

STEPHEN KOTKIN ON TRUMP AND RUSSIA

JULY/AUGUST 2019

# FOREIGN AFFAIRS

**What  
Happened  
to the  
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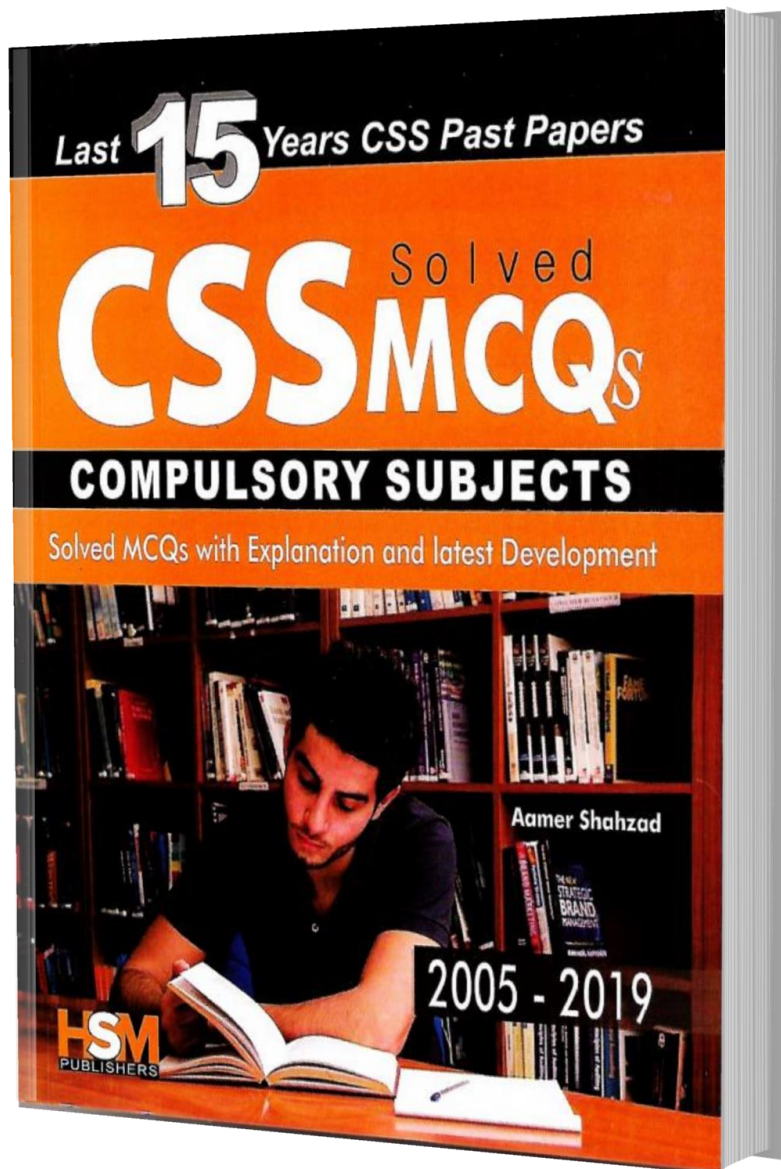
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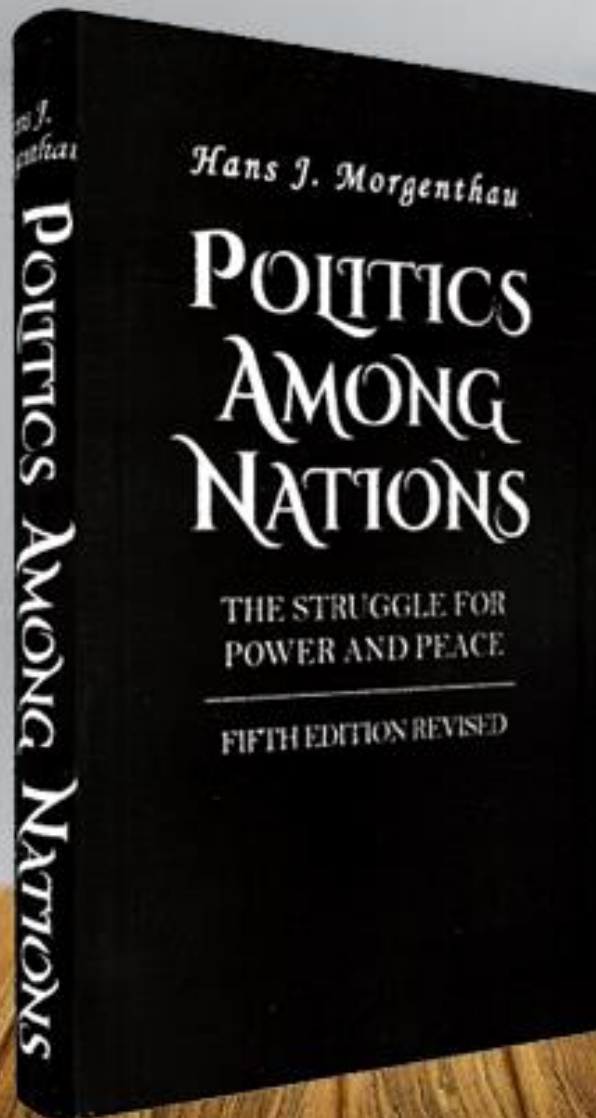


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Volume 98, Number 4

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(yán)

1. speech, 2. speak, say.

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Archibald Cary Coolidge, Founding Editor  
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As a Ph.D. student at the University of Cambridge, **GILLIAN TETT** spent a year living in a remote mountain village in Tajikistan studying marriage rituals and looking after goats. She then used her anthropological background in her work as a financial journalist, warning of the dangers in the system before the crisis of 2008. Now American editor-at-large for the *Financial Times*, in "Faith-Based Finance" (page 34), Tett argues that to avoid another crisis, we need to make sure that the financial system is the servant of the broader economy rather than its master.



**ANDREW NATHAN** has devoted his career to studying Chinese politics, Chinese foreign policy, and international human rights. In 2001, Nathan, a professor at Columbia University, co-edited a sensational inside account of the decisions that led to the 1989 Tiananmen Square massacre. In "The New Tiananmen Papers" (page 80), Nathan reveals previously unpublished documents that shed new light on a moment that came to define modern China.



When **JESSICA CHEN WEISS** returned from studying abroad in Beijing while an undergraduate at Stanford, she was struck by how badly Americans and Chinese understood each other, and she founded a student exchange program to help bridge the gap. Since receiving her Ph.D. from the University of California, San Diego, she has held academic positions at Princeton and Yale, and she is now a professor at Cornell. In "A World Safe for Autocracy?" (page 92), Weiss argues that China's actions are making the world safer for autocracies.



## WHAT HAPPENED TO THE AMERICAN CENTURY?

A generation ago, the United States was confidently leading the world into what was supposed to be a new millennium of peace, prosperity, freedom, and community. Now, the globe is heading into turbulence, and the United States is a Leonard Cohen song; that's how it goes, and everybody knows. How could things fall apart so quickly?

In retrospect, the decline appears inevitable. What seems to need explaining today are Washington's fin-de-siècle fever dreams of lasting benign U.S. hegemony, not the current reality of perpetual conflict at home and abroad. But those who lived through the era know that nothing was written, that history could have played out differently. So we decided to offer an autopsy of the last decades of American global leadership—the years when U.S. elites squandered the inheritance and good name bequeathed to them.

Fareed Zakaria starts by tracing the course of the United States' post-Cold War hegemony—rising from the fall of the Berlin Wall to the fall of Baghdad, sinking ever since. External shocks and challenges hurt, poor strategic choices hurt even more, and indifference most of all. Larry Diamond follows with a look at trends in democratization, showing how the undertow of the third wave sucked the world into a new era of personalized authoritarianism.

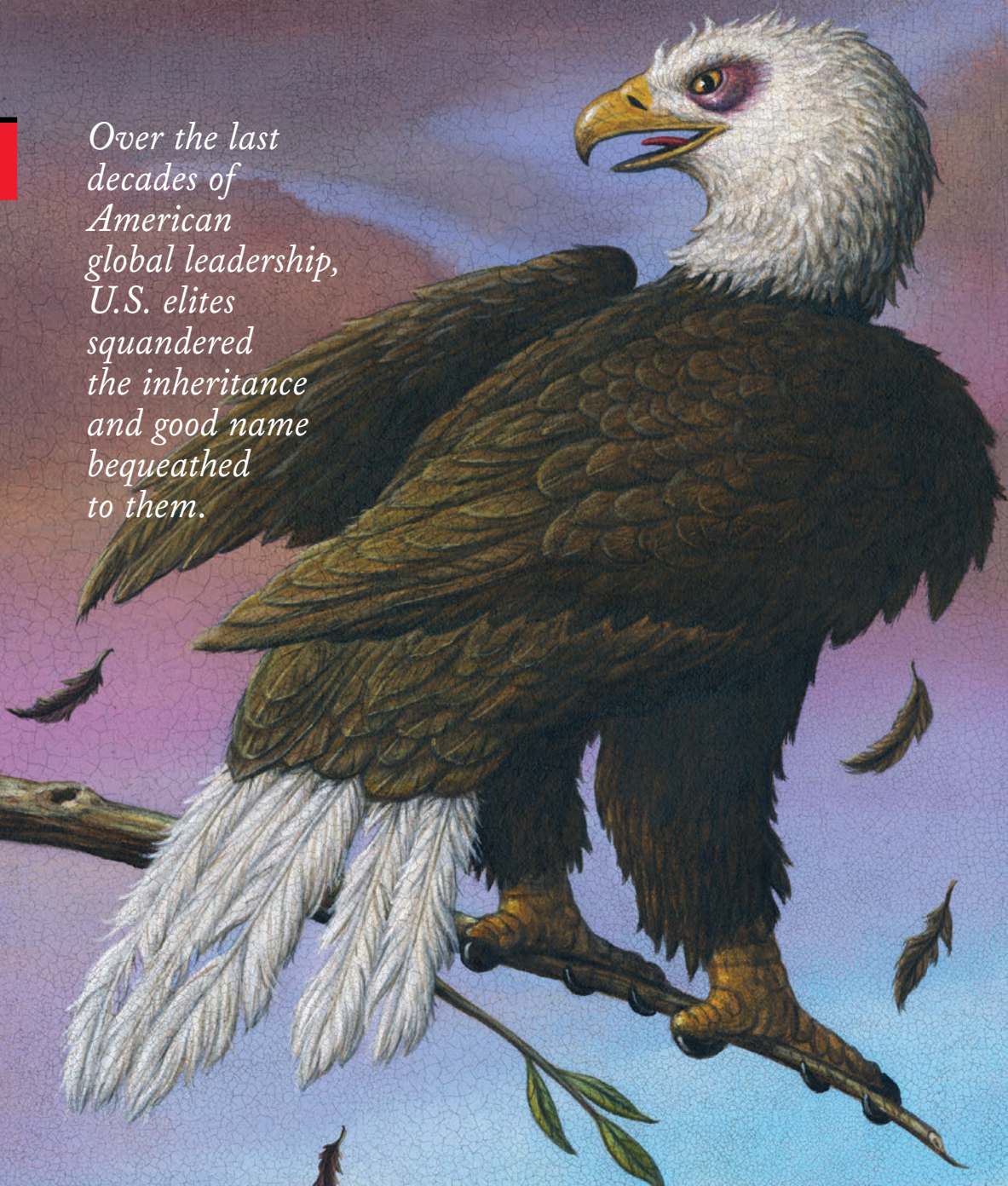
Dani Rodrik and Gillian Tett assess Washington's management of globalization and finance, respectively. The apotheosis of neoliberalism and the push for hyperglobalization produced greater economic integration between countries but also political disintegration within them—and thus led to a populist backlash. The culture of American finance, meanwhile, colonized the world and then dragged it into crisis—and it will do so again, unless the financial system becomes the servant of the broader economy rather than its master.

Jacob Hacker and Paul Pierson turn their focus inward, examining Washington's declining capacity to use government to provide broad public goods. They call out not just rising inequality, changing demographics, and regional economic divergence but also changes in the Republican Party and its agenda. Julia Azari looks at domestic dysfunction, too, but spreads the blame further, arguing that today's problems stem from earlier bungled, incomplete reforms that produced a democracy at once broadly inclusive and utterly ineffective.

In the early 1990s, the era of American postwar dominance segued into an era of American post-Cold War dominance. Now that era is segueing into something else, as yet unknown. *Sic transit gloria mundi.*

—Gideon Rose, *Editor*

Over the last decades of American global leadership, U.S. elites squandered the inheritance and good name bequeathed to them.



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# The Self-Destruction of American Power

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## Washington Squandered the Unipolar Moment

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*Fareed Zakaria*

Sometime in the last two years, American hegemony died. The age of U.S. dominance was a brief, heady era, about three decades marked by two moments, each a breakdown of sorts. It was born amid the collapse of the Berlin Wall, in 1989. The end, or really the beginning of the end, was another collapse, that of Iraq in 2003, and the slow unraveling since. But was the death of the United States' extraordinary status a result of external causes, or did Washington accelerate its own demise through bad habits and bad behavior? That is a question that will be debated by historians for years to come. But at this point, we have enough time and perspective to make some preliminary observations.

As with most deaths, many factors contributed to this one. There were deep structural forces in the international system that inexorably worked against any one nation that accumulated so much power. In the American case, however, one is struck by the ways in which Washington—from an unprecedented

position—mishandled its hegemony and abused its power, losing allies and emboldening enemies. And now, under the Trump administration, the United States seems to have lost interest, indeed lost faith, in the ideas and purpose that animated its international presence for three-quarters of a century.

### A STAR IS BORN

U.S. hegemony in the post-Cold War era was like nothing the world had seen since the Roman Empire. Writers are fond of dating the dawn of “the American century” to 1945, not long after the publisher Henry Luce coined the term. But the post-World War II era was quite different from the post-1989 one. Even after 1945, in large stretches of the globe, France and the United Kingdom still had formal empires and thus deep influence. Soon, the Soviet Union presented itself as a superpower rival, contesting Washington's influence in every corner of the planet. Remember that the phrase “Third World” derived from the tripartite division of the globe, the First World being the United States and Western Europe, and the Second World, the communist countries. The Third World was everywhere else, where each country was choosing between U.S. and Soviet influence. For much of the world's population, from Poland to China, the century hardly looked American.

The United States' post-Cold War supremacy was initially hard to detect. As I pointed out in *The New Yorker* in 2002, most participants missed it. In 1990, British Prime Minister Margaret Thatcher argued that the world was dividing into three political spheres, dominated by the dollar, the yen, and the

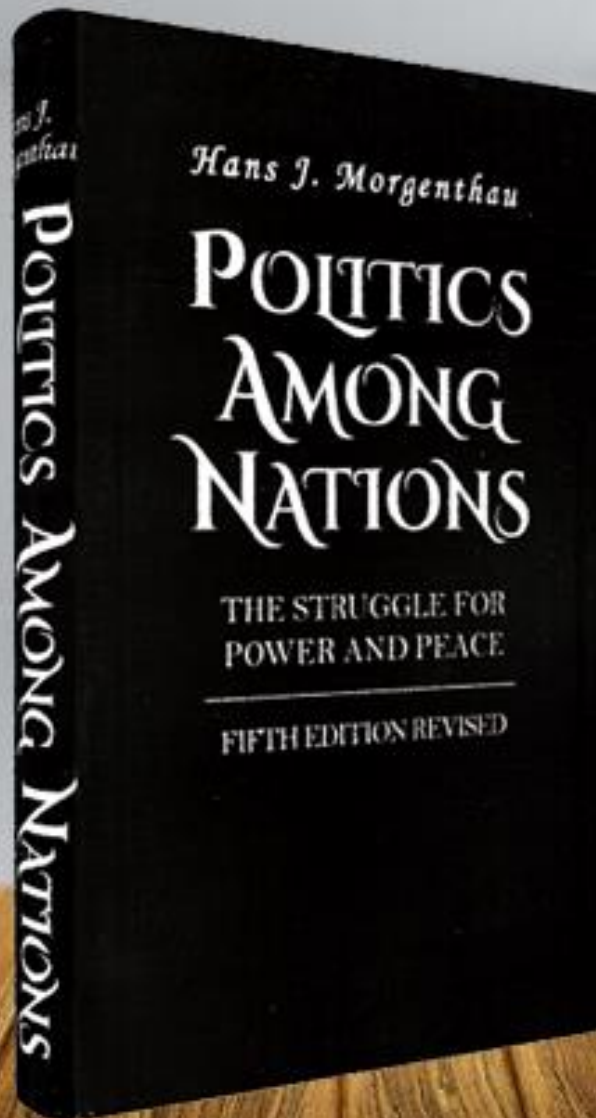
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deutsche mark. Henry Kissinger's 1994 book, *Diplomacy*, predicted the dawn of a new multipolar age. Certainly in the United States, there was little triumphalism. The 1992 presidential campaign was marked by a sense of weakness and weariness. "The Cold War is over; Japan and Germany won," the Democratic hopeful Paul Tsongas said again and again. Asia hands had already begun to speak of "the Pacific century."

There was one exception to this analysis, a prescient essay in the pages of this magazine by the conservative commentator Charles Krauthammer: "The Unipolar Moment," which was published in 1990. But even this triumphalist take was limited in its expansiveness, as its title suggests. "The unipolar moment will be brief," Krauthammer admitted, predicting in a *Washington Post* column that within a very short time, Germany and Japan, the two emerging "regional superpowers," would be pursuing foreign policies independent of the United States.

Policymakers welcomed the waning of unipolarity, which they assumed was imminent. In 1991, as the Balkan wars began, Jacques Poos, the president of the Council of the European Union, declared, "This is the hour of Europe." He explained: "If one problem can be solved by Europeans, it is the Yugoslav problem. This is a European country, and it is not up to the Americans." But it turned out that only the United States had the combined power and influence to intervene effectively and tackle the crisis.

Similarly, toward the end of the 1990s, when a series of economic panics sent East Asian economies into tailspins, only the United States could

stabilize the global financial system. It organized a \$120 billion international bailout for the worst-hit countries, resolving the crisis. *Time* magazine put three Americans, Treasury Secretary Robert Rubin, Federal Reserve Chair Alan Greenspan, and Deputy Treasury Secretary Lawrence Summers, on its cover with the headline "The Committee to Save the World."

### THE BEGINNING OF THE END

Just as American hegemony grew in the early 1990s while no one was noticing, so in the late 1990s did the forces that would undermine it, even as people had begun to speak of the United States as "the indispensable nation" and "the world's sole superpower." First and foremost, there was the rise of China. It is easy to see in retrospect that Beijing would become the only serious rival to Washington, but it was not as apparent a quarter century ago. Although China had grown speedily since the 1980s, it had done so from a very low base. Few countries had been able to continue that process for more than a couple of decades. China's strange mixture of capitalism and Leninism seemed fragile, as the Tiananmen Square uprising had revealed.

But China's rise persisted, and the country became the new great power on the block, one with the might and the ambition to match the United States. Russia, for its part, went from being both weak and quiescent in the early 1990s to being a revanchist power, a spoiler with enough capability and cunning to be disruptive. With two major global players outside the U.S.-constructed international system, the world had entered a post-American phase. Today, the United States is still the most powerful

country on the planet, but it exists in a world of global and regional powers that can—and frequently do—push back.

