the rise of populist politics with authoritarian traits and aspirations—although a far cry from the fascism that once spurred left-wing parties—will galvanize resistance that is broad and sustained enough to stimulate progressive victories and pave the way for reform. Here, too, the evidence is not yet in, but the new populists' sheer nastiness and inability to govern might well unify the left to an extent that was not possible prior to their ascent. The enemies of progressivism might once again prove to be its inadvertent allies. 🌐

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Paths to Power

The Rise and Fall of Dictators

Anna Grzymala-Busse

How Dictatorships Work

BY BARBARA GEDDES, JOSEPH WRIGHT, AND ERICA FRANTZ.
Cambridge University Press, 2018, 270 pp.

The world is in an illiberal phase. In recent years, dictators have strengthened their grip on many countries. Several democracies have witnessed the rise of authoritarian-minded leaders and movements. These trends make the task of understanding dictatorial rule all the more important.

The research on autocracy is vast: the term “authoritarian” garners more than 800,000 citations on Google Scholar. But most analyses of the subject tend to either focus on the emergence and fall of dictatorships or examine their internal workings. Few examine both the rise of autocracies and how they rule.

In *How Dictatorships Work*, the political scientists Barbara Geddes, Joseph Wright, and Erica Frantz offer a corrective, revealing not only how autocrats win and lose power but also how they wield it. They bring a wealth of new data to the table, following autocracies from cradle to grave and meticulously testing the received wisdom against hard numbers. *How Dictatorships Work* masterfully

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illustrates the paths autocrats take to power and the ways in which they keep it. Few dictators have a clear strategy, but the ones who seize control of a country’s security forces or build ruling political parties tend to stay on top.

THE ANATOMY OF DICTATORSHIP

Geddes, Wright, and Frantz define autocracies as regimes in which elections do not determine who leads or in which democratically elected leaders change the rules of the game to eliminate the competition. In their view, a regime either is or is not an autocracy. To compose their study, the authors drew on a database of 280 autocratic regimes that took power between 1945 and 2010. The data were first collected by Geddes and then greatly expanded by Wright and Frantz.

Their first major finding is that 45 percent of authoritarian regimes in this period were the result of coups. (Dictatorships also tend to emerge when foreign powers prop up an unelected ruler or when elected parties change the rules to preclude further free elections—a move that Geddes, Wright, and Frantz term “authoritarianization.”) Militaries and political parties are the groups most likely to seize power. But for all their professional experience, these elites frequently have no detailed plans for how to exercise the power they have seized.

Contrary to what one might expect, coups rarely defend the interests of economic elites, nor do they generally emerge from popular movements. Instead, Geddes, Wright, and Frantz find that many coups grow out of the grievances of military officers—those who have been excluded from promotion on the basis of their ethnicity, for example. It doesn’t take many conspirators to carry

out a coup: in 1969, for instance, Muammar al-Qaddafi took over the Libyan state with help from a small number of allies and 48 rounds of ammunition.

Once in power, a dictator and his inner circle must balance cooperation and conflict. Autocrats must collaborate with subordinates to create a political base on which to rest their rule, but they also want to keep their crews loyal.

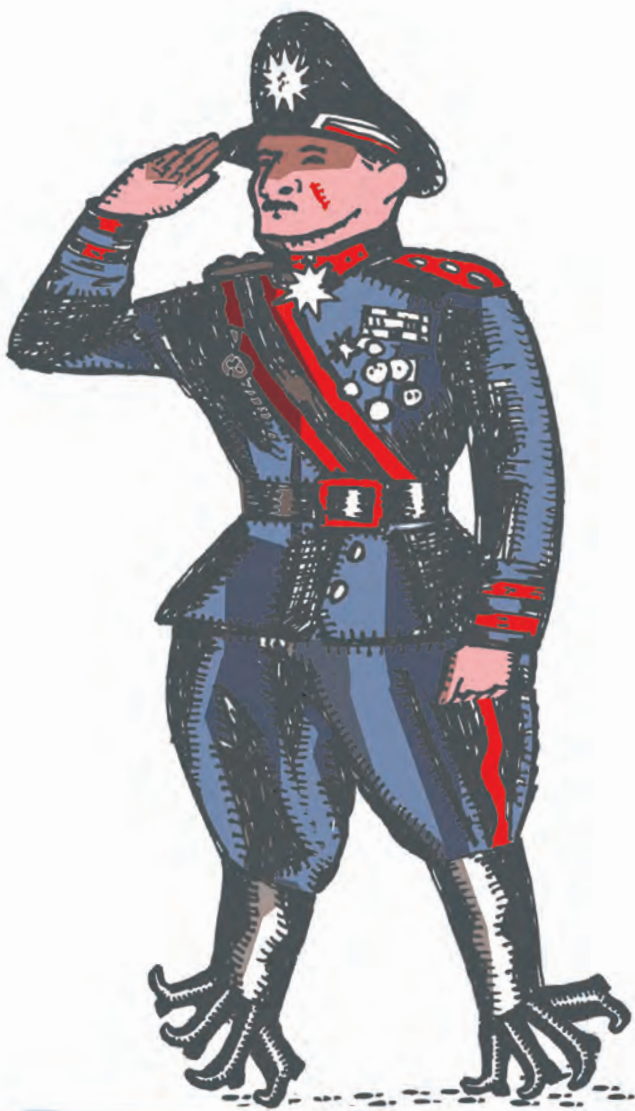
The dictator's dilemma consists of giving his immediate supporters enough benefits to secure their loyalty but not so many that any one supporter can become a viable challenger. And the dictator has to deliver a continuous stream of benefits—promises alone cannot suffice, because the autocrat's promises are not credible. After all, there are no institutions to enforce them, such as independent courts or parliaments. So rulers often survive by delegating authority and patronage or by redistributing land and other resources.

One key lesson that emerges from *How Dictatorships Work* is that an aspiring autocrat would do well to establish a hegemonic political party. (Consider the late Cuban prime minister Fidel Castro's Communist Party, which was founded in 1965 and has endured to the present day.) Parties mobilize society and provide citizens with benefits, creating the kind of dependence that encourages popular support—and, perhaps as important, complicity. Once schooling, jobs, and travel depend on one's party affiliation, most members of society remain loyal or at least quiescent.

This partisan patronage does have the unintended result of filling the party's ranks with opportunists who are far more interested in tangible benefits than in the regime's putative ideology. But Geddes, Wright, and Frantz point out that even

so, autocracies run through hegemonic political parties last twice as long as those that do not. (It would have been interesting to hear more about how leaders create and manage parties—for example, how they carry out purges without overreaching and provoking a backlash.)

How Dictatorships Work also makes clear why fraudulent elections and weak legislatures are useful to autocrats: less because they provide a veneer of legitimacy than



because they offer a way for dictators to monitor their own regimes and their subjects. Local elections reveal the competence of lower party officials—low turnout, for example, indicates that a local leader is unable to mobilize the population in his or her favor. National elections signal the government's strength to would-be challengers. Legislatures exist less to create laws than to divvy up ill-gotten gains.

But sometimes it all comes crashing down. Around a third of autocracies end with a coup; around a fourth end with an election. Economic crises often hasten the fall of dictators, but patron-client networks can cushion the autocrats as they fall. Take, for instance, Nicolás Maduro's regime in Venezuela, buffeted by the collapse of oil prices but still clinging to power. Ultimately, however, patronage and political clout can do only so much. The Soviet Union stands out as a spectacular example of how economic decay, elite misperceptions of reform and its consequences, and the withdrawal of international support can result in a rapid and decisive collapse.

MISSION CREEP

How Dictatorships Work is an impressive accomplishment, especially since autocracies restrict information about themselves. Marshaling a great deal of data, the authors uncover deep-seated patterns that observers might otherwise miss. But Geddes, Wright, and Frantz too readily discount studies based on "impressive local expertise" as lacking "evidence." And in using crisp categories such as "democracy" and "autocracy," they provide analytic

clarity but overlook hybrid regimes in which the playing field is slanted toward incumbents even if the outcome of any particular election is not predetermined. Also, because the book's database ends in 2010, just as democratic erosion began to quicken, the authors aren't able to shed much light on one of the most urgent phenomena in contemporary politics—the creeping authoritarianism that follows democratic decay.

Today, in established democracies across the world, the slow but steady undermining of norms and institutions poses a greater threat than sudden coups. After all, it's risky and costly to try to overthrow an established government. Few people or organizations have the means to carry out such a plot. But a wide range of actors can undermine democracy gradually under the cover of law, prompting international concern and domestic protest but few real challenges.

That is why today's would-be dictators do not rely simply on censorship, repression, and patronage. Instead, they follow a course similar to those charted by democratically elected strongmen in countries such as Hungary and Turkey: go after the courts, intimidate the press, hamper civil society, and use parliamentary majorities to push through new laws and constitutions. If one squints, things look normal: elections take place, people can travel in and out of the country, the cafés are full, and the secret police's dungeons are (nearly) empty. But underneath the surface, checks and balances that had once prevented dictatorship are falling away.

Even in places where formal institutions are more robust, such as the United States, the informal norms that uphold democracy have become fragile. The political scientists Steven Levitsky

and Daniel Ziblatt have identified forbearance (not using the law to entrench the incumbent) and toleration (accepting opposition and criticism) as critical to the health of democracies. One might also add equality before the law: the idea that neither the government nor the law can make distinctions that favor some groups over others. These norms are breaking down, and not just in young democracies.

Informal norms also keep autocracies afloat. Geddes, Wright, and Frantz give little attention to the world's most important dictatorship in this regard: the People's Republic of China, an autocracy that has not only endured but thrived by adapting. The authors' model would account for the regime's stability, since it is governed by a hegemonic communist party. But other communist parties around the world have failed. How, then, was the Chinese Communist Party able to renegotiate its relationship with capitalism and society? What gave it the ability to shift course after Mao and open up China's economy without opening up its political system? Scholars have argued that informal norms and institutions played a significant role, ensuring good governance and economic growth, on the one hand, and maintaining party control over society, on the other. This careful balance allowed the party to shift course without destabilizing the regime.

How Dictatorships Work is reassuring, in a way: the book demonstrates that even the most outlandish tyrants act according to familiar patterns. But understanding the current wave of democratic erosion requires closer attention to informal norms, how they contribute to a regime's durability, and how they shape the path by which democracies can become autocracies or are able to stop someplace along the way. 🌐

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Political and Legal

G. John Ikenberry

The Narrow Corridor: States, Societies, and the Fate of Liberty

BY DARON ACEMOGLU AND JAMES A. ROBINSON. Penguin Press, 2019, 576 pp.

Liberty has been rare in human history. In this sweeping account of the rise of the modern world, Acemoglu and Robinson argue that only in rare circumstances have states managed to produce free societies. States have to walk a thin line to achieve liberty, passing through what the authors describe as a “narrow corridor.” To encourage freedom, states must be strong enough to enforce laws and provide public services but also restrained in their actions and checked by a well-organized civil society. The authors call those states that tread this path “Shackled Leviathans,” governments dedicated to upholding the rule of law, protecting the weak against the strong, and creating the conditions for broad-based economic opportunity. Acemoglu and Robinson argue that it was in medieval Europe that states began to find the balance that created the conditions for liberty and economic advancement. They had inherited top-down centralizing institutions from the Roman Empire and bottom-up participatory dynamics from the Germanic tribes that had invaded Rome.

Chapters on China, India, the United States, and the Middle East; on the crises of liberal democracy in places such as Weimar Germany; and on modern-day populist movements reinforce the notion that liberty is deeply contingent and often ephemeral.

World Peace (And How We Can Achieve It)

BY ALEX J. BELLAMY. Oxford University Press, 2019, 288 pp.

The search for peace is as old as war itself. In this thoughtful account of the “theory and practice of peace,” Bellamy takes aim at the old claim that war is hardwired in human nature, noting that civilizations and societies have existed for long periods in relative peace. He argues that the movement for world peace is not a wide-eyed utopian project but a pragmatic endeavor that builds on a long history of small victories. Although religious and ethnic wars seem to be on the rise, Bellamy is more optimistic about the historical trend away from conflict: the great powers have abstained from war with one another for the longest period in the modern era; the United Nations has established norms and institutions for the peaceful settlement of disputes, peacekeeping, and the protection of civilians; and the use of force for territorial conquest has lost its legitimacy as a tool of statecraft. War will never be abolished, but humans do have the capacity to learn, adapt, and reach for the moral high ground. Bellamy tracks ongoing efforts to create “minor utopias” through pragmatic and incremental steps such as placing legal limitations on the conduct of war, building institutions for conflict mediation, cooperating on peacemaking after war,

promoting norms of human dignity and human rights, extending humanitarian aid, and protecting women and children in war zones.

Anatomies of Revolution

BY GEORGE LAWSON. Cambridge University Press, 2019, 296 pp.

In the popular imagination, revolutions are often defined by iconic images: Washington crossing the Delaware, the storming of the Bastille, Mao's Long March. Lawson looks beyond the singular moment to build a more multifaceted understanding of revolutions in this important and sweeping new book, which combines astute theoretical observations and careful historical analysis. He argues that revolutions are not just episodes of political upheaval; they are embedded in deep social change. The Russian Revolution pioneered state-led industrial development. The Vietnamese, Chinese, and Cuban revolutions marked an era of decolonization and the rise of the developing world. The Egyptian revolution of 1952 introduced the model of military-led social transformation and inspired political movements across the Middle East and North Africa. Revolutionary forms of rhetoric and organizational techniques can even be found in movements such as Occupy Wall Street and other radical elements within contemporary Western states. Lawson sets the stage for a new generation of studies of radical social change and the reshaping of the modern global order.

Global Development: A Cold War History
BY SARA LORENZINI. Princeton University Press, 2019, 296 pp.

The idea of encouraging development—that is, the notion that non-Western countries need to be helped along the path of economic and social advancement—emerged in the West during the Industrial Revolution and came of age during the Cold War. In this impressive history, Lorenzini traces the journey of development thinking from its nineteenth-century origins through its entanglements in the great geopolitical struggles of the twentieth century. Development became a front in the ideological battle of the Cold War, as the Soviet Union and the United States competed for hearts and minds in Africa, Asia, and Latin America. Although U.S. President Franklin Roosevelt's "Four Freedoms" formulation paved the way for a distinctly American approach, the Truman administration played a pivotal role in turning development assistance into a tool of national security and geopolitical competition. Lorenzini argues that although the Soviet Union and the United States articulated their development policies in universal terms, their policies actually served parochial national purposes. The instrumental logic of development thinking remains alive and well today, as China, Russia, and the United States cultivate emerging economies around the world.

International Order: A Political History
BY STEPHEN A. KOCS. Lynne
Rienner, 2019, 261 pp.

Coupled with the rise of China, the United States' foreign policy struggles have renewed old debates about the nature of international order and about what a post-U.S. global system might look like. In this illuminating history, Kocs traces how international order has risen and fallen over the centuries. At every stage, order emerged from the actions of powerful states that wanted to establish norms, rules, and institutions to suit their own purposes. In each instance, the result was an uneasy balance of coercion and consent, a tension that ultimately became a source of disorder. The victors of World War I set up a new order grounded in universal principles—free trade, self-determination, arbitration, and collective security—but were not willing to extend them to their colonial subjects. During the Cold War, the United States tried to infuse liberal values into its dominance of the Western system, and the Soviet Union tried to justify its rule of the Eastern bloc with a vision of communist egalitarianism. Today's "liberal order" combines multilateral institutions and the promotion of human rights with forceful diplomacy and military interventionism. Kocs does not break new scholarly ground, but his comparative historical perspective provides a useful primer and a starting point for debate.

Economic, Social, and Environmental

Richard N. Cooper

The Finance Curse: How Global Finance Is Making Us All Poorer
BY NICHOLAS SHAXSON. Grove
Press, 2019, 384 pp.

This well-researched but somewhat intemperate book argues that the financial sector in all modern economies is much too large. Shaxson angrily decries the overweening influence of banks and investment companies, which he believes lord over the economy to the detriment of other kinds of businesses. He laments how the financial sector absorbs bright college graduates, extracting human capital from the rest of the economy. In the United Kingdom and the United States, all political parties are to blame for the financial sector's dominance. Shaxson criticizes the former Democratic U.S. president Bill Clinton and the former Labour British prime minister Tony Blair as much as he berates Republicans and Tories. A British journalist, Shaxson reserves particular ire for the City of London—home to the British financial sector—and for the role of British dependencies such as Bermuda in facilitating tax avoidance and many other forms of financial malfeasance. He urges a future post-Trump United States to not only clean up its own act but also pressure the United Kingdom to reckon with the culture of tax avoidance it has created over the years.

The Great Reversal: How America Gave Up on Free Markets

BY THOMAS PHILIPPON. Harvard University Press, 2019, 368 pp.

This primer on the recent woes of the U.S. economy focuses on rising inequality, the market dominance of a small number of companies, weak levels of investment, and low productivity growth. It attributes these troubling developments to a decline in competition that has been brought about in large part by the rise of very powerful technology companies and above all by the lack of enforcement of antitrust policies. Philippon also points to the damaging role of politicians who protect the interests of their wealthy donors by sponsoring and creating loopholes in tax and regulatory laws. The book provides a useful comparison with Europe, which suffers from the same ailments but to a lesser degree, and where the European Union and its member states more vigorously enforce policies designed to guarantee competition.

Globalization and Health

BY JEREMY YOUDE. Rowman & Littlefield, 2019, 252 pp.

This informative book provides a survey of how globalization has enabled the spread of disease and of the concurrent development of global public health practices and institutions. Travelers have spread contagious diseases for centuries. The Republic of Venice introduced the first formal form of quarantine in the fourteenth century during the Black Death. Unsurprisingly, the first period of

modern globalization—with the great expansion of trade and travel by steamship in the early twentieth century—coincided with the global influenza pandemic. The predecessor of the World Health Organization was created at this time to track and report outbreaks of threatening diseases. A new phase of globalization has knit the world closer together in the last 30 years, and governments, multilateral institutions such as the WHO, and international law have concomitantly evolved to better tackle the spread of fatal diseases such as AIDS, Ebola, SARS, and Zika.