The 9/11 attacks and the rise of Islamic terrorism played a dual role in the decline of U.S. hegemony. At first, the attacks seem to galvanize Washington and mobilize its power. In 2001, the United States, still larger economically than the next five countries put together, chose to ramp up its annual defense spending by an amount—almost \$50 billion—that was larger than the United Kingdom's entire yearly defense budget. When Washington intervened in Afghanistan, it was able to get overwhelming support for the campaign, including from Russia. Two years later, despite many objections, it was still able to put together a large international coalition for an invasion of Iraq. The early years of this century marked the high point of the American imperialism, as Washington tried to remake wholly alien nations—Afghanistan and Iraq—thousands of miles away, despite the rest of the world's reluctant acquiescence or active opposition.

Iraq in particular marked a turning point. The United States embarked on a war of choice despite misgivings expressed in the rest of world. It tried to get the UN to rubber-stamp its mission, and when that proved arduous, it dispensed with the organization altogether. It ignored the Powell Doctrine—the idea, promulgated by General Colin Powell while he was chairman of the Joint Chiefs of Staff during the Gulf War, that a war was worth entering only if vital national interests were at stake and overwhelming victory assured. The Bush administration insisted that the vast challenge of occupying Iraq could be

undertaken with a small number of troops and a light touch. Iraq, it was said, would pay for itself. And once in Baghdad, Washington decided to destroy the Iraqi state, disbanding the army and purging the bureaucracy, which produced chaos and helped fuel an insurgency. Any one of these mistakes might have been overcome. But together they ensured that Iraq became a costly fiasco.

After 9/11, Washington made major, consequential decisions that continue to haunt it, but it made all of them hastily and in fear. It saw itself as in mortal danger, needing to do whatever it took to defend itself—from invading Iraq to spending untold sums on homeland security to employing torture. The rest of the world saw a country that was experiencing a kind of terrorism that many had lived with for years and yet was thrashing around like a wounded lion, tearing down international alliances and norms. In its first two years, the George W. Bush administration walked away from more international agreements than any previous administration had. (Undoubtedly, that record has now been surpassed under President Donald Trump.) American behavior abroad during the Bush administration shattered the moral and political authority of the United States, as long-standing allies such as Canada and France found themselves at odds with it on the substance, morality, and style of its foreign policy.

#### **OWN GOAL**

So which was it that eroded American hegemony—the rise of new challengers or imperial overreach? As with any large and complex historical phenomenon, it was probably all of the above. China's

rise was one of those tectonic shifts in international life that would have eroded any hegemon's unrivaled power, no matter how skillful its diplomacy. The return of Russia, however, was a more complex affair. It's easy to forget now, but in the early 1990s, leaders in Moscow were determined to turn their country into a liberal democracy, a European nation, and an ally of sorts of the West. Eduard Shevardnadze, who was foreign minister during the final years of the Soviet Union, supported the United States' 1990–91 war against Iraq. And after the Soviet Union's collapse, Russia's first foreign minister, Andrei Kozyrev, was an even more ardent liberal, an internationalist, and a vigorous supporter of human rights.

Who lost Russia is a question for another article. But it is worth noting that although Washington gave Moscow some status and respect—expanding the G-7 into the G-8, for example—it never truly took Russia's security concerns seriously. It enlarged NATO fast and furiously, a process that might have been necessary for countries such as Poland, historically insecure and threatened by Russia, but one that has continued on unthinkingly, with little concern for Russian sensitivities, and now even extends to Macedonia. Today, Russian President Vladimir Putin's aggressive behavior makes every action taken against his country seem justified, but it's worth asking, What forces produced the rise of Putin and his foreign policy in the first place? Undoubtedly, they were mostly internal to Russia, but to the extent that U.S. actions had an effect, they appear to have been damaging, helping stoke the forces of revenge and revanchism in Russia.

The greatest error the United States committed during its unipolar moment, with Russia and more generally, was to simply stop paying attention. After the collapse of the Soviet Union, Americans wanted to go home, and they did. During the Cold War, the United States had stayed deeply interested in events in Central America, Southeast Asia, the Taiwan Strait, and even Angola and Namibia. By the mid-1990s, it had lost all interest in the world. Foreign-bureau broadcasts by NBC fell from 1,013 minutes in 1988 to 327 minutes in 1996. (Today, the three main networks combined devote roughly the same amount of time to foreign-bureau stories as each individual network did in 1988.) Both the White House and Congress during the George H. W. Bush administration had no appetite for an ambitious effort to transform Russia, no interest in rolling out a new version of the Marshall Plan or becoming deeply engaged in the country. Even amid the foreign economic crises that hit during the Clinton administration, U.S. policymakers had to scramble and improvise, knowing that Congress would appropriate no funds to rescue Mexico or Thailand or Indonesia. They offered advice, most of it designed to require little assistance from Washington, but their attitude was one of a distant well-wisher, not an engaged superpower.

Ever since the end of World War I, the United States has wanted to transform the world. In the 1990s, that seemed more possible than ever before. Countries across the planet were moving toward the American way. The Gulf War seemed to mark a new milestone for world order, in that it was

prosecuted to uphold a norm, limited in its scope, endorsed by major powers and legitimized by international law. But right at the time of all these positive developments, the United States lost interest. U.S. policymakers still wanted to transform the world in the 1990s, but on the cheap. They did not have the political capital or resources to throw themselves into the effort. That was one reason Washington's advice to foreign countries was always the same: economic shock therapy and instant democracy. Anything slower or more complex—anything, in other words, that resembled the manner in which the West itself had liberalized its economy and democratized its politics—was unacceptable. Before 9/11, when confronting challenges, the American tactic was mostly to attack from afar, hence the twin approaches of economic sanctions and precision air strikes. Both of these, as the political scientist Eliot Cohen wrote of airpower, had the characteristics of modern courtship: “gratification without commitment.”

Of course, these limits on the United States' willingness to pay prices and bear burdens never changed its rhetoric, which is why, in an essay for *The New York Times Magazine* in 1998, I pointed out that U.S. foreign policy was defined by “the rhetoric of transformation but the reality of accommodation.” The result, I said, was “a hollow hegemony.” That hollowness has persisted ever since.

### THE FINAL BLOW

The Trump administration has hollowed out U.S. foreign policy even further. Trump's instincts are Jacksonian, in that he is largely uninterested in the world except insofar as he believes that most

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countries are screwing the United States. He is a nationalist, a protectionist, and a populist, determined to put “America first.” But truthfully, more than anything else, he has abandoned the field. Under Trump, the United States has withdrawn from the Trans-Pacific Partnership and from engaging with Asia more generally. It is uncoupling itself from its 70-year partnership with Europe. It has dealt with Latin America through the prism of either keeping immigrants out or winning votes in Florida. It has even managed to alienate Canadians (no mean feat). And it has subcontracted Middle East policy to Israel and Saudi Arabia. With a few impulsive exceptions—such as the narcissistic desire to win a Nobel Prize by trying to make peace with North Korea—what is most notable about Trump’s foreign policy is its absence.

When the United Kingdom was the superpower of its day, its hegemony eroded because of many large structural forces—the rise of Germany, the United States, and the Soviet Union. But it also lost control of its empire through overreach and hubris. In 1900, with a quarter of the world’s population under British rule, most of the United Kingdom’s major colonies were asking only for limited autonomy—“dominion status” or “home rule,” in the terms of the day. Had the country quickly granted that to all its colonies, who knows whether it would have been able to extend its imperial life for decades? But it didn’t, insisting on its narrow, selfish interests rather than accommodating itself to the interests of the broader empire.

There is an analogy here with the United States. Had the country acted

more consistently in the pursuit of broader interests and ideas, it could have continued its influence for decades (albeit in a different form). The rule for extending liberal hegemony seems simple: be more liberal and less hegemonic. But too often and too obviously, Washington pursued its narrow self-interests, alienating its allies and emboldening its foes. Unlike the United Kingdom at the end of its reign, the United States is not bankrupt or imperially overextended. It remains the single most powerful country on the planet. It will continue to wield immense influence, more than any other nation. But it will no longer define and dominate the international system the way it did for almost three decades.

What remains, then, are American ideas. The United States has been a unique hegemon in that it expanded its influence to establish a new world order, one dreamed of by President Woodrow Wilson and most fully conceived of by President Franklin Roosevelt. It is the world that was half-created after 1945, sometimes called “the liberal international order,” from which the Soviet Union soon defected to build its own sphere. But the free world persisted through the Cold War, and after 1991, it expanded to encompass much of the globe. The ideas behind it have produced stability and prosperity over the last three-quarters of a century. The question now is whether, as American power wanes, the international system it sponsored—the rules, norms, and values—will survive. Or will America also watch the decline of its empire of ideas? 🌐

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# Democracy Demotion

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## How the Freedom Agenda Fell Apart

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*Larry Diamond*

**F**or three decades beginning in the mid-1970s, the world experienced a remarkable expansion of democracy—the so-called third wave—with authoritarian regimes falling or reforming across the world. By 1993, a majority of states with populations over one million had become democracies. Levels of freedom, as measured by Freedom House, were steadily rising as well. In most years between 1991 and 2005, many more countries gained freedom than lost it.

But around 2006, the forward momentum of democracy came to a halt. In every year since 2007, many more countries have seen their freedom decrease than have seen it increase, reversing the post-Cold War trend. The rule of law has taken a severe and sustained beating, particularly in Africa and the postcommunist states; civil liberties and electoral rights have also been declining.

Adding to the problem, democracies have been expiring in big and strategically important countries. Russian President Vladimir Putin, for example, has long been using the power granted to him through elections to destroy

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democracy in Russia. More recently, Turkish President Recep Tayyip Erdogan has gone down a similar path. Elected executives have been the principal agents of democratic destruction in some countries; in others, the military has. The generals seized control of the government in Egypt in 2013 and in Thailand in 2014, and they continue to wield de facto power in Myanmar and Pakistan. Across Africa, the trend has been for elected autocrats, such as President Uhuru Kenyatta of Kenya and President John Magufuli of Tanzania, to manipulate elections, subvert independent institutions, and harass critics and political opponents to ensure their continued grip on power.

More concerning still is the wave of illiberal populism that has been sweeping developed and developing countries alike, often in response to anxiety over immigration and growing cultural diversity. The harbinger of this trend was Hungarian Prime Minister Viktor Orban, who has presided over the first death of a democracy in an EU member state. Similar trends are under way in Brazil, the Philippines, and Poland. Illiberal, xenophobic parties have been gaining political ground in such hallowed European liberal democracies as Denmark, Germany, the Netherlands, and Sweden; one such party made a serious bid for the presidency of France; and another captured a share of national power in Italy. In the United States, an illiberal populist now occupies the White House.

There are flickers of hope in places such as Ethiopia, Malaysia, and Nigeria, and democracy is hanging on against the odds in Tunisia and Ukraine. But overall, the trend is undeniably worri-

some. Twelve years into the democratic slump, not only does it show no signs of ending, but it is gathering steam.

A quarter century ago, the spread of democracy seemed assured, and a major goal of U.S. foreign policy was to hasten its advance—called “democratic enlargement” in the 1990s and “democracy promotion” in the first decade of this century. What went wrong? In short, democracy lost its leading proponent. Disastrous U.S. interventions in the Middle East soured Americans on the idea of democracy promotion, and a combination of fears about democratic decline in their own country and economic problems encouraged them to turn inward. Today, the United States is in the midst of a broader retreat from global leadership, one that is ceding space to authoritarian powers such as China, which is surging to superpower status, and Russia, which is reviving its military might and geopolitical ambitions.

Ultimately, the decline of democracy will be reversed only if the United States again takes up the mantle of democracy promotion. To do so, it will have to compete much more vigorously against China and Russia to spread democratic ideas and values and counter authoritarian ones. But before that can happen, it has to repair its own broken democracy.

### **AMERICANS LOOK INWARD**

A temporary dip in the remarkable pace of global democratization was inevitable. During the latter part of the third wave, democracy spread to many countries in Africa, Asia, and eastern Europe that lacked the classic favorable conditions for freedom: a developed economy, high levels of education, a large middle class, entrepreneurs in the

private sector, a benign regional neighborhood, and prior experience with democracy. But the democratic recession has been much deeper and more protracted than a simple bend in the curve. Something is fundamentally different about the world today.

The Iraq war was the initial turning point. Once it turned out that Saddam Hussein did not, in fact, possess weapons of mass destruction, the Bush administration’s “freedom agenda” became the only way to justify the war retrospectively. Whatever support for the intervention that had existed among the American public melted away as Iraq descended into violence and chaos. If this was democracy promotion, most Americans wanted no part of it.

A series of other high-profile shocks reinforced the American public’s wariness. Elsewhere in the Middle East, President George W. Bush’s vow to stand behind people who stood up for freedom rang hollow. In Egypt, for example, the administration did nothing as its ally, President Hosni Mubarak, intensified political repression during and after the contested 2005 elections. In January 2006, the Palestinian Authority held democratic elections, partially in response to pressure from the United States, that resulted in an unexpected victory for the militant group Hamas. And then, during Barack Obama’s presidency, the so-called Arab Spring came and went, leaving behind only one democracy, in Tunisia, and a slew of reversals, crack-downs, and state implosions in the rest of the Middle East.

As a result of these blunders and setbacks, Americans lost enthusiasm for democracy promotion. In September 2001, 29 percent of Americans surveyed



*Mission accomplished: after voting in the Iraqi parliamentary elections in December 2005*

agreed that democracy promotion should be a top foreign policy priority, according to a poll by the Pew Research Center. That number fell to 18 percent in 2013 and 17 percent in 2018. According to a 2018 survey by Freedom House, the George W. Bush Institute, and the Penn Biden Center, seven in ten Americans still favored U.S. efforts to promote democracy and human rights, but most Americans also expressed wariness of foreign interventions that might drain U.S. resources, as those in Vietnam and Iraq did.

More important, Americans expressed preoccupation with the sorry state of their own democracy, which two-thirds agreed was “getting weaker.” Those surveyed conveyed worry about problems in their society—with big money in politics, racism, and gridlock topping the list. In fact, half of those surveyed said they believed that the United States was in “real danger of becoming a nondemocratic, authoritarian country.”

Pessimism about the state of American democracy has been compounded by economic malaise. Americans were shaken by the 2008 financial crisis, which nearly plunged the world into a depression. Economic inequality, already worse in the United States than in other advanced democracies, is rising. And the American dream has taken a huge hit: only half the children born in the 1980s are earning more than their parents did at their age, whereas when those born in 1940 were around age 30, 92 percent of them earned more than their parents did at their age. Americans have been losing confidence in their own futures, their country’s future, and the ability of their political leaders to do anything about it.

A sense that the United States is in decline pervades—and not just among Americans. The United States’ global standing took a nosedive following President Donald Trump’s inaugu-



ration. Among 37 countries surveyed in 2017, the median percentage of those expressing favorable views of the United States fell to 49 percent, from 64 percent at the end of Obama's presidency. It will be hard for the United States to promote democracy abroad while other countries—and its own citizens—are losing faith in the American model. The United States' retreat from global leadership is feeding this skepticism in a self-reinforcing downward spiral.

### **GIVING UP THE LEAD**

Promoting democracy has never been easy work. U.S. presidents from John F. Kennedy to Ronald Reagan to Obama struggled to find the right balance between the lofty aims of promoting democracy and human rights and the harder imperatives of global statecraft. They all, on occasion, chose to pursue not just pragmatic but even warm relations with autocrats for the sake of securing markets, protecting allies, fighting terrorism, and controlling the spread of weapons of mass destruction. Often, presidents have backed the forces of freedom opportunistically. Obama did not set out to topple Mubarak, but when the Egyptian people rose up, he chose to back them. Reagan did not foresee needing to abandon loyal U.S. allies in the Philippines and South Korea, but events on the ground left him no other good option. George H. W. Bush probably did not imagine that Reagan's prediction of the demise of Soviet communism would come true so quickly, but when it did, he expanded democracy and governance assistance programs to support and lock in the sweeping changes.

As the White House's rhetorical and symbolic emphasis on freedom and democracy has waxed and waned over the past four decades, nonprofits and government agencies, such as the National Endowment for Democracy, the U.S. Agency for International Development, and the State Department's Bureau of Democracy, Human Rights, and Labor, have taken over the detailed work of democracy assistance. The United States has devoted around \$2 billion per year over the last decade to programs promoting democracy abroad—a lot of money, but less than one-tenth of one percent of the total federal budget.

Although the U.S. government should spend more on these efforts, the fundamental problem is not a question of resources. Instead, it is the disconnect between the United States' admirable efforts to assist democracy, on the one hand, and its diplomatic statements, state visits, and aid flows that often send the opposite message, on the other. Barely a year after he vowed in his second inaugural address to "end tyranny," George W. Bush welcomed to the White House Azerbaijan's corrupt, autocratic president, Ilham Aliyev, and uttered not a word of public disapproval about the nature of his rule. On a visit to Ethiopia in 2015, Obama twice called its government "democratically elected," even though the ruling coalition had held sham elections earlier that same year.

The trap of heaping praise on friendly autocrats while ignoring their abuses is hard to avoid, and all previous presidents have occasionally fallen into it. But most of them at least sought to find a balance, applying pressure when they felt they could and articulating a general principle of support for free-

dom. That is what has changed since the election of Trump, who doesn't even pretend to support freedom. Instead, Trump has lovingly embraced such dictators as Putin, the North Korean leader Kim Jong Un, and Crown Prince Mohammed bin Salman of Saudi Arabia, known as MBS, while treating European and other democratic allies with derision and contempt.

Trump's disregard for democratic norms is contributing to a growing and dangerous sense of license among dictators worldwide. Consider the case of Ugandan President Yoweri Museveni. In early October 2017, I received a distressing e-mail from Nicholas Opiyo, one of Uganda's leading human rights lawyers. In late September of that year, soldiers had entered Parliament and beaten up members resisting a deeply unpopular constitutional amendment that would allow Museveni, who had then been in power for over 30 years, to rule for life. "It appears to me the whole region is in a steep democratic recession partly because of the loud silence from their western allies," Opiyo wrote. "In the past, the state was a little reluctant to be this [brutal] and violent and had some measure of shame. It is all gone."

Autocrats around the world are hearing the same message as Museveni: U.S. scrutiny is over, and they can do what they please, so long as they do not directly cross the United States. Rodrigo Duterte, the president of the Philippines, had surely taken this message to heart as he purged his country's chief justice, arrested his leading foe in the Senate, and intimidated journalists and other critics of his ostensible war on drugs, a murderous campaign that has caught both political rivals and innocent

people in its net. Freed from American pressure, President Abdel Fattah el-Sisi has launched a thorough, brutal crack-down on all forms of opposition and dissent in Egypt, leaving the country more repressive than it was at any time during Mubarak's 29 years of rule. And MBS has literally gotten away with murder: he faced almost no repercussions after evidence emerged that he had ordered the brutal assassination and dismemberment of the journalist Jamal Khashoggi in the Saudi consulate in Istanbul in October 2018.

The growing assertiveness of two major authoritarian states is also setting back democracy. In the past decade, Russia has rescued the regime of President Bashar al-Assad in Syria, conquered and annexed Crimea, and destabilized eastern Ukraine. China, meanwhile, has been investing extraordinary sums of money and diplomatic energy to project its power and influence around the world, both on land and at sea. A new era of global competition has dawned—not just between rival powers but also between rival ways of thinking about power.

To add to the threat, the competition between democratic governments and authoritarian ones is not symmetrical. China and Russia are seeking to penetrate the institutions of vulnerable countries and compromise them, not through the legitimate use of "soft power" (transparent methods to persuade, attract, and inspire actors abroad) but through "sharp power," a term introduced by Christopher Walker and Jessica Ludwig of the National Endowment for Democracy. Sharp power involves the use of information warfare and political penetration to limit free expression, distort the political environment, and erode the

integrity of civic and political institutions in democratic societies. In the words of Malcolm Turnbull, the former prime minister of Australia, it is “covert, coercive, or corrupting.” In Australia and New Zealand, the Western democracies that have been most affected by these tactics, there is almost no Chinese-language media source that is independent of Beijing, and former officeholders earn lucrative benefits by promoting Chinese interests. Australia has had some success pushing back with legislation. But China’s efforts to penetrate media, civic organizations, and politics meet less resistance in more vulnerable emerging-market democracies, such as Argentina, Ghana, Peru, and South Africa. And China’s influence efforts are now extending to Canada and the United States, threatening the independence and pluralism of Chinese-language media and community associations there, as well as freedom of speech and inquiry within Canadian and American think tanks and universities.

### **REBOOTING DEMOCRACY PROMOTION**

There is no technical fix for what ails democracy promotion. The problem is big and deep and has been long in the making. So must be the response. To begin with, American leaders must recognize that they are once again in a global contest of values and ideas. Both the Chinese Communist Party and the Kremlin are fighting cynically and vigorously. The Kremlin’s central tactic is to destroy the very premise that there can be objective truth, not to mention universal values. If there is no objective truth, and no deeper moral value than power itself, then the biggest liar wins—

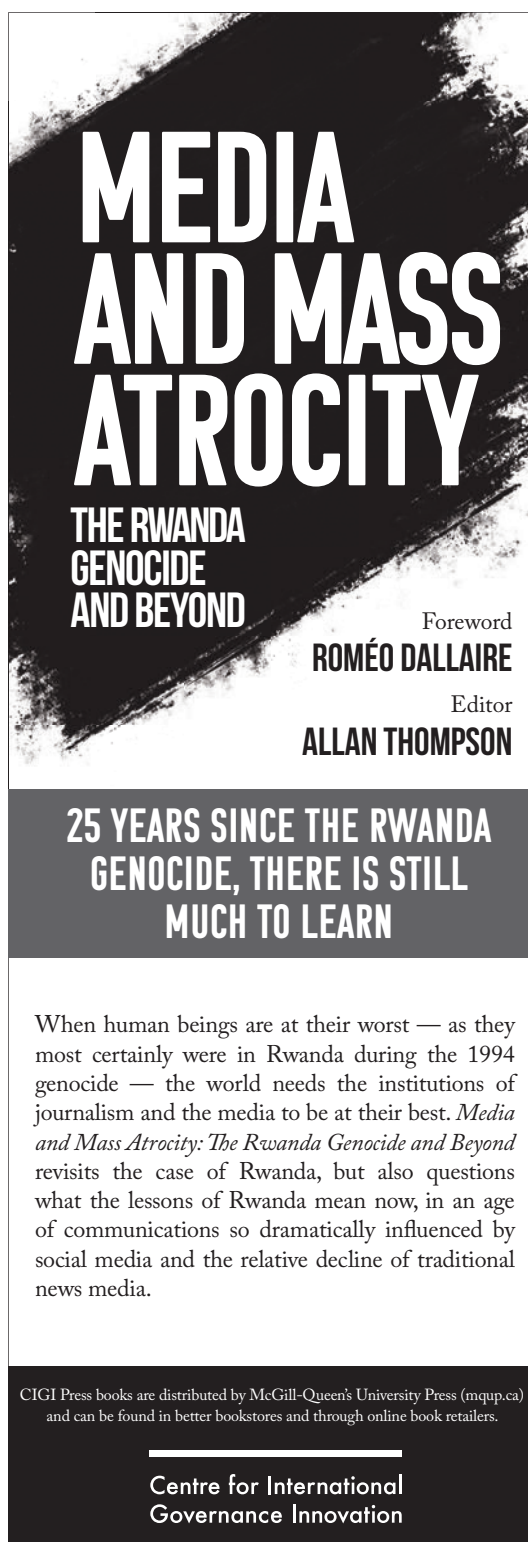
and that is certainly Putin. China’s leadership is playing a longer game of penetrating democratic societies and slowly undermining them from within. It has at its disposal a broader range of methods and a far more lavish base of resources than Russia does—not least of which is a vast, interconnected bureaucracy of party, state, and formally nonstate actors.

Countering these malign authoritarian campaigns of disinformation, societal penetration, and ideological warfare will be critical for the defense of democracy. Democratic governments must begin by educating their own citizens, as well as mass media, universities, think tanks, corporations, local governments, and diaspora communities, about the danger posed by these authoritarian influence operations and the need for “constructive vigilance,” according to “China’s Influence and American Instruments,” a 2018 report by a group of China experts convened by the Hoover Institution and the Asia Society, which I co-edited with Orville Schell. The response must be constructive in that it must avoid overreaction or ethnocentrism and seek to put forward democratic values as much as possible. But it must be vigilant in its awareness and scrutiny of China’s and Russia’s far-flung efforts to project their influence. Thus, democratic societies must insist on rigorous transparency in all institutional exchanges, grants, contracts, and other interactions with China and Russia. And democracies must demand greater reciprocity in their relations with these countries: for example, they cannot allow supposedly independent journalists and broadcast media from these authoritarian juggernauts unlimited access to their countries

while their own journalists are severely restricted or denied visas and their cable news networks are completely shut out of China's and Russia's broadcast markets. Democracies, and democratic institutions such as universities and think tanks, must also coordinate more closely with one another to share information and protect against divide-and-rule tactics.

Beyond this, the United States must go back to being present in, and knowledgeable of, the countries on the frontlines of authoritarian states' battles for hearts and minds. This means a dramatic ramping up of programs such as the Fulbright scholarships (which the Trump administration has repeatedly proposed cutting); the Boren Fellowships, which support U.S. students studying critical languages abroad; and other State Department programs that send Americans to live, work, lecture, perform, and study abroad. It must also go back to welcoming people from those countries to the United States—for example, by bringing many more journalists, policy specialists, civil society leaders, elected representatives, and government officials to the United States for partnerships and training programs. This is precisely the wrong moment for the United States to turn inward and close its doors to foreigners, claiming that it needs to focus on its own problems.

To confront the Chinese and Russian global propaganda machines, the United States will need to reboot and greatly expand its own public diplomacy efforts. China is audaciously seeking to control the global narrative about itself, its intentions, and its model of governance. Russia is spreading its own line—pro-



# MEDIA AND MASS ATROCITY

THE RWANDA GENOCIDE AND BEYOND

Foreword  
**ROMÉO DALLAIRE**

Editor  
**ALLAN THOMPSON**

25 YEARS SINCE THE RWANDA GENOCIDE, THERE IS STILL MUCH TO LEARN

When human beings are at their worst — as they most certainly were in Rwanda during the 1994 genocide — the world needs the institutions of journalism and the media to be at their best. *Media and Mass Atrocity: The Rwanda Genocide and Beyond* revisits the case of Rwanda, but also questions what the lessons of Rwanda mean now, in an age of communications so dramatically influenced by social media and the relative decline of traditional news media.

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Centre for International  
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moting Russia and Putin as the defenders of traditional Christian values in an era of gay rights, feminism, and cultural pluralism—along with general contempt for democracy and blatant lies about the United States. Washington must push back with information campaigns that reflect its values but are tailored to local contexts and can reach people quickly. At the same time, it must wage a longer struggle to spread the values, ideas, knowledge, and experiences of people living in free societies. It will need to use innovative methods to bypass Internet firewalls and infiltrate authoritarian settings—for example, distributing texts and videos that promote democracy in local languages on thumb drives. It must also create new tools to help people in autocracies safely and discreetly circumvent Internet censorship and control.

The United States once had a good instrument to wage such a battle of information and ideas: the U.S. Information Agency. In 1999, however, it was shut down in a deal between the Clinton administration and Senator Jesse Helms of North Carolina, a conservative Republican who sought to cut back on American engagement abroad. To spare cuts to other budgets for U.S. global engagement, the Clinton administration reluctantly agreed to shut down the USIA. Its budget and operations were moved—never very effectively—into the State Department, and a critical tool for promoting democracy was severely damaged. In 2016, the Obama administration created the Global Engagement Center, a group within the State Department charged with countering foreign propaganda and disinformation. But Rex Tillerson, Trump's hapless first secretary of state, failed to spend the

allocated resources; the initiative is only now gaining momentum under a new secretary of state, Mike Pompeo, who understands its importance.

What the United States needs now is not just a single program but an information agency staffed by a permanent, nimble, technologically innovative corps of information professionals—or, in the words of James Clapper, the former director of national intelligence, “a USIA on steroids.” The purpose of a revived USIA would not be to one-up China and Russia in the game of disinformation. Rather, it—along with the U.S. Agency for Global Media, which oversees such independent U.S. foreign broadcasting as the Voice of America and Radio Free Europe/Radio Liberty—would observe the dictum of the famed journalist Edward R. Murrow, who was director of the USIA under President John F. Kennedy: “Truth is the best propaganda and lies are the worst.” And the truth is that people would prefer to live in freedom. The most effective way to counter Chinese and Russian propaganda is to report the truth about how the two gigantic countries are really governed. These facts and analyses must then be broadly and innovatively conveyed, within China, Russia, and other closed societies, and also within more open societies that, as targets of Chinese and Russian propaganda efforts, are no longer receiving a full and true picture of the nature of those regimes.

Transparency can also play a role in the fight for democracy. The soft underbelly of all malign autocracies, including China and Russia, is their deep and incurable corruption. No state can truly control corruption without instituting the rule of law. But that would be

unthinkable for both countries—because in China, it would mean subordinating the party to an independent judiciary, and because in Russia, the regime is an organized crime ring masquerading as a state. Yet leading democracies have some leverage, because much of the staggering personal wealth generated by corruption pours into the banks, corporate structures, and real estate markets of the United States and Europe through legal loopholes that benefit only a privileged few. These loopholes allow dictators and their cronies to stash and launder dirty money in and through anonymous shell companies and anonymous real estate purchases. The United States, for its part, can legislate an end to these practices by simply requiring that all company and trust registrations and all real estate purchases in the United States report the true beneficial owners involved. It can also ban former U.S. officials and members of Congress from lobbying for foreign governments and enhance the legal authority and resources of agencies such as the Treasury Department's Financial Crimes Enforcement Network to detect and prosecute money laundering.

Finally, if the United States is going to win the global battle for democracy, it has to start at home. People around the world must once again come to see the United States as a democracy worthy of emulation. That will not happen if Congress remains gridlocked, if American society is divided into warring political camps, if election campaigns continue to drown in “dark money,” if the two parties brazenly gerrymander electoral districts to maximum partisan advantage, and if one political party comes to be associated with unrelenting

efforts to suppress the vote of racial and ethnic minorities.

### **THE AMERICAN EXAMPLE**

This is not the first time that global freedom has been under threat. Back in 1946, as the Cold War was coming into view, the diplomat George Kennan sent his famous “Long Telegram” from the U.S. embassy in Moscow. Kennan urged the United States to grasp with clarity the diffuse nature of the authoritarian threat, strengthen the collective military resolve and capacity of democracies to confront and deter authoritarian ambition, and do whatever it could to separate the corrupt authoritarian rulers from their people.

But Kennan also understood something else: that the greatest asset of the United States was its democracy and that it must find the “courage and self-confidence” to adhere to its convictions and avoid becoming “like those with whom [it is] coping.” Kennan advised: “Every courageous and incisive measure to solve internal problems of our own society . . . is a diplomatic victory over Moscow worth a thousand diplomatic notes and joint communiqués.”

Today, as the United States confronts not a single determined authoritarian rival but two, Kennan's counsel deserves remembering. The United States stands at a precipice, facing a time when freedom and democracy will be tested. It remains, within the world's vast web of alliances and organizations, the indispensable democracy. Now, as much as ever, the fate of American democracy is bound up with the global struggle for freedom. And the outcome of that struggle depends on Americans renewing the quality of their own democracy and their faith in its worth and promise. 🌐

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# Globalization's Wrong Turn

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## And How It Hurt America

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*Dani Rodrik*

**G**lobalization is in trouble. A populist backlash, personified by U.S. President Donald Trump, is in full swing. A simmering trade war between China and the United States could easily boil over. Countries across Europe are shutting their borders to immigrants. Even globalization's biggest boosters now concede that it has produced lopsided benefits and that something will have to change.

Today's woes have their roots in the 1990s, when policymakers set the world on its current, hyperglobalist path, requiring domestic economies to be put in the service of the world economy instead of the other way around. In trade, the transformation was signaled by the creation of the World Trade Organization, in 1995. The WTO not only made it harder for countries to shield themselves from international competition but also reached into policy areas that international trade rules had not previously touched: agriculture, services, intellectual property, industrial policy, and health and sanitary regulations. Even more ambitious regional trade

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deals, such as the North American Free Trade Agreement, took off around the same time.

In finance, the change was marked by a fundamental shift in governments' attitudes away from managing capital flows and toward liberalization. Pushed by the United States and global organizations such as the International Monetary Fund and the Organization for Economic Cooperation and Development, countries freed up vast quantities of short-term finance to slosh across borders in search of higher returns.

At the time, these changes seemed to be based on sound economics. Openness to trade would lead economies to allocate their resources to where they would be the most productive. Capital would flow from the countries where it was plentiful to the countries where it was needed. More trade and freer finance would unleash private investment and fuel global economic growth. But these new arrangements came with risks that the hyperglobalists did not foresee, although economic theory could have predicted the downside to globalization just as well as it did the upside.

Increased trade with China and other low-wage countries accelerated the decline in manufacturing employment in the developed world, leaving many distressed communities behind. The financialization of the global economy produced the worst financial crisis since the Great Depression. And after the crash, international institutions promoted policies of austerity that made the damage even worse. More and more of what happened to ordinary people seemed the result of anonymous market forces or caused by distant decision-makers in foreign countries.



*Trading up? Shipping containers in Shanghai, China, May 2012*

Politicians and policymakers downplayed these problems, denying that the new terms of the global economy entailed sacrificing sovereignty. Yet they seemed immobilized by these same forces. The center-right and the center-left disagreed not over the rules of the new world economy but over how they should accommodate their national economies to them. The right wanted to cut taxes and slash regulations; the left asked for more spending on education and public infrastructure. Both sides agreed that economies needed to be refashioned in the name of global competitiveness. Globalization, exclaimed U.S. President Bill Clinton, “is the economic equivalent of a force of nature, like wind or water.” British Prime Minister Tony Blair mocked those who wanted to “debate globalization,” saying, “you might as well debate whether autumn should follow summer.”

Yet there was nothing inevitable about the path the world followed beginning in the 1990s. International institutions played their part, but hyperglobalization was more a state of mind than a genuine, immutable constraint on domestic policy. Before it came along, countries had experimented with two very different models of globalization: the gold standard and the Bretton Woods system. The new hyperglobalization was closer in spirit to the historically more distant and more intrusive gold standard. That is the source of many of today’s problems. It is to the more flexible principles of Bretton Woods that today’s policymakers should look if they are to craft a fairer and more sustainable global economy.

#### **THE GOLDEN STRAITJACKET**

For roughly 50 years before World War I, plus a brief revival during the interwar period, the gold standard set the rules of economic management. A government



on the gold standard had to fix the value of its national currency to the price of gold, maintain open borders to finance, and repay its external debts under all circumstances. If those rules meant the government had to impose what economists would today call austerity, so be it, however great the damage to domestic incomes and employment.

That willingness to impose economic pain meant it was no coincidence that the first self-consciously populist movement arose under the gold standard. At the tail end of the nineteenth century, the People's Party gave voice to distressed American farmers, who were suffering from high interest rates on their debt and declining prices for their crops. The solution was clear: easier credit, enabled by making the currency redeemable in silver as well as gold. If the government allowed anyone with silver bullion to convert it into currency at a set rate, the supply of money would increase, driving up prices and easing the burden of the farmers' debts. But the northeastern establishment and its backing for the gold standard stood in the way. Frustrations grew, and at the 1896 Democratic National Convention, William Jennings Bryan, a candidate for the presidential nomination, famously declared, "You shall not crucify mankind upon a cross of gold."

The gold standard survived the populist assault in the United States thanks in part to fortuitous discoveries of gold ore that eased credit conditions after the 1890s. Nearly four decades later, the gold standard would be brought down for good, this time by the United Kingdom, under the pressure of similar grievances. After effectively suspending the gold standard during World War I,

the United Kingdom returned to it in 1925 at its pre-war rate. But the British economy was only a shadow of its pre-war self, and four years later, the crash of 1929 pushed the country over the edge. Business and labor demanded lower interest rates, which, under the gold standard, would have sent capital fleeing abroad. This time, however, the British government chose the domestic economy over the global rules and abandoned the gold standard in 1931. Two years later, Franklin Roosevelt, the newly elected U.S. president, wisely followed suit. As economists now know, the sooner a country left the gold standard, the sooner it came out of the Great Depression.

The experience of the gold standard taught the architects of the postwar international economic system, chief among them the economist John Maynard Keynes, that keeping domestic economies on a tight leash to promote international trade and investment made the system more, not less, fragile. Accordingly, the international regime that the Allied countries crafted at the Bretton Woods conference, in 1944, gave governments plenty of room to set monetary and fiscal policy. Central to this system were the controls it put on international capital mobility. As Keynes emphasized, capital controls were not merely a temporary expedient until financial markets stabilized after the war; they were a "permanent arrangement." Each government fixed the value of its currency, but it could adjust that value when the economy ran up against the constraint of international finance. The Bretton Woods system was predicated on the belief that the best way to encourage international trade

and long-term investment was to enable national governments to manage their economies.

Bretton Woods covered only international monetary and financial arrangements. Rules for trade developed in a more ad hoc manner, under the auspices of the General Agreement on Tariffs and Trade (GATT). But the same philosophy applied. Countries were to open up their economies only to the extent that this did not upset domestic social and political bargains. Trade liberalization remained limited to lowering border restrictions—import quotas and tariffs—on manufactured goods and applied only to developed countries. Developing countries were essentially free to do what they wanted. And even developed countries had plenty of flexibility to protect sensitive sectors. When, in the early 1970s, a rapid rise in garment imports from developing countries threatened employment in the developed world, developed and developing nations negotiated a special regime that allowed the former to reimpose import quotas.

Compared with both the gold standard and the subsequent hyperglobalization, the Bretton Woods and GATT rules gave countries great freedom to choose the terms on which they would participate in the world economy. Advanced economies used that freedom to regulate and tax their economies as they wished and to build generous welfare states, unhindered by worries of global competitiveness or capital flight. Developing nations diversified their economies through trade restrictions and industrial policies.