Bottle of Lies: The Inside Story of the Generic Drug Boom

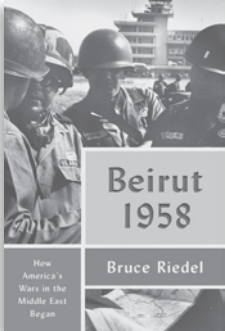
BY KATHERINE EBAN. Ecco, 2019, 512 pp.

In this sometimes frightening book, Eban delves into the dangerous market of generic pharmaceutical drugs. In the United States, the Food and Drug Administration must certify the patents for new drugs, a vetting process that began in the early twentieth century to guard against fake medicines. When these patents expire, firms can make generic versions of the same drugs by reverse engineering their active ingredients to produce equivalent medicines without incurring the costs of research, development, and testing. Generic medicines are therefore much more affordable for patients around the world. Eban tells the story of Ranbaxy Laboratories, a now defunct Indian generic drug firm, and its successful but problematic entry into the U.S. market and into other less regulated markets in other countries. She examines the FDA's spotty procedures for inspecting manufacturing plants outside

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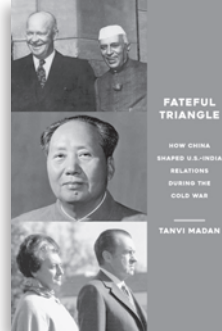
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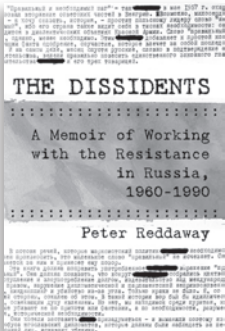
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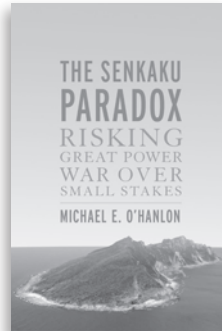
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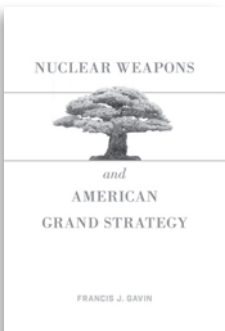
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Michael E. O'Hanlon

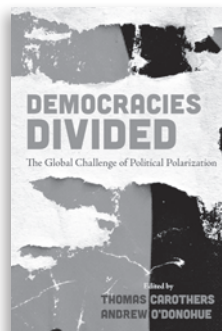
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Francis J. Gavin

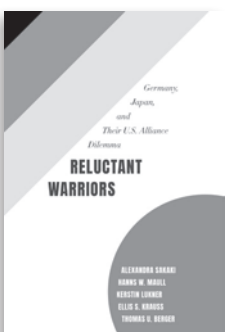
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Thomas Carothers and Andrew O'Donohue, Editors

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The Crisis of Liberal Internationalism Japan and the World Order

Yoichi Funabashi and G. John Ikenberry, Editors

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the United States and the Department of Justice's fumbling in prosecuting Ranbaxy and its leaders for criminal behavior such as faking compliance with FDA rules. Such illicit activity turns out to be widespread in foreign generic drug firms, especially those in China and India. These firms are skilled at fooling the FDA and other regulatory agencies. Eban's detailed investigation reveals that government bureaucracies in the United States and abroad are ill equipped for the task of regulating the pharmaceutical industry overseas.

Empowering the Great Energy Transition: Policy for a Low-Carbon Future

BY SCOTT VICTOR VALENTINE, MARILYN A. BROWN, AND BENJAMIN K. SOVACOOOL. Columbia University Press, 2019, 336 pp.

This useful survey of the nexus between global energy use and climate change studies technological developments in alternative energy sources and traces how governments and communities have responded—or failed to respond—to the climate crisis. Renewable energy has become cheaper, making alternative forms of energy—from the sun, wind, biogas, and other sources—increasingly competitive with fossil fuels. The authors also sketch the ways that people can conserve energy with only modest changes in their behavior and how local leaders and communities can play a big role in making the inevitable transition away from fossil fuels.

Military, Scientific, and Technological

Lawrence D. Freedman

Call Sign Chaos: Learning to Lead
BY JIM MATTIS AND BING WEST.
Random House, 2019, 320 pp.

In this memoir, Mattis does not comment directly on the Trump administration, from which he resigned as secretary of defense in December 2018. But it's clear from his resignation letter (reproduced in the book) and his persistent stress on the importance of stable, healthy alliances (which are not a feature of U.S. President Donald Trump's volatile approach to foreign policy) that Mattis didn't see eye to eye with the president. He is more forthright in his criticism of Presidents George W. Bush and Barack Obama: the first for being in too much of a rush to invade Iraq and the second for being in too much of a rush to withdraw. Mattis also blames General Tommy Franks for failing to capture Osama bin Laden at Tora Bora, in Afghanistan, in 2001, from where the al Qaeda leader managed to escape to Pakistan. The book's main concerns, however, are the practical and ethical challenges of military leadership. Mattis draws on his deep professionalism and knowledge of military history in describing the stress of battle and the tough decision to send soldiers into the field to kill and be killed.

Betrayal in Berlin: The True Story of the Cold War's Most Audacious Espionage Operation

BY STEVE VOGEL. Custom House, 2019, 544 pp.

For one year spanning 1955 and 1956, British and U.S. intelligence services were able to—literally—tap into top-secret Soviet and East German military communications. Engineers dug a tunnel a quarter of a mile in length from the U.S. zone of divided Berlin to the Soviet zone in order to splice into underground communication wires. Intelligence historians have traditionally claimed that what was called Operation Gold produced no information of value because George Blake, a Soviet mole in British intelligence, warned the KGB about the project before it even began. According to this view, the Soviets would not have allowed conversations of any substance to be intercepted. In this riveting and vivid account of the episode, Vogel demonstrates convincingly that a lot of valuable information was in fact obtained from the tunnel, largely because the KGB wanted to protect Blake from exposure and so decided to maintain the fiction that the Soviets were oblivious to the intrusion. At the heart of the book is Blake's own remarkable story, which Vogel tells with some sympathy, if not approval. It reads like a Hollywood screenplay: a young Dutchman escapes the Nazis; joins the United Kingdom's Secret Intelligence Service, or MI6; is captured by North Korean forces during the Korean War; and decides, while in captivity, to become a Soviet agent. In that role, Blake was responsible for many betrayals. Eventually,

he was caught, tried, and jailed, before escaping from prison in London and making his way to Moscow—where he still lives on a KGB pension.

The Resistance in Western Europe, 1940–1945

BY OLIVIER WIEVIORKA.
TRANSLATED BY JANE MARIE TODD. Columbia University Press, 2019, 512 pp.

The French historian Wieviorka masterfully analyzes the resistance to the German occupations of Belgium, Denmark, France, Italy, the Netherlands, and Norway during World War II. The results were mixed. For the Allied powers, resistance groups offered invaluable intelligence, as well as escape routes for downed pilots. On the other hand, their sabotage had little economic impact, and anti-Nazi propaganda campaigns helped shape public opinion but did not spark broader insurrections. The Americans and the British faced a tricky task in assisting resistance groups in ways that maximized their value to the war effort but didn't incite reprisals against vulnerable civilians. Although it presents a broad tableau, the book recognizes the particular circumstances and factors that formed the resistance in each country, including the agendas of governments in exile, bureaucratic squabbles within various groups, and the personal qualities of the brave individuals who accepted the immense risks that came with fighting the Nazis.

Only the Dead: The Persistence of War in the Modern Age

BY BEAR F. BRAUMOELLER. Oxford University Press, 2019, 344 pp.

In the best-selling 2011 book *The Better Angels of Our Nature*, the psychologist Steven Pinker made the optimistic case that war was on the wane and that human beings had entered the most peaceful period in their species' history. It was a popular but controversial argument that has since attracted many detractors. Braumoeller delivers a crushing critique by taking on Pinker's central methodological claim—that his analysis is based on hard data and sound reasoning. As Braumoeller weighs the merits of the evidence supporting Pinker's thesis, he charts the pitfalls of the various statistical techniques that political scientists commonly use in studying international conflict, showing how to distinguish significant from anomalous findings. The statistical trends that emerge from Braumoeller's alternative analysis refute the case for optimism. When things do seem to get better, it's not because humankind is becoming more intrinsically civilized but because the major powers have ordered their affairs in ways that make war less likely.

The Costs of Conversation: Obstacles to Peace Talks in Wartime

BY ORIANA SKYLAR MASTRO. Cornell University Press, 2019, 216 pp.

In this welcome contribution to the study of wartime diplomacy, Mastro shows why it can be so hard for belligerents to find a diplomatic route out of conflict.

Embracing peace talks can signal weakness and a lack of resolve, which can damage the morale of one's troops while emboldening the adversary. Only those factions confident in their strategic position will agree to open talks, and such offers are often combined with demonstrations of military strength. More circumspect parties to a conflict keep the initial conversations closed. Mastro catalogs many examples of how this dynamic has worked in practice, but her main case studies come from Asia during the Cold War, where she focuses on the experiences of China during the Korean War, China and India during their 1962 war, and the North Vietnamese during the Vietnam War.

The United States

Jessica T. Mathews

Audience of One: Donald Trump, Television, and the Fracturing of America
BY JAMES PONIEWOZIK. Liveright, 2019, 304 pp.

Poniewozik, the chief television critic for *The New York Times*, has written a dazzling dual biography of television and Donald Trump. The two stories have intertwined over the course of the past 70 years as television transformed, from the unifying monoculture of the three major networks to the fractionalized cable universe. As one TV era followed another, Trump drew personal lessons from each: the talk and lifestyle shows of the 1980s ("all about ego and the projection of self"), the

cable news that exploded in the 1990s (“no narrative, no logic, no arc, and no end”), the reality shows that took off in the early years of this century (raw aggression is rewarded, and someone has to lose for someone else to win), and the dark dramas that have won over audiences in recent years (the star is an antihero). As a candidate, he “recognized intuitively what the televised debates were: an elimination-based reality show.” The relationship eventually became symbiotic. He wanted what the camera’s red light wanted: conflict and drama. The book is so rich with insights about the man and the medium that it isn’t until the end that readers will realize it’s still not clear how 60 million Americans could come to see an obviously phony performer as the person they wanted in the Oval Office.

The Second Founding: How the Civil War and Reconstruction Remade the Constitution

BY ERIC FONER. Norton, 2019, 256 pp.

This book’s thesis is captured in its title: the 13th, 14th, and 15th Amendments to the U.S. Constitution—which, respectively, abolished slavery, granted birthright citizenship and equal protection under the law, and established voting rights for black (male) Americans—did not just change the text; they created “a fundamentally new document.” Foner has written more than 20 heralded books on the Civil War. This one traces the roller-coaster history of the core acts of Reconstruction from their passage, through the “long retreat” of the Jim Crow decades, to the civil rights legislation of the 1960s, to the Supreme Court’s 2013 rollback of the

Voting Rights Act, to the uncertain present. The message is clear: progress is not linear. Rights can be granted, “and they can be taken away”—in this case for an entire century. The book makes constitutional jurisprudence easily accessible to nonlawyers and illuminates the United States’ continuing troubled history of racism. Without shortchanging present-day struggles, Foner’s view of the future is surprisingly hopeful.

Beaten Down, Worked Up: The Past, Present, and Future of American Labor
BY STEVEN GREENHOUSE. Knopf, 2019, 416 pp.

Only 10.5 percent of American workers are unionized, including less than seven percent of those who work in the private sector. Yet according to polls, nearly half of nonunion workers (58 million individuals) say they would vote to join a union if they could. The need is obvious: workers’ share of the national income (pay and benefits) is at its lowest level since the 1940s, and average inflation-adjusted hourly pay has been flat since the early 1970s. And public approval of unions is surprisingly high: 62 percent. Unions have a mixed track record, with noble successes and sordid failures. Their future is hard to predict, as they wrestle with whether to reinvent themselves by focusing on broad workers’ rights campaigns, which would benefit many workers who might never join a union, such as the Fight for \$15 push to raise minimum wages. Greenhouse blends solid historical research with the intimate knowledge he has gleaned from 20 years of reporting on organized labor to tell an often deeply moving story that has much to say about whether the

United States can address the dire inequality that is tearing apart the fabric of American democracy.

The Fifth Domain: Defending Our Country, Our Companies, and Ourselves in the Age of Cyber Threats

BY RICHARD A. CLARKE AND ROBERT K. KNAKE. Penguin Press, 2019, 352 pp.

Armed with digital weapons, hackers, criminals, and nation-states have done incalculable damage to firms, individuals, and governments. For the past two decades, the advantage in cyberspace—which the U.S. military considers a “fifth domain,” alongside those of land, sea, air, and space—has been decisively on the side of offense. In deploying the so-called Stuxnet virus to shut down Iran’s uranium enrichment operation in 2009, Israel and the United States proved that a cyber-attack can succeed even if the target is not connected to the Internet. But Clarke and Knake argue that the advantage is now shifting toward defense, even though defending is still far more expensive than attacking. The best approach, they argue, is not to counterpunch when struck but to build resilience into the tools and networks of cyberspace. Doing so won’t prevent attacks but can minimize their damage, so that the assaults that do get through won’t matter much. The authors make digital technology wonderfully clear for nonexperts (their explanation of quantum computing is particularly masterly) and describe dozens of proposed policy fixes to update government’s lagging role. Unfortunately, they don’t adequately deal with the difficulties their proposals would entail or rebut counter-arguments that critics might pose.

We’re Still Here: Pain and Politics in the Heart of America

BY JENNIFER M. SILVA. Oxford University Press, 2019, 224 pp.

They Don’t Represent Us: Reclaiming Our Democracy

BY LAWRENCE LESSIG. Dey Street Books, 2019, 352 pp.

Silva and Lessig both seek to diagnose the troubled American electorate. Silva depicts a landscape of despair in which the social institutions that connect individuals to the “we” around them have largely disappeared. Lessig paints a searing portrait of a defective political system that is nonetheless full of hope, community spirit, self-empowered individuals, and ways to fix what is broken.

Silva spent two years interviewing white, black, and Latino individuals in a declining coal town in Pennsylvania. They shared stories of trauma, violence, abuse, addiction, lack of health care, unemployment, and jobs that don’t pay enough to live on. The American dream—to give their children a better life—has vanished for them. Unions, churches, and community organizations play little if any role: Silva’s characters turn to themselves for answers to their pain and disappointment. They don’t expect help from the government and reject the idea that it could or should help others. Most of them voted for Donald Trump in 2016. Silva doesn’t expect much change in these conditions; any that occurs is likely to be “infinitesimal and slow.”

Lessig’s America could be on another planet. A passionate advocate of political reform, Lessig writes of what is wrong with “them” (the elites who run

state and federal political systems) and “us” (the general public). He dissects gerrymandering; the winner-take-all Electoral College, which throws away the votes of most Americans; a U.S. Senate that over time has come to represent less and less of the population; voter suppression; and a corrupt campaign finance system. For all his railing against those who wield political power, he offers an even harsher take on “we, the people”: drenched in media but terribly ignorant and unable to see how bad personal choices add to collective costs. Still, the book ends with an unmistakable message of hope in extended stories of major political change, each starring an ordinary individual who was able to galvanize many thousands of others.

Western Europe

Andrew Moravcsik

Metternich: Strategist and Visionary
BY WOLFRAM SIEMANN.
TRANSLATED BY DANIEL STEUER.
Belknap Press, 2019, 928 pp.

Klemens von Metternich, the Austrian Empire’s foreign minister from 1809 to 1848, has a bad reputation. Even Henry Kissinger, who famously defended the archconservative Austrian as the brilliant architect of 50 years of relative peace in continental Europe in the middle of the nineteenth century, was uneasy about Metternich’s brutal repression of liberal and radical movements for democracy and national

self-determination. Thanks in part to Metternich, conservatives rather than liberals would co-opt nationalist ideology, contributing to an aggressive Germany, the conflagration of World War I, and perhaps even the eventual rise of Hitler. With painstaking and pathbreaking primary-source research, this book seeks to redeem Metternich from the criticisms of his detractors. It ultimately fails. Siemann tries to explain Metternich’s uncompromising reactionary views as a sincere response to early trauma suffered when the French Revolution dispossessed his aristocratic family. But portraying Metternich as a victim of trauma, a thoughtful strategist, a harbinger of modern European federalism, and a kindly and moderate man in private doesn’t excuse the cruelty and intolerance of his politics. The book does succeed in forcing readers to wonder whether Metternich’s efforts to defend an essentially conservative order against populists and terrorists are so different from the struggles that liberal democracies face today.

The Outsiders: Refugees in Europe Since 1492

BY PHILIPP THER. TRANSLATED BY JEREMIAH RIEMER. Princeton University Press, 2019, 304 pp.

Refugees have played a role in European politics for centuries. Five hundred years ago, most refugees, such as the Puritans who left England for the Netherlands, were fleeing religious persecution. Over the past century and a half, bouts of ethnic cleansing drove Armenians, Bosnians, and many others to seek refuge elsewhere. Since the middle of the twentieth century, many

refugees in Europe have been trying to escape the tyranny of fascism, communism, or religious fundamentalism. Then, a historian, studies how these refugees have been received over the years. The governments and citizens of destination countries tend to oppose the entry of large numbers of refugees during difficult economic times. These countries generally find ways to reject refugees unless a major geopolitical cause is at stake or diaspora communities intercede on their behalf. Even the most proudly humanitarian governments evade international law and manipulate domestic law to avoid their obligations to refugees. Then remains ambivalent about the policy implications of his work for states today. He recognizes the domestic political challenge of increasing the intake of refugees but insists that the populist right has exaggerated the threat they pose.

Twelve Days That Made Modern Britain
BY ANDREW HINDMOOR. Oxford University Press, 2019, 352 pp.