Domestic autonomy from global economic pressures might sound like a

recipe for less globalization. But during the Bretton Woods era, the global economy was on a tear. Developed and developing economies alike grew at unprecedented rates. Trade and foreign direct investment expanded even faster, outpacing the growth of world GDP. The share of exports in global output more than tripled, from less than five percent in 1945 to 16 percent in 1981. This success was a remarkable validation of Keynes' idea that the global economy functions best when each government takes care of its own economy and society.

### **BACK TO THE SPIRIT OF THE GOLD STANDARD**

Ironically, the hyperglobalists used the very success of the Bretton Woods system to legitimize their own project to displace it. If the shallow Bretton Woods arrangements had done so much to lift world trade, investment, and living standards, they argued, imagine what deeper integration could achieve.

But in the process of constructing the new regime, the central lesson of the old one was forgotten. Globalization became the end, national economies the means. Economists and policymakers came to view every conceivable feature of domestic economies through the lens of global markets. Domestic regulations were either hidden trade barriers, to be negotiated away through trade agreements, or potential sources of trade competitiveness. The confidence of financial markets became the paramount measure of the success or failure of monetary and fiscal policy.

The premise of the Bretton Woods regime had been that the GATT and other international agreements would act as a counterweight to powerful

protectionists at home—labor unions and firms serving mainly the domestic market. By the 1990s, however, the balance of political power in rich countries had swung away from the protectionists toward exporter and investor lobbies.

The trade deals that emerged in the 1990s reflected the strength of those lobbies. The clearest illustration of that power came when international trade agreements incorporated domestic protections for intellectual property rights, the result of aggressive lobbying by pharmaceutical firms eager to capture profits by extending their monopoly power to foreign markets. To this day, Big Pharma is the single largest lobby behind trade deals. International investors also won special privileges in trade agreements, allowing them (and only them) to directly sue governments in international tribunals for alleged violations of their property rights. Big banks, with the power of the U.S. Treasury behind them, pushed countries to open up to international finance.

Those who lost out from hyper-globalization received little support. Many manufacturing-dependent communities in the United States saw their jobs shipped off to China and Mexico and suffered serious economic and social consequences, ranging from joblessness to epidemics of drug addiction. In principle, workers hurt by trade should have been compensated through the federal Trade Adjustment Assistance program, but politicians had no incentives to fund it adequately or to make sure it was working well.

Economists were brimming with confidence in the 1990s about globalization as an engine of growth. The game

was to encourage exports and attract foreign investment. Do that, and the gains would prove so large that everyone would eventually win. This technocratic consensus served to legitimize and further reinforce the power of globalizing corporate and financial special interests.

An important element of hyper-globalist triumphalism was the belief that countries with different economic and social models would ultimately converge, if not on identical models, at least on sufficiently similar market economy models. China's admission to the WTO, in particular, was predicated on the expectation in the West that the state would give up directing economic activity. The Chinese government, however, had different ideas. It saw little reason to move away from the kind of managed economy that had produced such miraculous results over the previous 40 years. Western investors' complaints that China was violating its WTO commitments and engaging in unfair economic practices fell on deaf ears. Regardless of the legal merits of each side's case, the deeper problem lay elsewhere: the new trade regime could not accommodate the full range of institutional diversity among the world's largest economies.

### **A SANER GLOBALIZATION**

Policymakers can no longer resuscitate the Bretton Woods system in all its details; the world can't (and shouldn't) go back to fixed exchange rates, pervasive capital controls, and high levels of trade protection. But policymakers can draw on its lessons to craft a new, healthier globalization.

Trump's in-your-face unilateralism is the wrong way forward. Politicians

should work to revive the multilateral trade regime's legitimacy rather than squelching it. The way to achieve that, however, is not to further open markets and tighten global rules on trade and investment. Barriers to trade in goods and many services are already quite low. The task is to ensure greater popular support for a world economy that is open in essential respects, even if it falls short of the hyperglobalist ideal.

Building that support will require new international norms that expand the space for governments to pursue domestic objectives. For rich countries, this will mean a system that allows them to reconstitute their domestic social contracts. The set of rules that permit countries to temporarily protect sensitive sectors from competition badly needs reform. For example, the WTO allows countries to impose temporary tariffs, known as antidumping duties, on imports being sold by a foreign company below cost that threaten to harm a domestic industry. The WTO should also let governments respond to so-called social dumping, the practice of countries violating workers' rights in order to keep wages low and attract production. An anti-social-dumping regime would permit countries to protect not merely industry profits but labor standards, too. For developing countries, the international rules should accommodate governments' need to restructure their economies to accelerate growth. The WTO should also loosen the rules on subsidies, investment, and intellectual property rights that constrain developing countries' ability to boost particular industries.

If China and the United States are to resolve their trade conflict, they need to

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acknowledge that the differences between their economies are not going away. The Chinese economic miracle was built on industrial and financial policies that violated key tenets of the new hyperglobalist regime: subsidies for preferred industries, requirements that foreign companies transfer technology to domestic firms if they wanted to operate in China, pervasive state ownership, and currency controls. The Chinese government is not going to abandon such policies now. What U.S. companies see as the theft of intellectual property is a time-honored practice, in which a young United States itself engaged back when it was playing catch-up with industrializing England in the nineteenth century. For its part, China must realize that the United States and European countries have legitimate reasons to protect their social contracts and homegrown technologies from Chinese practices. Taking a page from the U.S.-Soviet relationship during the Cold War, China and the United States should aim for peaceful coexistence rather than convergence.

In international finance, countries should reinstate the norm that domestic governments get to control the cross-border mobility of capital, especially of the short-term kind. The rules should prioritize the integrity of domestic macroeconomic policies, tax systems, and financial regulations over free capital flows. The International Monetary Fund has already reversed its categorical opposition to capital controls, but governments and international institutions should do more to legitimize their use. For example, governments can make their domestic economies more stable by using “coun-

tercyclical capital regulation,” that is, restricting capital inflows when the economy is running hot and taxing outflows during a downturn. Governments should also crack down on tax evasion by the wealthy by establishing a global financial registry that would record the residence and nationality of shareholders and the actual owners of financial assets.

Left to its own devices, globalization always creates winners and losers. A key principle for a new globalization should be that changes in its rules must produce benefits for all rather than the few. Economic theory contributes an important idea here. It suggests that the scope for compensating the losers is much greater when the barrier being reduced is high to begin with. From this perspective, whittling away at the remaining, mostly minor restrictions on trade in goods or financial assets does not make much sense. Countries should focus instead on freeing up cross-border labor mobility, where the barriers are far greater. Indeed, labor markets are the area that offers the strongest economic case for deepening globalization. Expanding temporary work visa programs, especially for low-skilled workers, in advanced economies would be one way to go.

Proposing greater globalization of labor markets might seem to fly in the face of the usual concern that increased competition from foreign workers will harm low-skilled workers in advanced economies. And it may well be a political nonstarter in the United States and western Europe right now. If governments aren't proposing to compensate those who lose out, they should take this concern seriously. But the potential

economic gains are huge: even a small increase in cross-border labor mobility would produce global economic gains that would dwarf those from the completion of the entire current, long-stalled round of multilateral trade negotiations. That means there's plenty of scope for compensating the losers—for example, by taxing increased cross-border labor flows and spending the proceeds directly on labor-market assistance programs.

In general, global governance should be light and flexible, allowing governments to choose their own methods of regulation. Countries trade not to confer benefits on others but because trade creates gains at home. When those gains are distributed fairly throughout the domestic economy, countries don't need external rules to enforce openness; they'll choose it of their own accord.

A lighter touch may even help globalization. After all, trade expanded faster relative to global output during the three and a half decades of the Bretton Woods regime than it has since 1990, even excluding the slowdown following the 2008 global financial crisis. Countries should pursue international agreements to constrain domestic policy only when they're needed to tackle genuine beggar-thy-neighbor problems, such as corporate tax havens, economic cartels, and policies that keep one's currency artificially cheap.

The current system of international rules tries to rein in many economic policies that don't represent true beggar-thy-neighbor problems. Consider bans on genetically modified organisms, agricultural subsidies, industrial policies, and overly lax financial regulation. Each of these policies could well harm

other countries, but the domestic economy in question will pay the bulk of the economic cost. Governments adopt such policies presumably because they think the social and political benefits are worth the price tag. In any individual case, a government might well be wrong. But international institutions aren't likely to be better judges of the tradeoffs—and even when they're right, their decisions will lack democratic legitimacy.

The push into hyperglobalization since the 1990s has led to much greater levels of international economic integration. At the same time, it has produced domestic disintegration. As professional, corporate, and financial elites have connected with their peers all over the globe, they have grown more distant from their compatriots at home. Today's populist backlash is a symptom of that fragmentation.

The bulk of the work needed to mend domestic economic and political systems has to be done at home. Closing the economic and social gaps widened by hyperglobalization will require restoring primacy to the domestic sphere in the policy hierarchy and demoting the international. The greatest contribution the world economy can make to this project is to enable, rather than encumber, that correction. 🌐

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# Faith-Based Finance

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## How Wall Street Became a Cult of Risk

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Gillian Tett

**W**hat caused the global financial crisis? And how can the United States avoid a repeat? Those questions have sparked endless handwringing among economists, policymakers, financiers, and voters over the last decade. Little wonder: the crisis not only entailed the worse financial shock and recession in the United States since 1929; it also shook the country's global reputation for financial competence.

Before the crisis, Wall Street seemed to epitomize the best of twenty-first-century finance. The United States had the most vibrant capital markets in the world. It was home to some of the most profitable banks; in 2006 and early 2007, Goldman Sachs' return on equity topped an eye-popping 30 percent. American financiers were unleashing dazzling innovations that carried newfangled names such as "collateralized debt obligations," or CDOs. The financiers insisted that these innovations could make finance not only more effective but safer, too. Indeed, Wall Street seemed so preeminent that in 2003, when I published a book about

the Japanese banking crisis, *Saving the Sun*, I presumed that one of the ways to "fix" Japanese finance was to make it more American.

Within five years, this supposed success had been reduced to ashes. The brilliant innovations with strange abbreviations, it turned out, had contributed to a massive credit bubble. When it burst, investors around the world suffered steep losses, mortgage borrowers were tossed out of their homes, and the value of those once mighty U.S. banks shriveled as markets froze and asset prices tumbled. Instead of a beacon for the brilliance of modern finance, by 2008, the United States seemed to be a global scourge.

Why? Numerous explanations have been offered in the intervening years: the U.S. Federal Reserve kept interest rates too low, Asia's savings glut drove up the U.S. housing market, the banks had captured regulators and politicians in Washington, mortgage lenders made foolish loans, the credit-rating agencies willfully downplayed risks.

All these explanations are true. But there is another, less common way of looking at the financial crisis that also offers insight: anthropologically. Just as psychologists believe that it is valuable to consider cognitive biases when trying to understand people, anthropologists study half-hidden cultural patterns to understand what makes humans tick. That often entails examining how people use rituals or symbols, but it can also involve looking at the meaning of the words they use. And although financiers themselves do not spend much time thinking about the words they toss around each day, those words can be distinctly revealing.

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Consider “finance,” “credit,” and “bank.” Today, those terms are usually associated with abstract concepts involving markets and money, but their historical roots, or etymology, are rather different. “Finance” originates from the Old French word *finer*, meaning “to end,” in the sense of settling a dispute or debt, implying that finance is a means to an end. “Credit” comes from the Latin *credere*, meaning “to believe.” And “bank” hails from the Old Italian word *banca*, meaning “bench” or “table,” since moneylenders used to ply their trade at tables in the market, talking to customers or companies. “Company” also has an interesting history: it comes from the Latin *companio*, meaning “with bread,” since companies were, in essence, people who dined together.

All of this may sound like a historical curiosity, best suited to Trivial Pursuit. But the original senses should not be ignored, since they reveal historical echoes that continue to shape the culture of finance. Indeed, thinking about the original meanings of “finance,” “credit,” and “bank”—namely, as activities that describe banking as a means to an end, carried out with trust, by social groups—helps explain what went wrong with American finance in the past and what might fix it in the future.

## FINANCE

If you want to understand the word “finance,” a good place to start is not with words but with some extraordinary numbers compiled by the economists Thomas Philippon and Ariell Reshef on a topic dear to bankers’ hearts: their pay. After the crisis, Philippon and Reshef set out to calculate how this had fluctuated over the years in the United States,

relative to what professionals who didn’t work in finance, such as doctors and engineers, were paid. They found that in the early twentieth century—before the Roaring Twenties—financiers were paid around 1.5 times as much as other educated professionals, but the financial boom pushed this ratio up to almost 1.7 times. After the Great Depression hit, it fell, and stayed around 1.1—almost parity—during the postwar years. But it soared again after a wave of deregulation in the late 1970s, until it hit another peak of 1.7 times as much in 2006—just before the crash.

If you show these statistics to people outside finance, they sometimes blame the latest uptick in bankers’ pay on greed: pay rose when the markets surged, the argument goes, because financiers were skimming profits. If you show them to financiers (as I often have), they usually offer another explanation for the recent surge: skill. Wall Street luminaries tend to think they deserve higher pay because finance now requires greater technical competence.

In truth, both explanations are correct: as bankers’ pay has swelled, the financial sphere has exploded in size and complexity, enabling financiers to skim more profits but also requiring greater skill to manage it. In the United States in the immediate postwar decades, the financial sector accounted for between ten and 15 percent of all business profits and around 3.5 percent of GDP. Subject to tight government controls, the industry was more akin to a sleepy utility than a sphere of aggressive profit seeking. By the early years of this century, the economic footprint of finance had more than doubled: it accounted for almost 30 percent of all

business profits and nearly eight percent of GDP. Deregulation had unleashed a frenzy of financial innovation.

One of these innovations was derivatives, financial instruments whose value derives from an underlying asset. Derivatives enabled investors to insure themselves against risks—and gamble on them. It was as if people were placing bets on a horserace (without the hassle of actually owning a horse) and then, instead of merely profiting from the performance of their horses, creating another market in which they could trade their tickets. Another new tool was securitization, or the art of slicing and dicing loans and bonds into small pieces and then reassembling them into new packages (such as CDOs) that could be traded by investors around the world. The best analogy here is culinary: think of a restaurant that lost interest in serving steaks and started offering up sausages and sausage stew.

There were (and are) many benefits to all this innovation. As finance grew, it became easier for consumers and companies to get loans. Derivatives and securitization allowed banks to protect themselves against the danger of concentrated defaults—borrowers all going bust in one region or industry—since the risks were shared by many investors, not just one group. These tools also enabled investors to put their money into a much wider range of assets, thus diversifying their portfolios. Indeed, financiers often presented derivatives and securitization as the magic wands that would conjure the Holy Grail of free-market economics: an entirely liquid world in which everything was tradable. Once that was achieved, the theory went, the price of every asset

would accurately reflect its underlying risk. And since the risks would be shared, finance would be safer.

It was a compelling sales pitch, but a deeply flawed one. One problem was that derivatives and securitization were so complex that they introduced a brand new risk into the system: ignorance. It was virtually impossible for investors to grasp the real risks of these products. Little to no actual trading took place with the most complex instruments. That made a mockery of the idea that financial innovation would create perfect free markets, with market prices set by the wisdom of crowds.

Worse still, as the innovation became more frenzied, finance became so complex and fast growing that it fed on itself. History has shown that in most corners of the business world, when innovation occurs, the middlemen get cut out. In finance, however, the opposite occurred: the new instruments gave birth to increasingly complex financial chains and a new army of middlemen who were skimming off fees at every stage. To put it another way, as innovation took hold, finance stopped looking like a means to an end—as the word *finer* had once implied. Instead, Wall Street became a never-ending loop of financial flows and frantic activity in which financiers often acted as if their profession was an end in itself. This was the perfect breeding ground for an unsustainable credit bubble.

## CREDIT

The concept of credit is also crucial in understanding how the system spun out of control. Back in 2009, Andy Haldane, a senior official at the Bank of England, tried to calculate how much information

an investor would need if he or she wanted to assess the price and risk of a CDO. He calculated that for a simple CDO, the answer was 200 pages of documentation, but for a so-called CDO-squared (a CDO of CDOs), it was “in excess of 1 billion pages.” Worse still, since a CDO-squared was rarely traded on the open market, it was also impossible to value it by looking at public prices, as investors normally do with equities or bonds. That meant that when investors tried to work out the price or risk of a CDO-squared, they usually had to trust the judgment of banks and rating agencies.

In some senses, there is nothing unusual about that. Finance has always relied on trust. People have put their faith in central banks to protect the value of money, in regulators to ensure that financial institutions are safe, in financiers to behave honestly, in the wisdom of crowds to price assets, in precious metals to underpin the value of coins, and in governments to decide the value of assets by decree.

What was startling about the pattern before the 2008 crash, however, was that few investors ever discussed what kind of credit—or trust—underpinned the system. They presumed that shareholders would monitor the banks, even though this was impossible given the complexity of the banks and the products they were peddling. They assumed that regulators understood finance, even though they were actually little better informed than shareholders. Financiers trusted the accuracy of credit ratings and risk models, even though these had been created by people with a profit motive and had never been tested in a crisis. Modern finance might have been presented as a wildly

sophisticated endeavor, full of cutting-edge computing power and analysis, but it ran on a pattern of trust that, in retrospect, looks as crazily blind as the faith that cult members place in their leaders. It should not have been surprising, then, that when trust in the underlying value of the innovative financial instruments started to crack, panic ensued.

### **BANK**

Why did nobody see these dangers? To understand this, it pays to ponder that third word, “bank,” and what it (and the word “company”) says about the importance of social patterns. These patterns were not often discussed before the 2008 crisis, partly because it often seemed as if the business of money was leaping into disembodied cyberspace. In any case, the field of economics had fostered a belief that markets were almost akin to a branch of physics, in the sense that they were driven by rational actors who were as unemotional and consistent in their behavior as atoms. As a result, wise men such as Alan Greenspan (who was Federal Reserve chair in the period leading up to the crisis and was lauded as “the Maestro”) believed that finance was self-correcting, that any excesses would automatically take care of themselves.

The theory sounded neat. But once again, and as Greenspan later admitted, there was a gigantic flaw: humans are never as impersonal as most economists imagined them to be. On the contrary, social patterns matter as deeply for today’s bankers as they did for those Renaissance-era Italian financiers. Consider the major Wall Street banks on the eve of the crisis. In theory, they

had risk-management systems in place, with flashy computers to measure all the dangers of their investments. But the Wall Street banks also had siloed departments that competed furiously against one another in a quasi-tribal way to grab revenues. Merrill Lynch was one case in point: between 2005 and 2007, it had one team earning big bonuses by amassing big bets on CDOs that other departments barely knew about (and sometimes bet against). Traders kept information to themselves and took big risks, since they cared more about their own division's short-term profits than they did about the long-term impact of their trades on the company as a whole—to say nothing of the impact on the wider financial system. Regulators, too, suffered from tribalism: the economists who tracked macroeconomic issues (such as inflation) did not communicate much with the officials who were looking at micro-level trends in the financial markets.