This book romps through 12 transformative moments in the last 40 years of British life, elaborating on the events of a single day for each and its consequences. One can, of course, quibble with some of the choices of important moments. For example, all but one of these seismic days have to do with political or legal developments. Did Hindmoor, a political scientist who generally writes on regulation and public administration, not think to include, for example, the introduction of the commercial Internet in 1992—a more momentous occasion, surely, than the publication of the expenses of members of Parliament in 2008? There are some sloppy lapses in Hindmoor's

research; he gets one of the 12 dates wrong by a year. Nevertheless, the book is strangely entertaining, not least because each chapter summarizes complex events with remarkable clarity, whether describing the terms of the labor union contracts that Prime Minister Margaret Thatcher opposed during the 1984 miners' strike or the considerations affecting Prime Minister David Cameron's decision to hold the 2016 Brexit referendum. On a deeper level, Hindmoor forces the reader to ponder the conditional nature of history. Although some changes seem to have been inevitable—the eventual election of a female prime minister or the legalization of gay marriage, for example—others clearly involved knife-edge decisions that could easily have sent events in a different direction.

A Short History of Brexit

BY KEVIN O'ROURKE. Pelican Books, 2019, 320 pp.

For three years now, many observers have tracked the tortured process of Brexit blow by blow, breathlessly waiting for the next headline. As an economic historian and an Irishman, O'Rourke views these events from a dispassionate distance. How, he asks, will Brexit be taught to future generations of university students? He recounts the history of British involvement with Europe over the last 60 years with unique concision and clarity. He searches for the motivations behind the Brexit vote, parsing arguments that it was the inevitable result of structural economic factors, that it stemmed from a misplaced backlash against rising inequality, or that it was just a fluke brought about by political

miscalculation and opportunism. Ever the professor, O'Rourke hints that all these views contain some truth. Yet as the facts pile up, it becomes clear that even hard-line Brexiteers recognize that it makes little economic or political sense to eliminate policy coordination with Europe. The heart of the Brexit movement lies not in an economic critique but in a sense of British cultural and historical exceptionalism.

Agent Running in the Field: A Novel
BY JOHN LE CARRÉ. Viking, 2019,
288 pp.

For decades, the former MI6 intelligence officer David Cornwell—known to the world by his pseudonym, John le Carré—has written espionage novels starring protagonists who regret, but can never escape, the moral compromises of their often duplicitous profession. His spies have combated the Soviets, criminal networks, and terrorists. Even if they used dubious means, le Carré always seemed to assume that their ends were admirable. He no longer does. At 88, he takes up the timely topic of Brexit through a complex plot involving Russian and Ukrainian oligarchs. The gripping novel's most sympathetic character considers Brexit a disaster, which he blames on members of the British upper class, whose characterization includes a barely fictionalized portrait of the current prime minister, Boris Johnson, as a naive, self-indulgent, and opportunistic foreign secretary (a post he held from 2016 to 2018). In le Carré's eyes, his country has not aged well: the years have not added to its wisdom; rather, they have ushered in disgrace.

Western Hemisphere

Richard Feinberg

The Crossroads of Globalization: A Latin American View

BY ALFREDO TORO HARDY. World Scientific, 2019, 232 pp.

Globalization, Competitiveness, and Governability: The Three Disruptive Forces of Business in the 21st Century
BY RICARDO ERNST AND JERRY HAAR. Palgrave Macmillan, 2019, 184 pp.

Toro Hardy, a retired senior Venezuelan diplomat and a prolific author, surveys the critical literature on globalization from a center-left Latin American perspective. He accepts globalization as a given and recites a familiar litany of “neoliberal” sins: market fundamentalism, austerity, inequality. Nor, however, is Toro Hardy enamored of populists who “are obsessed with the wrong issues and bygone eras.” Rather, he reserves his more optimistic, and provocative, commentary for the upcoming technological disruptions of the so-called Fourth Industrial Revolution, where he sees dangers but also opportunities for Latin America. Technologies such as 3-D printing will “decouple” South America from the industrialized nations, reducing commercial exchanges between the North and the South. Meanwhile, Mexico and the Caribbean basin could benefit from an expansion of supply chains within the region. Massive urbanization in China and

India will help generate further growth in the region by increasing demand for resource-based commodities. Toro Hardy urges Latin America to cooperatively pool its resources, assisting “high-tech artisans” in reindustrializing the region on its own terms.

Ernst and Haar have put together a solid, accessible primer that usefully summarizes both the social science and the business literatures across the related themes outlined in the book’s title. Some prominent ones, such as the rule of law, corruption, and global supply chain strategies have ready application to Latin America. In their conclusion, the authors remark that in Latin America, global disruptions are generating both right-wing and left-wing forms of populism but are also reducing poverty and generating greater citizen involvement in civic life. The authors add that the most sweeping impacts of the disruptions in the region have been in business: Latin America is the world’s fastest-growing area for businesses such as Airbnb, Coursera, Netflix, and Uber.

The Confounding Island: Jamaica and the Postcolonial Predicament

BY ORLANDO PATTERSON. Belknap Press, 2019, 432 pp.

Patterson explores the paradoxes of his native Jamaica in a series of stimulating essays. A historical sociologist, he burnishes his command of the scholarly literature on Jamaica by drawing from his experiences on the island as a young man and, later on, as a policy adviser. Patterson attributes neighboring Barbados’s superior economic performance to its faithful adaptation, in form

and practice, of British governing institutions; in contrast, Patterson blasts Jamaica’s post-independence elites for their divisive politics, corruption, incompetence in business, and wasteful luxury consumption. Patterson is an institutionalist interested in how to create effective bureaucracies and leadership, a focus evident in how he appraises Jamaica’s excellence in track and field, for example. The sporting tradition that brought the world the sprinter Usain Bolt stems not from genetic factors but from good public health, strong athletic programs, and revered role models. Patterson locates the roots of the island’s high crime rates in the historical brutality of slavery, the country’s poverty, and gangland battles for political patronage. The book concludes on a hopeful note, sketching a rising generation of more capable democratic politicians and business executives.

Religion and Brazilian Democracy: Mobilizing the People of God

BY AMY ERICA SMITH. Cambridge University Press, 2019, 222 pp.

Jair Bolsonaro won the 2018 Brazilian presidential election with the decisive support of evangelical Christian voters. In the last 30 years, the number of evangelicals in Brazil has more than doubled, largely at the expense of Catholics. As in the United States, in Brazil, the entrance of evangelical clergy into electoral politics has bolstered right-wing political movements. In her timely, data-rich study, Smith attributes the reactionary backlash in Brazil and elsewhere in Latin America to the emergence of issues that trigger fear among evangelicals: gay and

transgender rights, sex and gender education in public schools, and abortion. In Smith's view, the ultimate impact of the rise of evangelicals remains to be seen. On the one hand, an intolerant dualism—dividing the world into sinners and the faithful—would threaten democratic norms. On the other hand, Smith suggests a more hopeful outcome if clergy and their congregants enter electoral politics and have their beliefs moderated by involvement in democratic practices. In Smith's surveys, clergy expressed strong support for democracy "as the best form of government."

May You Live in Interesting Times, the 58th International Art Exhibit, Biennale Arte 2019
CURATED BY RALPH RUGOFF AND ORGANIZED BY LA BIENNALE DI VENEZIA. Biennale Foundation, 2019.

At the 58th edition of the contemporary art world's most prominent international event, Latin American and Caribbean countries hosted 13 of the 87 national pavilions. Ministries of culture or foreign affairs, often in collaboration with national experts, selected local artists for the high honor of showcasing their creative works in Venice. Among the Latin American offerings, *Swinguerra*, a Brazilian video installation, dazzled with exuberant Afro-Brazilian dancers proudly asserting their complex identities, including some who identified as nonbinary. Other Latin American artists presented much darker visions. In the Argentine pavilion, Mariana Telleria erected a parade of large, ominous creatures gathered in what her curator described as a "dystopian cultural landscape." In the Peruvian pavilion,

Christian Bendayán critically explored the way Europeans eroticized the Amazonian jungle and its populations. In the Chilean pavilion, Voluspa Jarpa reduced Latin American history to a series of degrading impositions by "hegemonic" powers. In sharp contrast to these offerings from South America, the art in the pavilions of China and the United States—today's preeminent powers—while not ignoring the contradictions of the human condition, reveled in those countries' respective national achievements.

Sounds of Vacation: Political Economies of Caribbean Tourism
EDITED BY JOCELYNE GUILBAULT AND TIMOTHY ROMMEN. Duke University Press, 2019, 248 pp.

In this innovative but uneven collection of essays, anthropologists and ethnomusicologists explore the sounds and music of the all-inclusive resorts (hotels offering prepaid vacation packages that include lodging, meals, and entertainment) that are booming all over the Caribbean. The scholars borrow from critical theory—including a Marxist focus on the alienation of labor and postmodern pessimism—with some going so far as to compare the resorts to slave plantations. None of the contributors brings a business background to the study of what are, after all, commercial enterprises. In their ethnographic interviews of resort managers and musicians, some of the contributors discover that studious deliberations go into choosing the melodies, tempos, sequencing, volume, and placement of songs in public areas, with attention paid to carefully balancing familiar tunes with the discovery of new sounds; such

“soundscape curation” furthers the resorts’ commercial goal of pleasing the guests. Many of the musicians are well-traveled cosmopolitans capable of creatively blending global knowledge with pride in their local legacies.

Eastern Europe and Former Soviet Republics

Maria Lipman

Mirrorlands: Russia, China, and Journeys in Between

BY ED PULFORD. Hurst, 2019, 360 pp.

Pulford begins his fascinating and enlightening travelogue in Moscow and ends it in Beijing, but his main route runs along the 2,600-mile border separating Russia and China. In Inner Mongolia, he finds a community of “Chinese Russians” who use Russian names and look “European” yet speak standard local Chinese, their Russianness serving mostly as an attraction for Chinese tourists. He finds himself in an obscure Russian settlement where North Korea’s founding dictator, Kim Il Sung, spent four years in the 1940s and where his son Kim Jong Il was born—although neither of those facts is recognized in North Korea’s official histories. Over the centuries, Pulford writes, Russia has played many roles in the Chinese consciousness: “from imperial adversary to Soviet inspiration, anti-Japanese liberator, socialist blood-brother, ‘revisionist’ enemy, post-Soviet trade partner and, most recently, authoritarian

‘friend.’” But despite the duration and diversity of the two societies’ interactions, human bonds and cross-cultural influences remain amazingly scarce: intermarriage is rare, work and business ethics differ greatly—and Russian food, as Pulford’s interlocutors repeatedly tell him, tastes terrible to the Chinese.

Forgotten Bastards of the Eastern Front: American Airmen Behind the Soviet Lines and the Collapse of the Grand Alliance

BY SERHII PLOKHY. Oxford University Press, 2019, 360 pp.

In early 1944, the United States established a number of air bases in Soviet Ukraine. Their fate mirrored that of the uneasy U.S.-Soviet alliance, which was initially sustained by a common enemy but quickly unraveled after World War II ended. Plokhly’s unique account of this well-known episode benefits from the recent opening of Ukrainian archives containing KGB documents detailing the Soviet surveillance of the Americans at the bases. The American and Soviet servicemen eagerly cooperated but were struck by their cultural differences. The Soviets thought that the Americans were wasteful (they used spare parts instead of repairing broken ones) and lacked commitment (they broke for lunch before their work was finished). The Americans were surprised by the great number of Soviet women doing “men’s jobs” and by Soviet farmers’ reliance on hoes instead tractors. Warm relations soon chilled as the Soviets recruited civilians and servicemen to spy on the Americans and roughly interfered in the Americans’ dating of local women. Meanwhile, leaders in Moscow and

Washington grew increasingly suspicious of each other, and by the time the last air base was closed, in May 1945, the allies had become rivals.

Laboratory of Socialist Development: Cold War Politics and Decolonization in Soviet Tajikistan

BY ARTEMY M. KALINOVSKY.
Cornell University Press, 2018, 336 pp.

How did the Soviet Union mobilize for modernization and industrialization after Joseph Stalin died, in 1953, and the communist leadership ceased to rely on terror and mass forced labor? In researching grand projects in Soviet Tajikistan, such as the construction of the Nurek Dam, Kalinovsky discovered that leaders grew more careful in order to avoid the disastrous consequences of Stalin's ruthless industrialization. They repeatedly revised their plans, as well, when they learned that their presumptions were wrong: for instance, when they realized that Central Asian peasants were not anxious to move to cities. Kalinovsky's illuminating book puts special emphasis on the ironies, contradictions, and tensions involved in Soviet modernization. Despite the communist state's staunch anticolonialism and anti-imperialism, its policies in Central Asia acquired an unmistakable imperial quality. One example was the attempt to bring *kulturnost* to far-flung territories by introducing "civilized" behavioral norms and European art forms. As the Soviet Union collapsed, the Soviet-educated intelligentsia of the newly independent Central Asian states complained about the loss of their culture: a classic postcolonial grievance.

Ivan the Terrible: Free to Reward and Free to Punish

BY CHARLES J. HALPERIN.
University of Pittsburg Press, 2019,
378 pp.

Ivan the Terrible is most commonly associated with the *oprichnina*—the seven years of atrocity and devastation that he inflicted on his country. Halperin describes Ivan as “the first ruler of Muscovy”—it would be ahistorical, he notes, to use “Russia” when writing about the sixteenth century—“to employ mass terror as a political instrument,” a practice that vanished until Joseph Stalin revived it three and a half centuries later. Yet in his meticulous book, Halperin cautions historians against reducing Ivan's contradictory personality to that of a mere sadistic tyrant. Halperin does not share the common view that the gratuitous savageries of the *oprichnina* made it worse than the violence in western Europe brought about by religious strife, class warfare, or ethnic bigotry during the same time period. In a contrarian spirit, he insists that Ivan's actions do not distinguish him from other monarchs from that era, such as Henry VIII of England and Philip II of Spain. To account for the *oprichnina*, Halperin focuses on Ivan's interaction with a Muscovite society overstrained by an “unprecedented and intolerable level of elite and popular social mobility.” Ivan's introduction of repressive measures exacerbated the preexisting social instability before spiraling into mass terror and executions.

To See Paris and Die: The Soviet Lives of Western Culture

BY ELEONORY GILBURD. Belknap Press, 2018, 480 pp.

In 1957, after decades of Stalin's terror, when contacts with foreigners, real or imagined, were treated as high treason, Moscow hosted the Sixth International Youth Festival. As related by Gilburd's rich history of the Soviet leader Nikita Khrushchev's cultural opening to the West, the festival brought about two weeks of unceasing communal elation, as young Soviet men and women passionately bonded with peers from all over the world: wandering about Moscow, dancing, singing, forging friendships, making love. Unlike earlier attempts at westernization, the one initiated by Khrushchev's "thaw" reached beyond Soviet elites to include the masses. French pop music played on the radio, Italian films appeared in movie theaters, and the "domesticating" approach to literary translation made Western novels part of Soviet culture—and even Soviet life. But as this stream of Western culture flowed into the Soviet Union, the state's borders remained closed, and foreign travel, heavily restricted. The Soviet people became infatuated with a mythical West. Later, many experienced the reality of the West firsthand either as immigrants or when post-Soviet Russia sought to more fully embrace Western ways and norms—and then they came to believe they had been wronged. What they felt was more than disillusionment, Gilburd writes: it was dispossession.

The Great Cauldron: A History of Southeastern Europe

BY MARIE-JANINE CALIC.
TRANSLATED BY ELIZABETH JANIK. Harvard University Press, 2019, 736 pp.

Since the early twentieth century, southeastern Europe has been disparaged as "the Balkans," a term that often connotes tribalism and violence. In this detailed and comprehensive history, Calic nimbly seeks to broaden the way the region is understood. The book ranges from the advent of Ottoman dominion to the collapse of Yugoslavia. Calic concludes with the NATO bombing of Serbia in 1999, observing that the war, which was waged without a UN mandate, had a "legitimacy problem"—and that this compelled Western governments to spin the intervention with a "clever propaganda strategy." Although sympathetic to the work of the International Criminal Tribunal for the former Yugoslavia (for which she worked), she does not discuss the difficulty it had in achieving recognition and support in the most relevant places of all: in the lands of the former Yugoslavia. The substance of the book criticizes stereotypes about the region, and yet the title references an unpleasant Western cartoon from the period of the Balkan Wars (1912–13), thus somewhat undercutting Calic's effort to rethink conventional accounts.

LARRY WOLFF

Rock, Paper, Scissors

BY MAXIM OSIPOV. TRANSLATED
BY ALEX FLEMING AND ANNE
MARIE JACKSON. New York Review
of Books Classics, 2019, 304 pp.

This short-story collection portrays small-town Russian life and often feels like a journey back in time. Osipov, a practicing doctor, has been compared to Anton Chekhov, owing not only to their shared vocation but also to the Chekhovian way in which Osipov delves into the lives of ordinary people in dismal circumstances. Many of Osipov's characters take solace in religion—either Russian Orthodoxy or Islam—or in a misguided celebration of Russia's renewed militarism. Osipov also invokes an almost visceral love of the Russian landscape. The story "The Gypsy" depicts a doctor from the provinces who supplements his income by escorting sick people from Moscow to the United States. On the plane, he overhears an American steward wondering why "the Russians always stink." The American doesn't understand how long it takes travelers just to reach the Moscow airport. The protagonist of the story rejects the idea of moving to the United States, preferring the pungent scent of Russian earth. The collection also reveals the sense of fear and mistrust that has reemerged in Russia over the last two decades. In the final story, members of the Moscow intelligentsia discuss how they would escape from Russia on short notice—without mentioning President Vladimir Putin's name even once.

SOPHIE PINKHAM

*Bucharest Diary: Romania's Journey From
Darkness to Light*

BY ALFRED H. MOSES. Brookings
Institution Press, 2018, 363 pp.