Then there was the matter of social status. By the early years of the twenty-first century, financiers seemed to be such an elite tribe, compared with the rest of society, that it was difficult for laypeople to challenge them (or for them to challenge themselves). Like priests in the medieval Catholic Church, they spoke a language that commoners did not understand (in this case, financial jargon, rather than Latin), and they dispensed blessings (cheap money) that had been sanctioned by quasi-sacred leaders (regulators). If an anthropologist had been let loose in a bank at that time, he or she might have pointed out the dangers inherent in treating bankers as a class apart from wider society and the risks raised by bankers' blind spots and

the lack of oversight. (And a few anthropologists, such as Karen Ho, did do studies on Wall Street, noting these patterns.) Sadly, however, these dangers went largely unnoticed. Few people ever pondered how the original, social meanings of “bank” and “company” might matter in the computing age, and how tribalism was undermining neat market theories.

### **IS PAST PROLOGUE?**

A decade after the crisis, it may be tempting to see this story as mere history. In 2019, Wall Street is confident again. No, the market is not as complacent as it was before 2008; financiers are still (somewhat) chastened by the 2008 crash and hemmed in by tighter scrutiny and controls. Regulators forced banks to hold more capital and imposed new constraints on how they make loans or trade with their own money. Formerly gung ho investment banks, such as Goldman Sachs, are moving into the retail banking sector, becoming ever so slightly more like a utility than a hedge fund. The return on equity of most major banks is less than half of pre-crisis levels: that of Goldman Sachs was just above ten percent in early 2019. Everyone insists that the lessons of the credit bubble have been learned—and the mistakes will not be repeated.

Maybe so. But memories are short, and signs of renewed risk taking are widespread. For one thing, financiers are increasingly performing riskier activities through nonbank financial institutions, such as insurance companies and private equity firms, which face less scrutiny. Innovation and financial engineering have resurfaced: the once reviled “synthetic CDOs” (CDOs

composed of derivatives) have returned. Asset prices are soaring, partly because central banks have flooded the system with free money. Wall Street has lobbied the Trump administration for a partial rollback of the postcrisis reforms. Profits have surged. And although pay in finance fell after 2008, it has since risen again, particularly in the less regulated parts of the business.

What's more, American finance now looks resurgent on the global stage. In Europe, U.S. banks' would-be rivals have been hobbled by bad government policy decisions and a weak economy in the eurozone. In Asia, the Chinese banking giants are saddled with bad loans, and Japan's massive financial sector is still grappling with a stagnant economy. Ironically, a drama that was "made in America" has left American banks more, rather than less, dominant. Indeed, the biggest threat to Wall Street today comes not from overseas competitors but from domestic ones, as U.S. technology companies have set their sights on disrupting finance.

It would be foolish to imagine that the lessons of the crisis have been fully learned. Today, as before, there is still a tendency for investors to place too much faith in practices they do not understand. The only solution is to constantly question the basis of the credit that underpins credit markets. Just as there was in 2007, there is still a temptation to assume that culture does not matter in the era of sophisticated, digitally enabled finance.

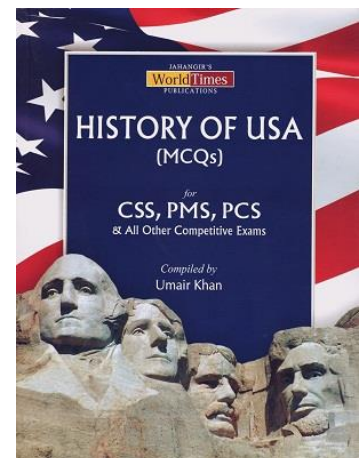
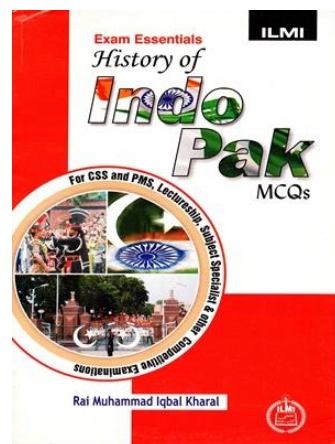
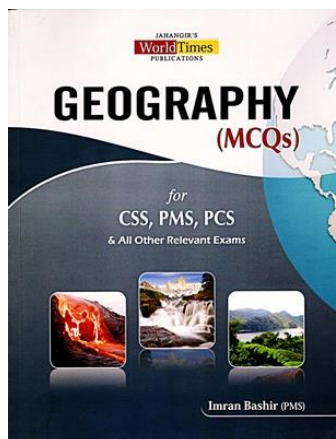
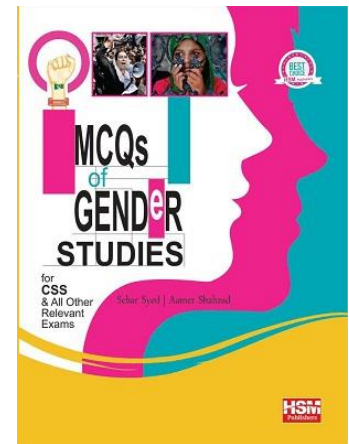
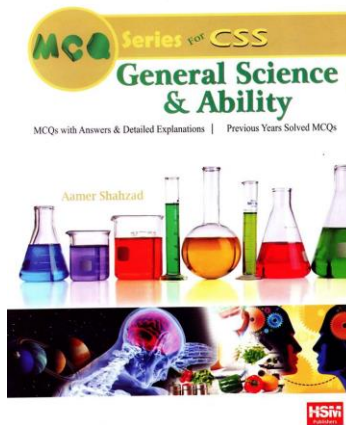
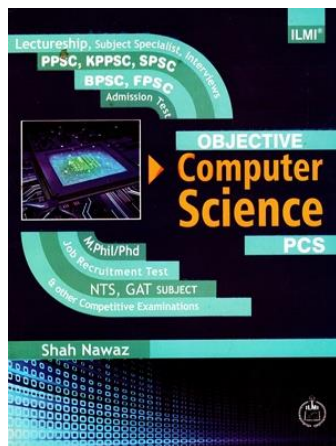
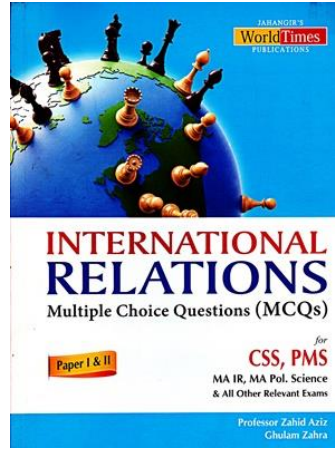
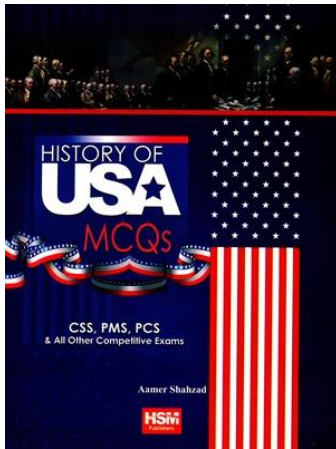
That is wrong. Banks and regulators today are trying to do a better job of joining up the dots when they look at finance. But tribalism has not disappeared. Wall Street banks still have

trading desks that compete furiously with one another. Regulators remain fragmented. Moreover, as finance is being disrupted by digital innovation, a new challenge is arising: the officials and financiers who understand how money works tend to sit in different government agencies and bank departments from those who understand cyberspace. A new type of tribal fracture looms: between techies and financiers.

Policymakers need to ask what Wall Street's mighty money machine exists for in the first place. Should the financial business exist primarily as an end in itself, or should it be, as in the original meaning of "finance," a means to an end? Most people not working in finance would argue that the second vision is self-evidently the desirable one. Just think of the beloved film *It's a Wonderful Life*, in which the banker played by Jimmy Stewart sees his mission not as becoming fabulously rich but as realizing the dreams of his community. When finance becomes an end in itself, the public is liable to get angry. That's one reason for the wave of populism that has washed over the globe since the crisis.

But does the United States really know how to build a financial system that is the servant, not the master, of the economy? Sadly, the answer is probably no; at present, it is hard to imagine what this would even look like. No matter what, however, if American financiers—along with regulators, politicians, and shareholders—wish to reduce the odds of another crash and another populist backlash, they would do well to tape the original meanings of "finance," "bank," and "credit" to their computer screens. 🌐

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# The Republican Devolution

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## Partisanship and the Decline of American Governance

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*Jacob S. Hacker and Paul Pierson*

**I**t is a measure of the chaos of Donald Trump's presidency that just months after the longest government shutdown in U.S. history, nobody in Washington seems to remember it. Congressional Republicans transitioned seamlessly from backing the president as he inflicted gratuitous harm on the economy in pursuit of his unpopular border wall to acquiescing as he declared a phony emergency to usurp Congress' constitutional power of the purse. Now, they are back in their familiar role of defending his efforts to thwart an independent investigation into the links between his 2016 campaign and a hostile foreign power bent on subverting U.S. elections.

American governance, it seems, is in a bad way. But the crisis did not begin when Trump entered office. If Hillary Clinton had won the presidency in 2016, Washington would hardly be humming along. Instead, it would be mired in a

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more intense version of the ruinous politics that plagued Barack Obama's presidency after 2010. Solutions to pressing national problems would still be stuck in partisan gridlock. Narrow, powerful interests would still dominate debates and decisions. And popular resentment—rooted in economic and demographic shifts and stoked by those seeking to translate voter anger into profit or votes—would still be roiling elections and governance alike.

For a generation, the capacity of the United States to harness governmental authority for broad public purposes has been in steep decline, even as the need for effective governance in a complex, interdependent world has grown. Almost every aspect of today's crisis is part of this long-term shift. In 2017, for example, the Trump administration pulled the United States out of the Paris climate accord, but Trump's short-sighted decision was only the latest example of the country's halting and grossly inadequate approach to climate change. The current radicalized debate over immigration reflects heightened racial and cultural resentment, but it also stems from three decades of failure to reach a consensus on reasonable reforms to the nation's antiquated border and citizenship laws. Rising death rates among middle-aged white Americans in large swaths of the country are not merely a contributor to the backlash that elected Trump; they are also a symptom of the virtual collapse of the federal government's ability to address major public problems.

What went wrong? Skyrocketing inequality, regional economic divergence, and demographic changes have all played their part. But there is one overriding



*Preaching to the choir: Sean Hannity at the Republican National Convention, July 2016*

culprit behind the failure of the U.S. political system: the Republican Party. Over the last two and a half decades, the GOP has mutated from a traditional conservative party into an insurgent force that threatens the norms and institutions of American democracy. If Americans are to once again harness the combined powers of democracy and markets for the public good, they must have a clear picture of what has gone wrong with the Republican Party, and why.

#### **FROM GOLDEN AGE TO BROKEN AGE**

Even with the best leadership, the last few decades would have presented big challenges. Like many wealthy countries, the United States has undergone a disruptive transition from an industrial manufacturing economy to a postindustrial knowledge economy. Along with the decline of unions, the deregulation of finance, and the federal government's retreat from antitrust enforcement, that transition has tilted opportunity and



wealth toward those at the very top of the economic pyramid. It has also concentrated growth in cities and sucked it out of rural areas and small towns. Yet even as yawning inequality has made structural reform more pressing, many white Americans have seen the United States' inevitable march toward a majority-minority society as an even greater threat.

American political institutions have always posed difficulties for those seeking to tackle problems like these. The U.S. system of checks and balances, with its separate branches and levels of government, requires a high level of compromise to function. Historically, the system also facilitated compromise because its frictions and fragmentation—famously celebrated by James Madison at its birth—encouraged a proliferation of interests and perspectives rather than the emergence of a single dominant cleavage. With rare and unpleasant exceptions, as in the run-up to the Civil War, the two major parties featured internal divides large enough to permit cross-party bargaining. Durable coalitions even emerged from time to time that transcended the main party divide. These crosscutting cleavages allowed public officials to overcome the system's tendencies toward gridlock and confront (albeit often incompletely and haltingly) many of the biggest challenges the nation faced. That process transformed the United States into one of the richest, healthiest, and best-educated societies the world has ever seen.

No longer. Almost every element of today's political system—from electoral jurisdictions to economic regions, from public officials to advocacy organizations, from the mass public to the mass

media—is neatly lined up in the red or the blue column. Political scientists continue to debate how much of this is true ideological polarization, in which partisan disagreements reflect fundamentally different values and world-views, and how much of it is merely an increased alignment of partisanship with other divides in an ever more diverse and unequal society. But this debate is secondary to the basic change. Once, many cultural, racial, ethnic, and geographic divides cut across parties. Today, it is partisanship all the way down.

In this transformed context, previously muted weaknesses of the American system are coming to the fore: the opportunities for self-aggrandizement by a president unconstrained by norms of restraint or by the other branches of government; the lack of a clear, circumscribed role for the federal courts, which are now filling up with partisan judges armed with lifetime appointments; the politicization of a late-to-develop administrative state; the endless opportunities for obstruction in a bicameral legislature; the huge tilt of the Senate toward rural states. Although state and city governments often have greater freedom to act, intense partisanship at those levels and gridlock at the federal level are pushing them, too, toward more polarized and less effective governance. The laboratories of democracy have become laboratories of division, testing grounds for policy approaches, electoral maps, and voting rules explicitly designed to cripple one side of the partisan fight.

In short, the U.S. political system still requires compromise but no longer facilitates it. On the contrary, it is generating a doom loop of polarization as partisan forces run up against institu-

tional guardrails and emerge from the collision not chastened but even more determined to tear them down.

### **THE GREAT RADICALIZATION**

Yet the diagnosis of polarization—true enough as far as it goes—obscures what makes that polarization so destructive. Elite discourse frequently implies that the two parties are mirror images of each other, as if both were moving at the same rate toward the political fringes, shedding norms and principles as they did so. But this is simply not what is happening. The core problem is not equal polarization but asymmetric polarization. The Democratic Party has moved modestly leftward, mostly due to the decline in the party's presence in the South. But it still aspires to solve problems and so is relatively open to compromise. (For example, Obama's signature health-care law, now so reviled by Republicans, was built in considerable part from past Republican proposals.) By contrast, the Republican Party has moved dramatically rightward and now represents a radically disruptive force that the U.S. political system is ill equipped to contain.

This trend well predates Trump. Four years before Trump became the GOP's champion, two respected observers of Washington politics, Thomas Mann and Norman Ornstein, reluctantly concluded that the GOP had become "an insurgent outlier." It was, they lamented, ever more "ideologically extreme; contemptuous of the inherited social and economic policy regime; scornful of compromise; unpersuaded by conventional understanding of facts, evidence, and science; and dismissive of the legitimacy of its political opposition, all but declaring war on the government."

Even that harsh portrait now seems mild, as the GOP's voters, activists, and politicians rally around a leader who engages in relentless race baiting, shocking assaults on press freedom, and nonstop denigration of the rule of law.

The problem is not simply that Republicans have moved much further to the right than Democrats have moved to the left—an asymmetry evident not just in congressional voting patterns but also in the relative position of each party's presidential, vice-presidential, and judicial nominees. The problem is also that Republicans have proved willing to play what the legal scholar Mark Tushnet has dubbed "constitutional hardball." Since at least Newt Gingrich's House speakership in the 1990s, Republicans in Washington have deployed strategies designed to disrupt and delegitimize government, including the constant use of the Senate filibuster, repeated government shutdowns, attempts to hold the U.S. economy hostage by refusing to raise the debt ceiling, and the unwillingness to accept Democratic appointments to key positions—most dramatically in the case of Merrick Garland's failed nomination to the Supreme Court.

Things are no better at the state level, where anti-Democratic strategies have often become antidemocratic ones. In Texas, Republicans gerrymandered districts by reapportioning House seats just five years after the last line redrawing, rather than following established norms and waiting for the decennial census. In North Carolina and Wisconsin, Republican-controlled legislatures attempted to strip power from state offices after elections in which voters opted for Democrats. In

state after state, Republicans have launched systematic efforts to disenfranchise young, low-income, and nonwhite voters who they worried were unlikely to support the GOP. And in several states, Republican elected officials have overridden voter initiatives to expand health care (Maine), enfranchise ex-felons (Florida), and implement ethics reforms (South Dakota).

The radicalism of the GOP means that it is no longer a conventional conservative party. It now displays characteristics of what scholars of comparative politics call an “antisystem party”—one that seeks to foment tribalism, distort elections, and subvert political institutions and norms. Although these tendencies appeared well before Trump’s election, they have grown only stronger under his presidency.

In short, Madison’s formula for ensuring moderation has stopped working. Extremism on the right, rather than provoking a moderating reaction, has become self-reinforcing. Positions that were once at or beyond the outer fringe of American conservatism have become first acceptable and then Republican orthodoxy. More than ever before, the Republican Party is dismissive of climate change, hostile to both the welfare state and the regulatory state, and committed to tax cuts for the rich—positions that make it an outlier even among conservative parties in rich democracies. Trump’s presidency has reinforced the GOP’s insurgent nature, as he and his allies have launched attacks on the foundations of democracy—the press, the courts, law enforcement, the political opposition—with virtually no pushback or even complaints from within their party.

These norm-exploding stances raise the specter of democratic backsliding of a kind that seemed impossible only a few years ago. Yet they are less a departure from the recent history of the Republican Party than a hastening of its march down an alarming path.

### **WHAT HAPPENED?**

The standard explanations for the Republican Party’s radicalization focus on race and culture, seeing in the United States the same forces of resentment that have driven right-wing populism in other rich democracies. The parallels are real, but the right-wing backlash in the United States looks different from its foreign counterparts in at least two respects.

First, although energized by popular anger, the radicalized GOP depends heavily on an organized network of powerful, well-funded right-wing groups that are closely tied to the Republican establishment. The billionaire Koch brothers, raising unprecedented resources from the extremely wealthy and extremely conservative, have built a virtual shadow party. Through organizations such as Americans for Prosperity, they have poured a few billion dollars over the past decade into grass-roots mobilization and campaigning on behalf of hard-right Republicans and hard-right policies such as the Trump tax cuts. The powerful U.S. Chamber of Commerce has undergone a massive expansion, moved far to the right, and become an increasingly integrated part of the Republican Party. The American Legislative Exchange Council has done much the same at the state level. Although some of these groups,

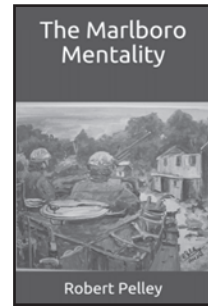
such as the National Rifle Association and prominent evangelical organizations, promote social conservatism, the main focus is economic policies that remove constraints on business and reduce taxes on corporations and the wealthy.

The second difference follows from the first. Mostly due to the power of these organized groups, the Republican Party has embraced the rich and dismissed worries about inequality to an extent unmatched by right-wing parties abroad. Typically, right-wing populists are welfare-state chauvinists, advocating greater benefits for native-born workers. Republicans, not so much. Beneath the labels of “repeal Obamacare” and “cut taxes,” their economic priorities are radically inegalitarian and wildly unpopular. Even GOP voters don’t want to slash Medicaid or eliminate health insurance protections for patients with preexisting conditions, and they have scarcely a greater appetite for budget-busting tax cuts for corporations and the wealthy. Indeed, Trump won the GOP nomination in part by hinting at a more moderate stance on economic issues. In office, however, he has populated his administration with veterans of the Koch network and business lobbyists, joining hands with Republican elites. Together, they have doubled down on the GOP’s plutocratic economic agenda, undercutting the capacity of the government to address national concerns. To maintain the support of the Republican base, meanwhile, they have intensified partisan conflict over noneconomic issues, especially racial ones.

The conversion of a populist backlash into plutocratic governance is further enabled by the presence of a

# The Marlboro Mentality

by  
Robert G. Pelley

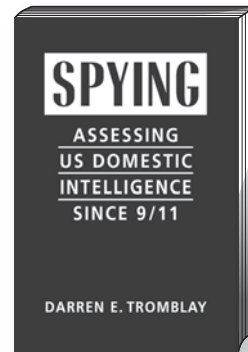


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formidable right-wing media network. Partisan media outlets aren't unique to the right, but the outrage machine is much larger, more influential, and less tempered by countervailing voices on the conservative side of the spectrum. Indeed, the greatest victory of right-wing outlets has been their ability to discredit alternative sources of information. The center-right media space has emptied, and right-wing news and opinion have cut themselves (and their audiences) off from mainstream sources that try to uphold the norms of accuracy and nonpartisanship. The news consumption of the most active elements of the Republican base is increasingly limited to a handful of ideologically convivial outlets—especially Fox News, which is now essentially a form of Trump administration state TV. This media isolation both encourages and enables the confrontational, tribal politics of the GOP.

The final major contributor to the GOP's radicalization has been electoral geography. Over the last quarter century, as prosperity has become concentrated in urban and coastal areas, nonurban areas have grown more Republican, and urban areas, more Democratic. This has not only hardened geographic political divides. It has also given the Republicans a significant electoral edge, because the U.S. electoral system—its severely malapportioned Senate; its single-member, winner-take-all House districts; and its Electoral College—rewards parties whose supporters are widely distributed across large swaths of sparsely populated territory.

Nowhere is this rural advantage clearer than in the Senate, with its huge bonus for people living in low-population states. The anti-tax activist Grover

Norquist explained the math to attendees at the Conservative Political Action Conference a few years back: "While you don't redistrict states, the nice people who drew the map of the United States districted in such a way that we have all those lovely square states out West with three people who live in them—two are Republican senators, and one's a Republican congressman."

The same problem affects the House of Representatives, although in a less obvious way. Democrats, whose supporters are clustered in cities, waste votes by running up huge margins of victory in urban districts, whereas Republicans, whose supporters are spread more efficiently across districts, win a greater number of seats by narrower margins. Urban concentration hurts Democrats at the state level, too, giving Republicans an edge in state legislatures—an edge they've then used to gerrymander both state and federal districts to further increase their advantage.

Thus, bias feeds on bias, allowing the GOP to flout majority sentiment while sustaining, or even expanding, its political power. In recent House elections, Republicans' share of congressional seats has exceeded their share of the two-party vote by roughly five percent. In 2012, they even gained a House majority with a popular-vote minority. With much greater regularity, Republicans have achieved Senate majorities with a minority of national votes (calculated by adding up all the votes from the three two-year election cycles that elect the entire chamber).

Republicans have also lost the popular vote in six of the past seven presidential elections. Yet despite all these losses, conservative justices

now have a solid majority on the Supreme Court. There, they have enabled blatant vote rigging in Republican-controlled areas (by invalidating a key provision of the Voting Rights Act) and empowered the plutocratic forces behind the Republican Party (by gutting campaign finance regulations and supporting a comprehensive attack on already battered labor unions). Now, the Court looks poised to allow the Trump administration to add a question about citizenship to the 2020 census—a measure achieved by circumventing normal procedures and opposed by career officials at the Census Bureau—which would almost certainly reduce the count of noncitizens and thereby the electoral representation of Democratic-leaning areas.

All these trends have fed on one another. As inequality has grown, it has empowered economic elites and given their political allies an incentive to substitute antisystem resentment for real efforts to provide economic opportunity. Democrats certainly deserve some of the blame here: both the Clinton and the Obama administrations did little to address the dislocations caused by trade or the growing geographic divergence in economic outcomes. But the biggest barrier to serious action has been the Republican Party. In the absence of an effective response, places left behind by the knowledge economy have proved fertile terrain for fear-mongering by right-wing media and, increasingly, Republican campaigns. And as the GOP has alienated the racial and ethnic minorities that make up a growing share of the electorate, it has found itself drawn to countermajoritarian strategies—gerrymandering, restricting

voting, and encouraging aggressive interventions by activist judges—that undermine not just effective governance but also representative democracy itself.

### **BREAKING THE DOOM LOOP**

What might foster a better-functioning democracy? It is hard to see a route to a well-functioning democracy that does not involve a serious electoral rebuke of the Republican Party—one bigger and broader than the losses it experienced in 2018. But even with such a rebuke, any Democratic president, no matter how moderate and open to compromise, would face monolithic Republican opposition in Congress and the conservative media. The Senate's stark and growing rural bias ensures that the Republican Party's strength in the chamber will exceed its popular support, and Republican senators will be armed with the filibuster and the knowledge that legislative obstruction has delivered them political gains in the past.

Any Democratic president would also face a conservative Supreme Court, whose newest members are Federalist Society stalwarts chosen for their combination of extreme social conservatism and Ayn Rand-style libertarianism. Before these judges, reforms passed by any Democratic-controlled Congress (assuming they survived a filibuster) would face a highly uncertain fate, however obvious their constitutionality might have been in the past.

As bleak as the situation looks, there are reasons for guarded optimism. The first is that effective governance, directed to real public needs, can deliver far-reaching rewards. The potential for such rewards, in turn, can create opportunities for skilled politicians to build

broad political coalitions. To take just one example, moving the United States' inefficient health-care system closer to the best-performing foreign models would reduce pressure on both public and private budgets while softening inequality and making millions of Americans healthier and better off. Climate change presents not only an existential threat but also an inspiring opportunity to create well-paid jobs rebuilding the United States' crumbling infrastructure and to jump-start a technological revolution in green energy. What's more, GOP policies such as the 2017 tax cuts hand out so much cash to so few people that reversing them would be an easy way to offer broad gains. In short, the problem is not a shortage of good policy ideas; it is a system that cannot turn them into reality.

Another reason for optimism comes from the growing number of politicians and policymakers who recognize that the immediate priority is updating the United States' antiquated electoral and political institutions. After winning the 2018 elections, House Democrats put a package of such reforms—given the honorary designation of H.R. 1—at the top of their legislative agenda. The reforms proposed are mostly sensible first steps to increase voter turnout, limit gerrymandering, and curb the role of money in politics. But more important than the specifics is the fact that political reform now occupies the leading edge of progressive thinking. The common theme of these proposals is that in a democracy, popular majorities should decide elections and the winners of those elections should be able to govern. Opportunities for minorities to obstruct normal lawmaking should be limited, and the government's ability to carry out important public policies should

be enhanced. After all, a public sector that lacks the funding and expertise to deliver on ambitious policies is a public sector that continually vindicates the arguments of those trying to cripple it.

Reform will still face fierce opposition at every turn. But if democracy is protected, the forces of reaction cannot win forever. Social tolerance continues to increase, especially among young Americans, and Trump's presidency has only accelerated this trend. Moreover, the United States is growing less white and less rural with every passing year. The 2018 midterm elections showed that Trump has galvanized young and nonwhite voters and spurred his opponents to organize to defend democratic values. The GOP has turned to a polarizing and countermajoritarian strategy precisely because it knows that it is in a race against time: every election cycle, as the party's older, white voting base shrinks as a share of the electorate, Republicans' revanchism appeals to fewer and fewer Americans. The party's rhetoric conjures up a mythical past because the GOP as currently constituted cannot survive in a democratic future.

Effective governance is elusive not because the problems Americans face are insuperable but because asymmetric polarization has collided with aging political institutions that are poorly equipped to handle a radicalized Republican Party. Reforming these institutions won't be easy, nor will Republicans naturally move back toward the center. But there are powerful forces pushing for change, and there are ample opportunities for improving American society just waiting to be seized—if Americans can get their government working again. 🌐

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# It's the Institutions, Stupid

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## The Real Roots of America's Political Crisis

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*Julia Azari*

American democracy, most observers seem to agree, is in crisis. Some pin the blame on President Donald Trump, citing his assaults on the country's democratic norms and institutions—the electoral system, the independent judiciary, the rule of law, and the media. “This is not normal,” former President Barack Obama declared in a September 2018 speech rebuking his successor. Others see Trump as merely the culmination of a long decline in American democracy, a story that began decades ago with growing political polarization, congressional infighting, and economic and social inequality. Whatever the precise cause, however, there is a consensus about the effect: a broken system.

Yet the real story of American democracy is not one of disrepair but one of partial repair. The problems that ail it today have been brought about not by neglect but by incomplete efforts to

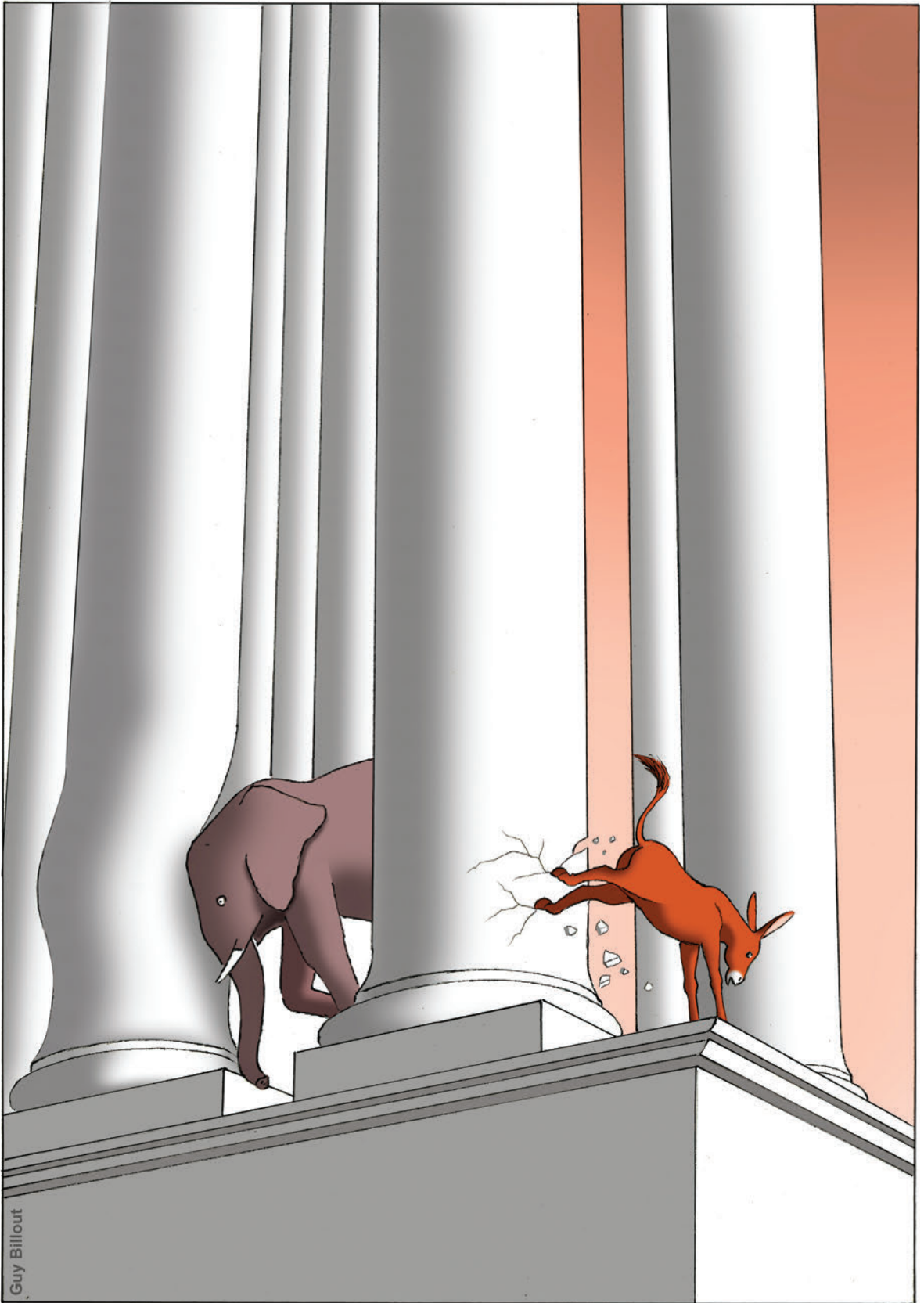
improve it in the context of changing political realities. The result is a democracy that is simultaneously inclusive and ineffective.

For all the talk of unresponsive politicians and apathetic voters, the democracy part of the U.S. political system may be in the best shape ever. Voter suppression remains a major problem, but other trends suggest health. The 2018 midterm elections boasted higher turnout than any midterm contest since 1966. Turnout among voters aged 18 to 29 was up by 16 percentage points compared with where it stood in the 2014 midterms. What's more, voters sent a remarkably heterogeneous cast of politicians into power. The new Congress is the most ethnically and racially diverse ever, with many new members becoming the first of their identity group to represent their state. In Colorado, voters elected the first openly gay governor in U.S. history. The current crop of 2020 presidential hopefuls includes six women, six people of color, and one openly gay man. The types of Americans long excluded from the halls of power are entering them in greater numbers than ever before. Things are far from perfect, but they are better.

Accompanying this more inclusive political system, however, is a crisis in governance. Under the divided government of the Obama years, Congress could rarely agree on a budget, much less craft major new legislation. As a result, the president resorted to executive orders and other unilateral tools to make policy. After Trump's inauguration put a temporary end to divided government, Congress in 2017–19, as measured by its legislative output, was more productive than it had been in

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recent years, but according to the Pew Research Center, about one-third of the bills it passed were ceremonial. The inexperience of the Trump administration has only added to the crisis, with the chaos in the federal government leading to incoherent policy.

What went wrong? How did American democracy become so dysfunctional, even as it became more participatory? The answer lies in the mismatch between the United States' political institutions and its political realities. Simply put, the structures of American democracy have failed to keep pace with the changes in politics and society. That has happened in three areas: political representation remains tied to states and districts, even as the political conversation has gone national; elections remain relatively de-emphasized in the Constitution, even though they have come to matter more and more in practical terms; and institutions remain formally colorblind, even though race shapes so much about contemporary political life. And so American democracy remains fraught with tension and unable to deliver the policies people want.

### **THINK NATIONAL, VOTE LOCAL**

When they designed a political system for a new country tying together a collection of colonies, the founders mostly imagined that Americans' chief attachment would be to their state. What resulted was a system in which political representation was rooted in geographic location—specifically, states and districts. Nowadays, however, voters care far more about national politics. Yet even as American politics becomes increasingly dominated by national issues and figures, the political structures are still local in nature.

This clash manifests itself at both the national and the local levels. In Congress, it can derail popular legislation. Because every state gets two senators, states with small populations—most of which are rural and predominantly white—wield disproportionate power in the Senate, whose rules make it especially easy for the minority to thwart the will of the majority. (Two-fifths of the chamber can stop legislation in its tracks by failing to end a filibuster.) Even legislation supported by a majority of the public is often stalled or never introduced in the first place. Consider gun control. At a time when mass shootings dominate the news, many gun safety measures enjoy the backing of a majority of Americans. And yet attempt after attempt to pass them has failed. Lobbying groups (namely, the National Rifle Association) have garnered nearly all the blame, but the structure of Congress plays a role, too. Members of Congress do not represent national constituencies; they represent their states and districts. Control enough of those, and a group representing a minority of all Americans can override the views of everyone else.

A system in which congressional legislation reflects a mosaic of local interests is not inherently bad—it makes governing a large and diverse country possible—but it is less responsive to public opinion on national issues. Immigration is, by definition, handled at the national level, and yet actions on that issue that many Americans support, such as extending some protections to undocumented immigrants who entered the country as children, have proved nonviable. Americans have a national debate and

national media but few opportunities to express a truly national will in the policymaking process.

On the flip side, at the local level, the mismatch between local representation and national politics means that those with minority views often find themselves outvoted. In other words, conservatives living in blue districts or liberals in red ones may have little say. Nationally, the country is competitive, in that control of at least one house of Congress is often up for grabs in an election. But of the 435 House seats, only 50 or so are competitive. It's a similar picture at the presidential level. As the political scientist Alan Abramowitz has observed, even though the overall popular vote for presidential elections often shows a tight race, the vote shares in the largest states are much more lopsided than they were at midcentury. In the 1960 presidential election, for example, the race in both California and Texas was close. In 2016, Hillary Clinton won California by 30 points, and Trump took Texas with a nine-point margin. With the races in so many states a foregone conclusion, the sliver of Americans living in swing states ends up deciding high-stakes contests.

National party organizations used to moderate this problem. The platforms and presidential nominees they produced were mostly reflections of the concerns of state and local party leaders. As a result, the parties allowed for regional variation in their members' positions. Within the Democratic Party, for example, East Coast politicians in the late nineteenth century took more business-friendly positions than their populist counterparts in

the rural plains and the West, and as the civil rights movement took hold, northern liberals stood at odds with southern segregationists.

Those days are, for the most part, gone. To make matters worse, national parties are having a harder time controlling the presidential nomination process, which makes it even more difficult for them to ensure that different interests within each party are represented. In an attempt to counter accusations that it is out of touch with voters, in the lead-up to the 2020 primaries, the Democratic National Committee has drastically reduced the power of superdelegates, the party elites whose votes at the national convention are not dictated by primary results, and lowered the threshold for candidates to join the televised debates. The nationalization of party politics has led to the weakening of party politics, and that, in turn, has widened the disconnect between local concerns and national power structures.

### **THE ELECTORAL OBSESSION**

Another area highlighting the tension between old institutions and new political realities involves elections. Voting played a surprisingly modest role in the original U.S. Constitution. The document provided for the direct election of members of the House of Representatives, but senators were to be chosen by state legislatures, and states could decide for themselves how to allocate their Electoral College votes in presidential elections. The setup was only natural: when the Constitution was written, neither mass communication nor quick transportation existed, and so the concept of a truly national election was unthinkable.

Over time, however, changes to the Constitution sought to make American politics more democratic. Passed in the wake of the Civil War, the 15th Amendment allowed nonwhite men to vote. The 17th Amendment, ratified in 1913, provided for the direct election of senators, and successive amendments extended the franchise to women and people aged 18 to 21 and banned the poll tax. Direct popular election became not only the norm for all national positions but also the guiding principle behind reforms to the primary process, policy referendums, and ballot initiatives. Elections now occupy a central place in the American political system.

Yet the increased emphasis on elections has had a decidedly negative side effect: it has crowded out the policy-making process. Politics has become increasingly focused on position taking and performative conflict. Electoral pressure, especially from primary challengers, can distract legislators from doing the business of governing. The presidential election cycle has extended into a years-long “permanent campaign,” pulling presidential hopefuls away from their day jobs.

Polarization only exacerbates the problem. Decades ago, critics faulted the political party system for denying voters distinct policy alternatives. So similar were the Democratic and Republican Parties, they argued, that the system was insufficiently responsive to public preferences. But then came a number of changes that upended this situation. The parties themselves experienced an ideological sorting, with conservatives leaving the Democratic Party and liberals leaving the Republican Party. Changes to

congressional rules empowered the majority party in the House. Yet the American political system, with its many points of conflict, was not designed for the purpose of handing one or another party total victory. It was designed for compromise—and without parties in mind at all.