Most countries draw their ambassadors from the ranks of professional diplomats. The United States, in contrast, fills a large chunk of its ambassadorial spots with political appointees—since the 1950s, about a third of the total; under President Donald Trump, up to two-fifths. These outsiders account for some of the greatest highs and lowest lows of U.S. diplomacy, but their world is rarely explored. *Bucharest Diary* illuminates it well, taking the reader through the journey of a serious, responsible political appointee from start to finish. After some background on his earlier career, Moses traces how he became the U.S. ambassador to Romania in 1994 and what he did there over the next three years. He offers a welcome antidote to the cartoon versions of American foreign policy so prevalent in the popular consciousness, showing exactly what U.S. relations with other countries involve, day to day. In this case, the main issue was how to help a former Eastern-bloc backwater successfully join the West and become a thriving liberal democracy, so the book is also an important firsthand account of how the so-called third wave of democratization played out on the ground. The story is not sexy, but it has the virtue of being true.

GIDEON ROSE

Middle East

John Waterbury

Temperature Rising: Iran's Revolutionary Guards and Wars in the Middle East
BY NADER USKOWI. Rowman & Littlefield, 2018, 226 pp.

This insightful monograph examines the Islamic Revolutionary Guard Corps of Iran, founded in 1979 to defend the country's Islamic Revolution. In 1980, Iran created the Quds Force, a detachment of the Revolutionary Guards intended to mobilize Shiite communities throughout the Middle East and Central Asia. Uskowi focuses on the Quds Force and Qasem Soleimani, who has led the group since 1998. Although Uskowi has served as a senior U.S. military adviser, his respect for Soleimani is clear. The force's 200,000 members include Iranians, Afghan Hazaras, Iraqi Shiites, and others. Its budget is largely off the books, siphoned from the operations of Iranian foundations and companies. Annual funding for the group may be as much as \$20 billion. Its biggest operation by far is in Syria, but the force is also active in Iraq, through militias that boast 100,000 fighters (twice as many as are in the regular Iraqi military); in Lebanon, through Hezbollah; in Afghanistan, through logistical support for the Taliban; and, since 2014, in Yemen, through the Houthis. In Syria, the Quds Force has established a land bridge from Iran to Lebanon. Despite these gains, Soleimani's group and its parent body, the Revolutionary Guards, face major ob-

stacles. The risk of a war with Israel is high. Economic decline at home and the fracturing of Shiite communities abroad may also curtail Soleimani's ambitions.

Be Strong and of Good Courage: How Israel's Most Important Leaders Shaped Its Destiny
BY DENNIS ROSS AND DAVID MAKOVSKY. PublicAffairs, 2019, 384 pp.

The authors, both well-known experts on Arab-Israeli affairs, present an important book in two parts. The first consists of biographical sketches of four Israeli leaders who all made momentous decisions affecting Israel's relations with its Arab adversaries: David Ben-Gurion, who announced the birth of Israel in 1948, immediately precipitating a war with its Arab neighbors; Menachem Begin, who promoted unilateral peace with Egypt in 1977, giving up the Sinai Desert in the process; Yitzhak Rabin, who embraced the Oslo peace process; and Ariel Sharon, who unilaterally withdrew from Gaza in 2005. These four leaders were committed to a two-state solution, which Ross and Makovsky emphatically endorse, an outcome that would avoid the creation of a binational state in which a third or more of the population would be Palestinian. In the more intriguing, second part of the book, the authors lay out the arguments for and against the notion that Israel is endangered by an internal Arab demographic "time bomb." The authors believe that the growth of the Palestinian population is a long-term threat to Israel's democratic system. They also offer suggestions for what Israel could do unilaterally to move toward a two-state solution—and how Washington could support such actions. The authors

should have spent more time on these policy choices and less on the biographies.

A Tale of Four Worlds: The Arab Region After the Uprisings

BY DAVID OTTAWAY AND MARINA OTTAWAY. Hurst, 2019, 240 pp.

The 2010–11 Arab uprisings undid an older order. Ottaway and Ottaway bring unrivaled cumulative experience to the analysis of a region they divide into four parts: the “non-states” in the Levant (Iraq, Lebanon, and Syria); an authoritarian Egypt; the bustling emirates of the Gulf (poorly led by Saudi Arabia); and Algeria, Morocco, and Tunisia, the three Maghreb states that are drifting away from the Arab world and toward sub-Saharan Africa and Europe. The region’s newly fragmented configuration invites intervention from Iran, Russia, Turkey, and the United States. Curiously, the authors barely mention Israel, which is heavily involved in Lebanon and Syria. The Arab uprisings precipitated the greater entry of Islamic organizations into formal politics. This shift has gone furthest in the Maghreb, where Islamists have participated in elections and in governments. The authors contend that “an antecedent phase of authoritarian state-building” is a prerequisite for any kind of more liberal political opening. Nevertheless, in their analysis, only the countries in the Gulf (not including Saudi Arabia), plus Morocco and Tunisia, are poised to move toward greater democratic freedoms.

Religious Politics in Turkey: From the Birth of the Republic to the AKP

BY CEREN LORD. Cambridge University Press, 2018, 386 pp.

Lebanon: The Rise and Fall of a Secular State Under Siege

BY MARK FARHA. Cambridge University Press, 2019, 326 pp.

These two treatises on religious politics are thoroughly researched and insightful and take up important questions of social theory. They seek to correct conventional scholarly narratives about secularism and religious identity in two very different countries. Lord examines the idea that the rise of moderate Islamist politics in Turkey—as epitomized by the rule of President Recep Tayyip Erdogan and his Justice and Development Party, or AKP—reflects the confrontation between a grassroots Muslim society and a monolithic secular state bent on snuffing out religious observance. Instead, Lord argues, the Turkish republican state that came into being after World War I contained significant Islamic elements, clustered in the Directorate of Religious Affairs, known as the Diyanet, and they were granted considerable latitude. Although nominally secular, the Turkish republic embraced de facto Muslim majoritarian rule. Turkish Islamism, Lord suggests, emerged as much from within the state as in opposition to it.

Farha, a political scientist, disputes the narrative that sees Lebanese confessionalism—the intersection of religious identities and politics in the country—as imposed by colonial European forces seeking to divide and rule. The roots of confessionalism in Lebanon are deep and strong and predate the country’s colonization by the French. Great feudal families among the Shiites, the Sunnis, the Christians, and the Druze helped build Lebanon’s politics of identity. Farha

also traces a parallel tradition of secularism in Lebanon to well before European imperialism, delving back as far as the rule of Fakhr ad-Din II (1585–1635), a Druze leader whom Farha sees as a proto-Lebanese nationalist, having integrated Christians and Muslims into his power structure. Despite this history, confessional quotas remain a major part of Lebanese political life, sustained by Lebanon's great political families and, more recently, by *petro-zaims* (loosely, "oil barons") who made fortunes in the Gulf.

Although both studies are rich with ideas and detail, they are guilty of overreach. In the Turkish case, after the advent of multiparty politics in 1950, it is not clear that many Turks subscribed to the narrative that set a secular state against an essentially pious society. In Lebanon, forces from outside the country have always stoked confessional tensions to the detriment of the country's secularization.

Asia and Pacific

Andrew J. Nathan

Maoism: A Global History

BY JULIA LOVELL. Knopf, 2019, 624 pp.

Mao Zedong and Maoism—the ideology of peasant revolution guided by an all-knowing sage—inspired insurgent movements in Cambodia, India, Malaysia, Nepal, Peru, the Philippines, Vietnam, Zimbabwe, and elsewhere. Mao's thought enjoyed periodic popularity among intellectuals in Western cities, such as Berkeley, Cambridge, Paris, and Rome.

Each version of the Maoist creed was principally articulated by middle-class intellectuals who wanted to lead and speak for the suffering masses. Lovell traces this wide-ranging history with a sharp eye for social setting and personality. But it is unlikely that the Mao mystique gave China as much influence over world events as Lovell claims. Mao often served as a symbol for activists who did things their own way, including the Black Panthers in the United States and the Shining Path in Peru. But this sparkling account demonstrates the skill of Chinese propagandists and the pliability and reach of Mao's image and ideas, even in the years when China was most isolated.

Speaking Out in Vietnam: Public Political Criticism in a Communist Party–Ruled Nation

BY BENEDICT J. TRIA KERKVLJET.
Cornell University Press, 2019, 246 pp.

Vietnam's authoritarian party-state is modeled on China's regime, but Kerkvliet finds that the Vietnamese government is less repressive than its neighbor's. Since the mid-1990s, the Vietnamese Communist Party has often tolerated and even made concessions to dissenting citizens. The book describes labor protests against working conditions in factories, rural resistance to land seizures, nationalist demonstrations against what some citizens feel has been a weak Vietnamese response to Chinese aggression in the South China Sea, and a small pro-democracy movement that expresses itself mainly on the Internet. The police are likely to intervene if protests go on for too long or grow too large, or if dissenters directly attack the ruling party. But often, the authorities seem to regard protests as

helpful, whether in disciplining the foreign owners of factories in Vietnam, rooting out local corruption, signaling displeasure with China, or providing a safety valve for discontent. Kerkvliet suggests that this tolerance for criticism contributes to the regime's high level of domestic support.