How much should elections matter? Nearly everyone agrees that officials should be selected and held accountable through free and fair elections. But when it comes to resolving debates over policy, the role of elections is far less clear. My own research on how presidents and their teams interpret election results shows that they once served as a source of power—a tool of persuasion that the president could use to build a legislative coalition for preferred policies. But in more recent decades, election results have become a source of justification for policy choices themselves. Whereas President Lyndon Johnson and his inner circle saw his 1964 victory as a means of leverage over Congress, President Ronald Reagan and his aides conceptualized the 1980 victory as a triumph for conservatism that justified the broad policy direction of the administration.

The new way of thinking about elections does not square well with the system created by the Constitution, whereby presidents are elected every four years while terms for members of the House of Representatives last two years and those for senators last six. Does a rebuke to the president’s party in a midterm election negate the previous victory? If voters choose a divided government, what are they really asking for? The body politic has yet to offer clear answers to these questions.

During Obama's last six years in office, Congress consumed itself with budget showdowns and passed little legislation of significance. In the view of congressional Republicans, from the Tea Party iconoclasts to the leadership, they were merely doing what their voters had sent them to Washington to do: oppose Obama. Yet Obama was elected with a majority of the popular vote in both 2008 and 2012, and so from the Democrats' perspective, it was the Republican Congress that was opposing the will of the people. In a country with a populace that is divided and a political system that equates electoral victory with governing legitimacy, the correct course of action for elected leaders remains unclear.

These questions have become even more urgent in the Trump era. The surprise result of the 2016 election appeared to indicate that the electorate had rejected the Democratic agenda (even though Clinton won the popular vote), and yet the Republicans' losses in the 2018 midterm elections sent the exact opposite message. One response to the mixed messages would be to craft a bipartisan agenda to address shared priorities, but that seems largely beyond reach. Now, as Democrats absorb the report compiled by Robert Mueller, the special counsel appointed to investigate Russian interference in the 2016 election, they are debating the question of what standard should be met before Congress should consider removing an elected president. The Constitution offers very little in terms of answers—yet another instance of an institution failing to keep pace with political realities.

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but all leaders  
are readers.**

*- Harry S. Truman*

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### THE MYTH OF COLORBLINDNESS

Finally, it is impossible to talk about the functioning of American democracy without considering the role of race. Many of the United States' political institutions were designed to preserve a racial hierarchy. The Constitution counted slaves as three-fifths of a person for the purpose of apportioning seats in the House of Representatives, and because the Electoral College allocated votes using the same formula, it enhanced the influence of slave states before the Civil War. The Federal Housing Administration, created in 1934 to insure private mortgages, systematically discriminated against black neighborhoods, making it extremely difficult for their residents to obtain home loans and thus to accumulate wealth.

The legacies of such discrimination are not hard to find. Decades of racist public policies account for current disparities in wealth between blacks and whites, as the writer Ta-Nehisi Coates pointed out in his seminal 2014 article in *The Atlantic*, "The Case for Reparations." Racism lurks behind contemporary political behavior, too. As research by the political scientists Avidit Acharya, Matthew Blackwell, and Maya Sen has found, the legacy of slavery still shapes politics in the South today: whites who live in counties that once had a high share of slaves tend to support Republicans and are more likely to oppose affirmative action. Race has also long shaped the divergent language politicians use to describe rural and urban constituencies, with the former depicted as idyllic and deserving of greater attention and the latter as chaotic and undeserving. (Think of the "welfare queen" trope, which is

almost always applied to black women living in cities.) Finally, as the political scientists Michael Tesler, John Sides, and Lynn Vavreck show in their book, *Identity Crisis*, attitudes about race and immigration motivated many of Trump's voters.

In other words, race has deeply shaped—and continues to shape—both American institutions and American political behavior. That is problematic enough on its own, but even worse, the United States is stuck with institutions that fail to appreciate this fact. Civil rights legislation, particularly the 1964 Civil Rights Act, focuses on preventing discrimination, a laudable goal but not an entirely effective tool for solving matters of structural racism, such as unequal access to housing and high-quality schools. Since the 1960s, laws have moved even further toward the colorblind model, with affirmative action in university admissions and proactive support for voting rights both suffering setbacks in the courts.

Not surprisingly, then, generations of white Americans have been raised with the idea that they are living in a race-blind society. To the extent that racism does exist, the argument goes, the problem has to do with individuals rather than the system. In reality, of course, systematic racial disparities persist, with black Americans experiencing far worse outcomes than their white counterparts in terms of health, education, income, and criminal justice.

Yet it is controversial to acknowledge this reality—something that Obama discovered when he became president. In 2009, after the Harvard professor Henry Louis Gates, Jr., who is black, was mistaken for a burglar outside his own

home and arrested, Obama said that the police had “acted stupidly.” Conservatives rallied to the defense of the police, and Obama backtracked and hosted Gates and the arresting officer for a “beer summit” at the White House. Three years later, after Trayvon Martin, an unarmed black teenager, was shot by a neighborhood vigilante in Florida, Obama remarked, “If I had a son, he’d look like Trayvon.” Critics again took the president to task for commenting on what they viewed as a local law enforcement matter. However mundane Obama’s remarks were, they violated the norm of colorblindness. A 2016 survey by the Pew Research Center found that most white Americans see racism as an individual, as opposed to systemic, problem. Many of them apparently do not appreciate being told otherwise.

In the Trump era, race has been front and center in American politics. Trump called for a ban on Muslim immigration during his campaign and enacted a corresponding travel ban once in office. He introduced a policy of separating immigrant families at the U.S.-Mexican border. He said that any NFL player who kneeled during the national anthem to protest police brutality against African Americans was a “son of a bitch.” And yet the myth of a postracial society persists.

### **A SYSTEM IN TENSION**

Each of these institutional tensions has been exacerbated by the modern presidency. Presidents offer national messages through mass communication and now social media. They have diminished the head-of-state aspect of their role in favor of being campaigner in chief. And they have weighed in on race

more overtly than ever before. The Trump years have heightened each of these tensions, perhaps forcing more reckoning with some of them than would have happened otherwise. But Trump did not create the forces behind the country’s political dysfunction. He merely came to power amid these institutional contradictions and increased the stakes of resolving them.

All these problems suggest not that American institutions are failing but that reforms and gradual political change have led to a situation in which different parts of the system undermine one another. The narrative of decay, so popular in discussions of the current moment, implies that American democracy has fallen from the peaks it reached in some kind of golden age. But such a golden age never existed, and the very idea of what democracy means has shifted substantially from the American founding—and even from the middle of the twentieth century. Politics is now national, elections are central, and diversity and inclusion are (for the most part) expected.

The tensions in American democracy today also challenge a fundamental assumption behind the design of the Constitution: that politics will develop around the incentives created by institutions. Instead, the modern mismatch between political institutions and political realities suggests that social change can happen in spite of rules and power arrangements. When Congress refused to pass anti-lynching legislation after the Reconstruction era, activists focused their efforts on moving public opinion and achieving victories in the courts. Social movements can radically change both politics and society with-



out altering the formal provisions of the Constitution.

All of this suggests that reformers should push for solutions that reconcile political tensions rather than create more of them. Institutions that help connect local concerns to national power structures, such as stronger political parties, are one example. In the area of elections, progress on the more difficult work of converting campaign rhetoric into workable policy proposals might ease frustrations about an unresponsive political system. After one party's victory, instead of seeking to repudiate or punish their opponents, legislators and citizens should think about incremental policy gains. Changes in this vein might also remind voters and politicians alike that while elections are essential for democracy, they aren't its only lifeblood. At the same time, those seeking to address racial disparities, at least in the political arena, can take advantage of the country's obsession with electoral democracy. They may find it useful to frame fights for broader access to the ballot box in terms of a commitment to the role of elections, even as these struggles are also about racial equality.

Other reforms have the potential to alleviate some tensions at the expense of others. For example, eliminating the Electoral College—an increasingly popular idea among Democrats—would ensure that the winner of the popular vote won the presidency and thus reduce the mismatch between localized rules and national politics. But this change would also run the risk of feeding into the mania surrounding elections. Presidential campaigns would likely become even longer, costlier, and

all-consuming. Other reformers have suggested ending the single-member, winner-take-all system of sending representatives to Congress and switching to multimember districts, with the seats allotted according to the percentage of the vote each party receives. Political minorities would have their views represented, and multiple parties could form. But although proponents claim that this reform would temper polarization, it could also further fragment an already divided country.

As they think about how to work through the current tensions, Americans may simply have to face a difficult truth: that even major institutional reform may not be enough to fix American politics. The problem, in other words, might be not ill-fitting structures but the fundamental difficulty of coming to any sort of consensus in a country as divided and massive as the United States. Building governing coalitions requires a sense of civic interconnectedness and shared fate, something that is sorely lacking at the moment. No amount of tinkering with electoral rules, for example, will fully address racism; that will take serious reckoning with the economic and social dimensions of the problem. The good news is that the 2018 midterms brought encouragement in all the right areas: engaged voters choosing a diverse group to represent them. And so the United States finds itself at a turning point. It can embrace the possibility of change, update its institutions, and address past wrongs. Or the country, like its politicians, can keep failing to deliver on its promises. 🌐

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# American Hustle

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## What Mueller Found—and Didn't Find— About Trump and Russia

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*Stephen Kotkin*

**R**obert Mueller III played lacrosse and majored in government at Princeton. He graduated in 1966 and soon thereafter volunteered for and was accepted into the Marine Corps. He won a Bronze Star for heroism in the Vietnam War and later attended law school at the University of Virginia. He has since spent nearly a half century in either private legal practice or law enforcement, including 12 years as director of the FBI. Mueller epitomizes the old WASP establishment.

Donald Trump graduated from the Wharton School at the University of Pennsylvania in 1968. He dodged the Vietnam War, reportedly by asking a podiatrist to dishonestly attest to the presence of bone spurs in Trump's heels. Trump sought fame and fortune in the private sector, entering his father's successful real estate business, which he took from New York City's outer boroughs to the glitzier, riskier precincts of Manhattan and the casino capital of Atlantic City. He tried his hand at running an airline and a get-rich-quick university before finally finding his true calling: playing a fantasy version of himself on a reality television show. Trump is as American as apple pie.

These two lives—establishmentarian and upstart—collided in May 2017, when the U.S. Department of Justice appointed Mueller as special counsel to investigate, as the order defining his mandate put it, “any links and/or coordination between the Russian government and individuals associated with the campaign of President Donald Trump,” along with “any matters that arose or may arise from the investigation.” In the two years that followed, Mueller and his investigators interviewed around

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500 witnesses, issued some 2,800 subpoenas and some 500 search-and-seizure warrants, indicted 34 individuals and three Russian businesses, and secured guilty pleas from or convictions of Trump's one-time campaign chair and former national security adviser, among others.

In March of this year, Mueller delivered to the Department of Justice a 448-page report in two volumes, a redacted version of which Attorney General William Barr made public a few weeks later. The first volume scrutinizes the evidence of a possible criminal conspiracy between the Trump campaign and the Russian government, which, the report states, interfered in the 2016 U.S. presidential election "in sweeping and systematic fashion," by spreading disinformation over social media and stealing and disseminating personal e-mails belonging to senior figures in the presidential campaign of Trump's opponent, Hillary Clinton. The second volume examines evidence of possible obstruction of justice by the president in relation to the investigation—that is, whether Trump violated the law by attempting to make it harder for Mueller to get to the truth.

The first volume reaches a more or less straightforward conclusion. "Although the investigation established that the Russian government perceived it would benefit from a Trump presidency and worked to secure that outcome, and that the Campaign expected it would benefit electorally from information stolen and released through Russian efforts," the report states, "the investigation did not establish that members of the Trump Campaign conspired or coordinated with the Russian government in its election interference activities." The campaign did not break the law in its numerous interactions with Russians. But as the report makes clear, Trump and his senior advisers, including members of his family, were aware that the Kremlin was trying to help them, and, rather than sound the alarm to U.S. authorities, they were thrilled about the assistance.

The second volume's findings appear more complex. Owing to the Department of Justice's long-standing internal opinion that a sitting president cannot be indicted, Mueller decided that he did not have the legal authority to charge the president. As a result, the report does not render a traditional prosecutorial judgment regarding obstruction of justice on Trump's part. Whether Trump committed a crime is left open to interpretation. After receiving the report, Barr and his deputy, Rod Rosenstein, who had appointed Mueller and had overseen all but the final two months of the investigation, ruled that Trump's conduct

did not constitute obstruction of justice. Still, Mueller's accessibly written compendium of substantiated facts delivers an unambiguous ethical indictment of Trump's campaign and presidency.

Mueller's chronicle of prevarication, moral turpitude, and incompetence is dispiriting, but his presentation of rigorous legal reasoning and strict adherence to statutes, case law, and procedural rules is inspiring. The text serves as an x-ray, revealing a venal politician and a corrupt political system. At the same time, it embodies many of the values that make the United States great: integrity, meticulousness, professionalism, public service, and the rule of law.

Of course, showmanship, a buccaneering spirit, and go-for-broke instincts are also among the traits that made America what it is. Trump, in his nonpareil fashion, characterized the Mueller report as both "total exoneration" and "total bullshit." Trump is a phenomenon. Only a genuinely formidable personality could withstand such intense, unremitting investigative pressure and hostility, even if he has brought no small degree of it on himself. Trump lacks the facility to govern effectively, but he knows how to command the attention of the highly educated and dominate the news cycle. There is a reason he proved able, in a single election cycle, to vanquish both the entrenched Bush and Clinton dynasties. Trump's flaws and transgressions are now well documented. Yet he has not perpetrated a catastrophe remotely on the scale of the Iraq war or the global financial crisis.

The report makes clear that Trump the politician resembles Trump the businessman. Before he became president, whenever he got into trouble (which he constantly did), he would sue, obtaining a settlement to extricate himself. He and his businesses got involved in around 3,500 lawsuits, in a majority of them as the plaintiff. If all else failed, Trump would declare bankruptcy. Between 1991 and 2009, his companies went through six corporate bankruptcies under Chapter 11. But although he had to relinquish many of his properties, he avoided having to file for personal bankruptcy.

His presidency is effectively a seventh bankruptcy. But once again, it might not be a personal one. Instead, it might be America's bankruptcy: a chance for the country to cut its losses and start afresh.

That would require an acknowledgment by Trump's supporters that Mueller's portrait is damning. Trump's opponents, meanwhile, would have to admit that their portrait of him as a singular threat to the republic lacks context and perspective. (Imagine, for example, if

a special counsel had investigated President Lyndon Johnson's campaigns and White House years while Johnson was still in office: the results would not have been pretty.)

Trump's campaign and his presidency, too, are x-rays, revealing much of what has gone awry in American politics and society in recent years. His undisciplined depredations could present an opportunity for the United States to prove itself better than Trump and, even more importantly, to rise above the conditions in which he triumphed and holds sway.

### **A THOROUGH REPORT—BUT INCOMPLETE**

Mueller's report confirms that the president has performed yeoman's work in corroding norms of democracy and basic decency, but that debilitation far predates him, and it is mirrored by not a few of his political adversaries. Trump fits into a longer and wider arc obscured by the tellingly derogatory use of the label "populism." His carnival-barker, confidence-man persona is anything but alien to the United States. His marketing prowess, applied to the political world, is outrageously good. Consider the take on the Mueller investigation that Trump tweeted in June 2017: "They made up a phony collusion with the Russians story, found zero proof, so now they go for obstruction of justice on the phony story. Nice." Pithy—and, in its self-serving way, prophetic.

Trump's rise looks like a great American hustle, despite the international links. Candidate Trump appears to have desperately wanted to build a high-margin Trump Tower in Moscow at least as much as he wanted to be elected president. Mueller's report also captures the parallel pursuits of the innumerable wannabes, hangers-on, and swindlers who gravitated toward Trump and his campaign. Like a crime thriller, the report brims with shady characters, and, true to form, some of them beat the rap (or at least they have so far). But they've gotten away with it owing not to their criminal ingenuity. "The evidence was not sufficient to charge that any member of the Trump Campaign conspired with representatives of the Russian government to interfere in the 2016 election," the report concludes—but only because doing so was simply beyond them. As Trump's son-in-law and adviser Jared Kushner privately related to congressional interns back in July 2017, "They thought we colluded, but we couldn't even collude with our local offices." It's a pitiful yet accurate exculpation: not guilty by reason of ineptitude.

What's more, as I have been arguing for years, Russian intelligence organizations had no need to collude with the omnishambolic Trump campaign. They could manage entirely on their own to hack e-mail accounts, line up cutouts such as WikiLeaks to disseminate damaging material, impersonate Americans on social media, and study elementary research available in open sources about battleground states and swing voters. The Mueller report confirms this point, despite some lingering ambiguity over the Trump campaign's links to WikiLeaks, which is a genuinely valuable asset for Russia.

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*Russia had no need to collude with the omnishambolic Trump campaign.*

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As for obstruction of justice, which Trump attempted in plain sight for months on end, the report states that “the president’s efforts to influence the investigation were mostly unsuccessful, but that is largely because the persons surrounding the President declined to carry out orders or accede to his requests.” (Note the “mostly.”) Many administration officials knew that Trump was pushing them to engage in illegal acts, or at least “crazy shit,” in the words of Donald McGahn, the former White House lawyer and an unwitting star of the report. But in scene after gripping scene, Mueller demonstrates how Trump is merely a would-be mobster, worried sick that his capos are wearing a wire. Forget about burying his enemies in concrete: Trump inspires none of the fear, let alone loyalty, of a real crime boss, instead imploring staffers over and over to carry out his orders, then shrinking from punishing them when they drag their feet. It turns out there really is a “deep state” out to thwart Trump after all, but its operatives are not alleged liberal Trump haters in the FBI but Trump appointees in his administration—and when they secretly manage to thwart him, they shield him from prison.

In revealing all of this, Mueller’s report is certainly thorough—but also worryingly incomplete. Mueller decided not to issue subpoenas when they seemed guaranteed to be tied up in court, apparently mindful of moving expeditiously in order to wrap up before the 2020 campaign took off. The report notes that some evidence that Mueller obtained was inadmissible and that some witnesses invoked their Fifth Amendment right against self-incrimination, destroyed evidence, or relied on encrypted communications that deliberately lacked long-term retention. Mueller also cites instances of what could be construed as

witness tampering: Trump, the report notes, “engaged in efforts” to “prevent the disclosure of evidence to [the special counsel], including through public and private contacts with potential witnesses.” The lies told by people connected to the Trump campaign, the report states, “materially impaired the investigation of Russian election interference.”

The report is incomplete in another way: its primary focus is the criminal investigation into Russia’s interference, rather than the FBI’s parallel counterintelligence investigation—which is where the whole story began. Russia conducted a cyber-assault on U.S. democracy, demonstrating for other potential adversaries, not to mention potential American copycats, that it could be done. This is a clear and present danger. But when investigators discovered the Trump campaign personnel’s eagerness to interact with Russian operatives, the counterintelligence probe was complicated by the need for a criminal investigation.

The sections of the report that treat what Russia intended and achieved are its most heavily redacted parts. The public version of the report attributes the interference to orders from “the highest levels” of the Russian government, but not to President Vladimir Putin specifically. In that sense, Mueller’s report bears almost no resemblance to the last detailed, U.S. government-funded report on a crime committed by a foreign adversary against the United States: the one produced by the 9/11 Commission. That report included a rigorous analysis of how al Qaeda planned and carried out the attacks, explored the nature of U.S. security failures and ongoing vulnerabilities, and put forward a panoply of recommended fixes. The public version of Mueller’s report offers nothing like that. Many of the sections on the role that technology played in making the Russian interference possible are heavily redacted: close to two-thirds of the text dealing with Russia’s activities in cyberspace is blacked out. As a result, it provides limited insight into the relationships, if any, among the many different actors on the Russian side, not all of whom were government functionaries.