Democracy for Sale: Elections, Clientelism, and the State in Indonesia

BY EDWARD ASPINALL AND WARD BERENSCHOT. Cornell University Press, 2019, 330 pp.

Participation Without Democracy: Containing Conflict in Southeast Asia

BY GARRY RODAN. Cornell University Press, 2018, 300 pp.

These two books offer deep insights into political life in Southeast Asia and fresh contributions to the age-old debate over whether true democracy, uncompromised by money and entrenched power, is ever possible. Aspinall and Berenschot dig into the vote-buying processes that have emerged in Indonesia since its transition to democracy in 1998. In older democracies, political parties are institutionalized and have tight control over state resources. But the parties in Indonesia are weak, and politicians can't rely on the party apparatus; instead, they must mobilize support through informal, freelance "success teams" that are set up by local brokers just for the duration of the campaign. Civil servants often get involved, either as candidates or as brokers, profiting off their social networks and social standing. Successful candidates recoup their expenses using government resources. This system helps incumbents remain in power and opens the way for mining and palm oil interests to collude with officials.

Reformist politicians can buck the system in districts where the economy is more diversified. But in most of the country, the system has proved difficult to dislodge.

Rodan takes a critical look at attempts to strengthen public participation in government in Southeast Asia's hybrid regimes, which are neither fully democratic nor fully authoritarian. Singapore added "nominated members of parliament" to its legislature to represent various professional and social sectors and created an outreach unit to get public feedback on government programs. The Philippines tried to weaken the grip of political bosses by filling 20 percent of the seats in Congress with candidates put forward on national lists by registered parties and groups (weakening the tremendous influence of local patronage) and attempted to lift more people out of poverty by introducing municipal-level participatory budgeting. Malaysia set up several consultation mechanisms for parties, interest groups, and experts to advise the government on economic policy. But Rodan's detailed examination shows that these innovations didn't always have democratic outcomes. Party bosses and oligarchs used them to fend off popular discontent with increasing economic inequality.

When Violence Works: Postconflict Violence and Peace in Indonesia

BY PATRICK BARRON. Cornell University Press, 2019, 300 pp.

Several Indonesian provinces demonstrate a problem found in many parts of the world: the persistence of violence even after civil wars and ethnic conflicts come to formal ends. The scale of such incidents varies. After feuding Christians and

Muslims agreed to a peace deal in Maluku in 2002, large-scale violent episodes continued to take place. After Indonesian forces finally quashed a separatist rebellion in Aceh in 2005, violence occurred frequently but on a small scale. And in North Maluku, an ethnic conflict that had religious overtones gave way to a period of stability with little violence. When explaining such disparate outcomes, scholars often focus on the effectiveness of reconciliation programs in softening communal hostility. But Barron takes a different approach, one based on his experience working in Indonesia for the World Bank. The key to minimizing the risk of conflict in these situations, he argues, is to ensure that formerly feuding elites have access to sufficient funds and political posts to provide security and stability. The focus on material incentives should be useful for policymakers. But judging from the informative stories that Barron uses to illustrate his analysis, primal hatreds still fuel conflict and do not yield easily to institutional fixes.

Agents of Disorder: Inside China's Cultural Revolution

BY ANDREW G. WALDER. Harvard University Press, 2019, 288 pp.

Scholars seeking to decode the organizing logic of the mass violence that marked China's Cultural Revolution of the 1960s have long followed the clue provided by the Mao-era slogan "If the father is a hero, the son is a good fellow; if the father is a reactionary, the son is a rotten egg." They have argued that when the Chinese leader Mao Zedong put out the call to "bombard the headquarters," people whose families had been labeled "bad elements" rose up to overthrow members

of the privileged official class, who then retaliated, giving rise to rounds of conflict based on class status. Walder, however, has devoted decades to examining the local records of nearly all of China's 2,000-plus county-level jurisdictions. He found that factions emerged from the splintering, rather than the congealing, of class-based groups. Small clusters of students, workers, and cadres struggling to respond to Mao's shifting directives made split-second decisions about whom to align with. Political identities did not shape the conflict; they emerged from it. To explain this process of identity formation, he offers a theory of "factions as emergent properties" and suggests that similar dynamics may characterize social movements everywhere.

Africa

Nicolas van de Walle

Horn, Sahel, and Rift: Fault-Lines of the African Jihad

BY STIG JARLE HANSEN. Hurst, 2019, 320 pp.

Everything You Have Told Me Is True: The Many Faces of Al Shabaab

BY MARY HARPER. Hurst, 2019, 208 pp.

Two great books thoughtfully document the persistence of radical Islamist militancy in Africa. Hansen's is a more conventional political history of the main groups operating in Africa, with chapters devoted to Jamaat Nusrat al-Islam wal-Muslimin in Mali and West Africa,

Boko Haram in Nigeria, and al Shabab in Somalia. Much has already been written about these groups, but Hansen's account has the significant virtue of demonstrating the many individual, organizational, and ideological links among them, which were facilitated by al Qaeda when it was headquartered in the Sudanese capital of Khartoum in the early 1990s. Hansen also emphasizes the great adaptability and resilience of these movements, which have endured in different forms despite concerted attempts to defeat them. One reason for their dogged survival, he suggests, is the groups' "glocal" nature, their ability to embed themselves in local societies and also follow global trends and dynamics. Groups such as al Shabab or al Qaeda in the Islamic Maghreb have at times controlled significant stretches of land, but Hansen argues convincingly that they are more effective when they dominate a region politically and levy taxes without maintaining full territorial control.

Harper has long reported on Somalia for the BBC, and her searing account of al Shabab relates with moving detail and nuance the stories of the many Somalis she has met over the years. Al Shabab's press service often contacted her to spin the militant group's horrendous acts of violence—and to remind her that the militants were following her every movement in Somalia. Harper's sympathy clearly lies with the many victims of the group's violence, but her book also helps explain al Shabab's survival despite various setbacks. She describes al Shabab's organizational strength and its effective use of intelligence networks. Too many observers fixate on al Shabab's use of terror, but Harper shows that

many Somalis reluctantly find some virtues in the group. For instance, many Somalis prefer the Islamic courts run by al Shabab to the government's courts, which are more corrupt.

Heineken in Africa: A Multinational Unleashed

BY OLIVIER VAN BEEMEN. Hurst, 2019, 240 pp.

Heineken, which is brewed in the Netherlands, is one of the most popular and widely available beers in Africa today. That ubiquity masks a darker story. Van Beemen traces the company's unscrupulous opportunism in establishing a dominant presence in Africa. He catalogs the firm's objectionable practices, which have included supporting the apartheid regime in South Africa in the 1960s and various authoritarian governments in more recent years and using young women called "promotion girls," who are often subjected to sexual harassment by clients and even by Heineken staff, to sell the beer. Van Beemen's revelations caused a scandal in the Netherlands when the book first appeared, but most of his findings were wholly predictable. The book is more interesting when it describes the flexible management practices that allowed the company to function in places such as the Democratic Republic of the Congo and Sierra Leone at times when state authority there was extremely weak. The company's success also stems from its ability to charge relatively high prices in Africa thanks to the beer's reputation as a prestige product; since its production costs are low on the continent, Heineken enjoys profit margins in Africa that are higher than elsewhere.

The Puzzle of Ethiopian Politics
BY TERRENCE LYONS. Lynne
Rienner, 2019, 245 pp.

Lyons's political history of post-Haile Selassie Ethiopia is timely, as the new prime minister, Abiy Ahmed (who won the Nobel Peace Prize in 2019), tries to sustain a beleaguered program of political liberalization. Beginning in the late 1970s, the Tigrayan People's Liberation Front carried out a disciplined and highly centralized insurgency that toppled the Soviet-backed dictatorship in 1991. Once in power, the TPLF leader Meles Zenawi built a broader, more inclusive party, the Ethiopian People's Revolutionary Democratic Front, which recognized and sought to incorporate all the ethnic groups in the country, creating a decentralized ethnic federation. Meles led Ethiopia for more than two decades: first as president, from 1991 until 1995, and then as prime minister, until his death in 2012. Lyons does a great job of analyzing how Meles ably managed the fissiparous tendencies of the EPRDF while continuing to make most of the key decisions through a coterie of TPLF leaders and why this balancing act could not outlive him. Ethiopians have welcomed Abiy's promises to end the Meles regime's sometimes heavy-handed repression of political rights, but the country is now wrestling with the fragmentary pressures of ethnic politics that Meles managed to contain.

China, Africa, and the Future of the Internet
BY IGINIO GAGLIARDONE. Zed
Books, 2019, 192 pp.

Recent newspaper reports in the West have claimed that some Chinese telecommunications firms, such as Huawei and ZTE, are helping some African governments spy on their citizens and limit access to the Internet. Observers also suggest that Beijing is helping African states establish the same anti-democratic control over the Internet that it champions at home. Gagliardone's book provides a more measured account. He does not deny that a number of African governments have upgraded their ability to monitor and limit Internet activity with Chinese assistance. But he reminds readers that Chinese investments have also substantially improved Internet and phone access in many African countries. According to Gagliardone, Beijing has not attached political conditions to these investments and doesn't privilege regimes that it favors. 🌐

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