Take the infamous episode that took place on July 27, 2016, when Trump, in a campaign speech, requested Russian assistance in undermining Clinton by obtaining personal e-mails that she had declined to turn over during an investigation into her use of a private server while she was secretary of state. “Russia, if you’re listening, I hope you’re able to find the 30,000 e-mails that are missing,” Trump said. Mueller reveals that within approximately five hours, officers of Russia’s military intelligence agency targeted Clinton’s home office for the first



time, sending malware hidden in e-mails to 15 accounts associated with her office. “It is unclear,” the report notes enigmatically, how they were able “to identify these email accounts, which were not public.”

### **TRUTHFUL HYPERBOLE**

How and when did the United States enter the Twilight Zone of the Mueller report and the reactions to it? In a sense, it started with two parallel fantasies of the Cold War era.

The first was the CIA’s. Even though the U.S. diplomat George Kennan, in his “Long Telegram,” had proposed a policy of containment that would eventually produce an internal evolution or the implosion of Soviet communism, not everyone got the memo. The CIA dreamed of something else. Many individuals and groups inside and outside the U.S. government, including the intelligence services, tried to roll back the Soviet menace, backing armed insurgents who sought to bring down the Soviet regime and its allies. Those measures usually backfired.

But then, in 1985, a sorcerer named Mikhail Gorbachev popped up in Moscow. Nested at the pinnacle of power in a hypercentralized system, the Soviet leader relaxed censorship to rally support for reforms, encouraging Soviet journalists to publish one previously suppressed revelation after another, which profoundly blackened the regime’s image. Gorbachev introduced legal free-market mechanisms, unhinging the planned economy, as well as competitive elections, allowing the populace to demonstrate disapproval of the Communist Party’s monopoly. He also demanded that the Soviet satellite states in Eastern Europe reform, which destabilized the entire empire. To protect himself against a coup, he even sabotaged the central control over the entire system exercised by the party apparatus, which alone held the federal state together; in other words, unintentionally, he created a voluntary federal union of states that could choose to secede. The general secretary of the Communist Party did what the CIA had dreamed about but could never accomplish: he destroyed that system.

The KGB also had a dream. During the Cold War, its operatives fantasized about weakening and maybe even unraveling NATO and subverting the cohesiveness of the West. Its agents wanted to dilute the alliances of the United States in East Asia, too, by trying to drive a wedge between the United States and South Korea or Japan. The KGB worked overtime to discredit the U.S. political system, planting stories to erode Americans’ faith in the impartiality of U.S. courts

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and judges, to undermine trust in American media, and to have the American public believe that the U.S. political system was rigged. Moscow aimed to divide Americans into tribes, hoping that grievances would turn into dysfunction and maybe even social collapse. But the United States is a politically diverse nation, and its wide political differences are normal and unthreatening, because the country has the democratic institutions to allow their expression and competition. Neither the KGB nor its post-Soviet successors were ever going to destroy the U.S. system from without, try as they might.

Then came Trump. Obviously, the Gorbachev-Trump analogy is imperfect. The United States is not a communist regime but a constitutional order with the rule of law, a dynamic market economy, and an open society. Indeed, one reason that most Republicans have not gone berserk over Trump's behavior is that they believe, correctly, that U.S. institutions are resilient. (Other reasons include the fact that they agree with Trump's policies, fear electoral defeat without his support, and depend on him to keep the White House out of Democratic hands—a goal supported by almost half the electorate.) Still, a speculative juxtaposition of Gorbachev and Trump can help one fathom how the FBI's counterintelligence investigation effectively morphed into a criminal probe of the Trump campaign, and then of the president himself, eventually leading to the Mueller report.

Trump was voicing lines straight out of the KGB playbook: the press is the enemy of the people, American law enforcement is corrupt, NATO is obsolete, U.S. trading partners are rip-off artists. All the while, Trump's family and associates were meeting secretly with Russians and lying first about the fact of those meetings and later about their substance. These meetings took place in the context of Trump's decades-long attempts to do business in Russia and other countries of the former Soviet Union. Overpriced real estate is, to an extent, a business built on money laundering, with all-cash buyers needing to wash funds of dubious provenance and looking for partners who neglect to perform due diligence. Any serious investigation of Trump with subpoena power that looked into his businesses would pose a grave legal threat to him and his family. (The Mueller report briefly mentions Trump's attempted property deals in Georgia and Kazakhstan. It remains unclear whether these or related matters are part of the 12 ongoing criminal investigations that the special counsel's office handed off to other authorities, the details of which are blacked out in the public version of the report.)

Trump's connections to Russia were hardly a secret during the campaign. In June 2016, Kevin McCarthy of California, who was then the Republican House majority leader and is now the minority leader and a staunch Trump supporter, stated behind closed doors to party colleagues in a secretly taped meeting, "There's two people I think Putin pays: Rohrabacher and Trump." (Dana Rohrabacher was a curiously pro-Putin Republican U.S. representative from California.) When some of those present laughed, McCarthy added: "Swear to God!"

The most revealing example of the Trump team's attitude toward Russia was the campaign's infamous June 2016 Trump Tower meeting with a group of Russians who promised that they had dirt on Clinton.

The meeting was arranged by Donald Trump, Jr., and attended by Kushner and Paul Manafort, who was running the campaign at the time. Steve Bannon, the former Breitbart impresario who became Trump's campaign chair a few months after the meeting and who later served as the chief White House strategist, told the journalist Michael

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*The phantasm of an all-powerful Kremlin has diverted too much attention from Americans' own failings.*

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Wolff that the meeting was "treasonous." Bannon added, "Even if [they] thought that this was not treasonous, or unpatriotic, or bad shit, and I happen to think it's all of that, [they] should have called the FBI immediately." Bannon was right, even if he went on to suggest not that the meeting should have been refused but that it should have been organized far away ("in a Holiday Inn in Manchester, New Hampshire") and that its contents, if damaging to Clinton, should have been dumped "down to Breitbart or something like that, or maybe some other more legitimate publication."

Given the fact of such contacts, there is no question that an independent investigation of the Trump campaign was abundantly warranted. And yet the Trump-Russia story sent much of the media on a bender that was crazed even by today's debased standards. In their coverage, Trump's antagonists in the commentariat sometimes sank to his level. "I play to people's fantasies," Trump wrote in *The Art of the Deal*. "People want to believe that something is the biggest and the greatest and the most spectacular. I call it truthful hyperbole." In the past two years, the main source of "truthful hyperbole" has been not Trump alone but also elite media personalities, such as MSNBC's

Rachel Maddow, who have stoked liberals' desire for the Trump-Russia story to be the biggest and the greatest and the most spectacular political scandal in U.S. history.

Among the more comical fulminations has been the claim that the Russians further polarized Americans. In reality, during the 2016 campaign, U.S. citizens created and shared far more divisive material online than the Russians ever could—and American journalists lucratively disseminated even more. Likewise, the indignant posturing about just how unprecedented it was for a hostile foreign power to interfere so brazenly in another country's election conveniently ignores countless other instances of countries doing just that. The KGB did it to the United States during the Cold War. The British did it to the United States even earlier, in 1939, even accessing sensitive polling data. And the United States has done it all over the world. Great powers meddle in other countries because they can, and they will do so unless and until they pay a heavy price for it.

The phantasm of an all-powerful, all-controlling, irredeemably evil Kremlin has diverted too much attention from Americans' own failings, and their duties to rectify them. Today in Russia, conspiracy theories still abound about how the CIA brought down the Soviet Union and how Gorbachev was in reality an unwitting (or perhaps a witting) agent of the Americans. Never mind that Gorbachev was a proud product of the Soviet system. Gorbachev's reformed communism, too, was utterly homegrown. Acknowledging all of that, instead of latching on to a canard about Gorbachev, would have compelled Russian society to come to grips more fully with the internal factors that caused the Soviet system's implosion. Likewise, in the United States, the obsession with Russian interference and the madcap speculation that Trump is a Kremlin asset have helped occlude many of the domestic problems that made Trump's homegrown victory possible.

Meanwhile, Trump's supporters have spun a conspiracy theory alleging that the investigation of Trump's campaign was a sinister plot hatched within the FBI. The rival tales—Trump as a Russian asset, the FBI as the deep state—uncannily mirror each other, and continue to shape politics. It is as if Mueller never wrote his report.

## **EXPECTATIONS GAME**

Leadership no longer gets enough attention from historians. Too few in the field seek to better understand when and how individuals find ways



*From Russia with love: Trump and Putin at a news conference in Helsinki, July 2018*

to transform a political conjuncture—to perceive and seize opportunities that others fail to recognize, to turn impossible situations into breakthroughs. No small degree of luck is involved, but a vision of the future and supreme tactical adroitness are decisive. Also, those transformative individuals usually occupy the highest positions in political and social life: presidents (Ronald Reagan), secretaries of state (George Marshall), Federal Reserve chairs (Paul Volcker), movement leaders (Martin Luther King, Jr.). The office of the special counsel—a temporary employee of the Department of Justice—does not lend itself to such transformative powers. Those who hoped that Mueller would rescue the republic freighted his role beyond its capacity. But did taxpayers nonetheless have a right to expect more than what Mueller delivered?

Rarely have Americans been treated to so much truthful—and attributed—information about the workings of their government’s executive branch. For all the media malpractice, the Mueller report vindicates much of the investigative reporting of *The New York Times*, *The Washington Post*, and *The Wall Street Journal*. Unlike those publications, Mueller was under no obligation to protect his sources by granting anonymity. Notwithstanding the enormous leverage derived from the ability to subpoena witnesses and levy criminal charges, moreover, the special counsel bent over backward to be fair to Trump by presenting exculpatory evidence alongside the incriminating, employing a high bar to define what would count as “coordination” of a

criminal nature. Mueller also refrained from imputing corrupt motives to the president, even though Trump reneged on multiple promises to testify in person and then suffered improbably severe amnesia when replying to written questions. Arguably, this fair-mindedness renders the picture of Trump's behavior all the more damning.

The Mueller report models the civic virtues that could enable American leaders to renew the country. The tools they would need are readily at hand, in the form of the country's formidable democratic institutions and sound underlying mores of moderation, fairness, and common sense. That will not happen, of course, certainly not in the near term. For now, politics trumps technocracy. Mueller acted as a restrained professional awash in a foam of partisan blather. But as it turned out, he is not a master tactician. (By contrast, Barr managed to publish almost the entire report—the sections on Trump's squalid behavior are the least redacted—without incurring the wrath of the president, who instead blamed Mueller for the embarrassing revelations.) The public version of the report offers no victory for either the pro-Trump camp or the anti-Trump one, nor—what is genuinely disappointing—any possible reconciliation of the two. It has served mostly to intensify the deadlock.

Perhaps the circumstances permitted nothing more. From the get-go, Mueller was tasked with a criminal prosecution that could not be prosecuted. Predictably, any decision not to charge Trump was going to be taken by the majority of Republicans as an exoneration, even though the report literally says that it “does not exonerate him.” No less predictably, Mueller's explicit refusal to absolve Trump was going to be taken by the majority of Democrats as a *de facto* indictment. Mueller did something more, as well. He addressed Congress, a step the special-counsel regulations do not discuss. The report contains 21 pages on the president's executive authority, the separation of powers, and the Constitution, as well as pointed advice: “The conclusion that Congress may apply the obstruction laws to the president's corrupt exercise of the powers of office accords with our constitutional system of checks and balances and the principle that no person is above the law.” Some Democrats and Trump critics have seized on this as an “impeachment referral.”

However the current standoff plays out between a stonewalling White House and an overzealous Democratic-controlled House of Representatives, Trump's tax returns and many of the other important documents and testimony that Congress is seeking will eventu-

ally become public. The adversarial political and legal system will conduct oversight and, if necessary, hold the president accountable, within the remedies established by the Constitution and, above all, through the sentiments of the electorate.

### **ONE BIG SURPRISE**

Ultimately, what have we learned? The report might seem merely to recapitulate, albeit in more granular detail, what we already knew. But in fact, it contains an enormous surprise. A few observers, myself included, had long assumed that during the 2016 campaign, Russians who were operating at the behest of the Kremlin (or were seeking to ingratiate themselves with it) were not trying to collude with the Trump campaign. Rather, they were trying to gain unfettered access to the campaign's internal communications in order to obtain operational secrets and compromising material (*kompromat*) on Trump and his people or to implicate them in illegal acts. I took the real story of Trump and Russia to be one of penetration and assumed that Russian intelligence eavesdropped on the cell phones not just of Manafort and his deputy, Rick Gates, but also of Trump himself and his family. I assumed that Russian intelligence had implanted devices on the cables running underneath and into Trump Tower and wondered about those Russian-owned apartments upstairs, not far from Trump's operations. (Trump did not return to the tower for the first seven months of his presidency, as if it were not a secure facility; in 2017, when he accused the Obama administration of wiretapping phones in the tower, I took it to be a typical Trumpian falsehood about something that was true in another way.) The idea that such surveillance was under way during the campaign seemed like a no-brainer. After all, officials in Russia whom I have known for a long time were bragging about it, and the tradecraft was elementary.

So imagine my astonishment when I read in Mueller's report that Russians approaching the Trump campaign could not figure out whom to contact, who was in charge, or who mattered. Russian operatives and intermediaries were coming at the campaign from all angles, exploring channels with individuals who had no influence whatsoever on policy positions, to the extent that the campaign even had any. The reality was that no one was in charge and no one mattered except Trump, and he swiveled one way, then the next, capriciously, in his executive chair. But the Russians essentially failed to gain access to him, even when the campaign and the White House



flung open the doors. (The report reveals that the Russian ambassador to the United States at the time, Sergey Kislyak, rejected Kushner's suggestion that they communicate using secure facilities at the Russian embassy in Washington.) I was wrong, in an important way.

Petr Aven, a principal in Russia's largest private bank and a former Russian government official, told the special counsel's investigators about the first time after Trump's election that Putin convened his regular quarterly meeting of Russia's top 50 or so oligarchs. "Putin spoke of the difficulty faced by the Russian government in getting in touch with the incoming Trump Administration," Aven testified, according to the report. "According to Aven, Putin indicated that he did not know with whom formally to speak and generally did not know the people around the President-Elect." Of course, this could have been misdirection, disinformation that Putin wanted spread widely. But that is not how Mueller treats it. "As soon as news broke that Trump had been elected President, Russian government officials and prominent Russian businessmen began trying to make inroads into the new Administration," the report states. "They appeared not to have preexisting contacts and struggled to connect with senior officials around the President-Elect."

This is the report's great revelation: Putin, supposedly, could help Trump get elected but could not talk to him, despite the publicly expressed eagerness of Trump and his people to enter into contact and make deals.

In fairness to the Russians, they did manage to convey "peace plans" for Ukraine to Trump's family members, only for the proposals to languish in inboxes while the Russians repeatedly begged to know—on behalf of "the boss" (Putin)—if there had been any movement on the issue. Genuinely important players in the campaign, such as Donald Trump, Jr., and Kushner, turned out to have an underwhelming grasp of foreign policy and no sense of how to make anything happen in government.

Putin and his operatives appear to have been no more prepared for Trump's victory than Trump and his people were. To be sure, it remains possible that Russian intelligence did surveil the internal communications of the Trump operation. But if so, the information they gleaned delivered little operational value, at least in terms of enabling useful dialogue to advance Russian interests. Trump world may be too disorganized to manipulate. But Russian intelligence may be less skillful than it is typically made out to be, particularly when attempting to

operate on U.S. soil and under FBI counterintelligence surveillance, as opposed to when acting anonymously from afar via computers.

### **GET OVER IT**

The American public needs to understand not only what the Russians did but also what they did not do. Russia did not choose the respective party's presidential candidates, and it did not invent the Electoral College. Clinton ran the only possible Democratic campaign that could have lost, and Trump ran the only possible Republican campaign that could have won. Whatever the marginal impact of Russia's actions, it was made possible only by crucial actions and inactions in which Russia was never involved. Above all, Russia did not design the preposterous patchwork and vulnerabilities of the United States' election machinery.

Putin, moreover, did not plant a sleeper agent in a Harvard dormitory in 2002 and then have him study psychology and computer science, develop social networking algorithms, drop out in 2004, insinuate himself into Silicon Valley, and set up a private company that attains phenomenal profit by monetizing Americans' love of oversharing and constant need to feel outraged. Nor did Putin force the very media outlets that this Russian sleeper agent's company was helping put out of business to praise that agent to the skies. Nor did he compel investors to pour money into this latent Russian weapon, thereby expanding its reach and power. No: Facebook fell into Putin's lap in 2016, and it is still there. In Mueller's report, U.S.-based technology firms do garner some attention: one section is titled "Operations Through Facebook"; another, "Operations Through Twitter." But there is nothing about what authorities should do to mitigate the vulnerabilities that social media create.

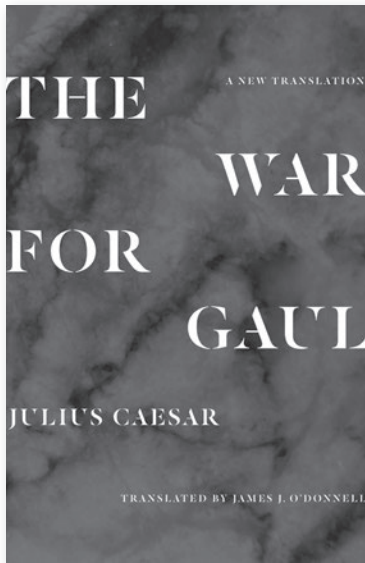
It remains unclear whether the public will ever learn more about the crucial FBI counterintelligence investigation into Russian intrusion. FBI personnel worked with Mueller's office and obtained information from it, "not all of which is contained in this Volume," the report notes. But the report is silent on what became of that information. If the counterintelligence investigation is ongoing and involves sensitive sources and methods, then Barr may well be right to refuse to comply with Congress' demand for the full report and for Mueller's underlying materials—a refusal that caused the House to threaten to hold him in contempt.

In the end, the Mueller report provides no answer to the puzzle of what motivates Trump's obsequiousness toward Russia. In discussing

Trump's sensitivity to any mention of Russian interference and his bizarre public statements accepting Putin's denials, the report refers to Trump's insecurities over how his election could be seen as illegitimate, as well as to his wish to build a windfall Trump Tower in Moscow. The report contains no section analyzing Trump's long-standing envy of strongman rulers. Nor does the report address the mutual failures of the U.S.-Russian relationship. The three presidents who preceded Trump, all of whom served two terms, could not figure out how to manage U.S.-Russian relations over the long run. Each tried engagement, or a "reset," followed by some version of attempted isolation, culminating in sanctions and no visible way forward. In important ways, Russian interference in U.S. domestic politics stemmed directly from those failures; so, in part, have Trump's conciliatory gestures. But Trump did not even get his reset: despite his over-the-top expressions of admiration for Putin, his administration went straight to the phase of sanctions and recriminations.

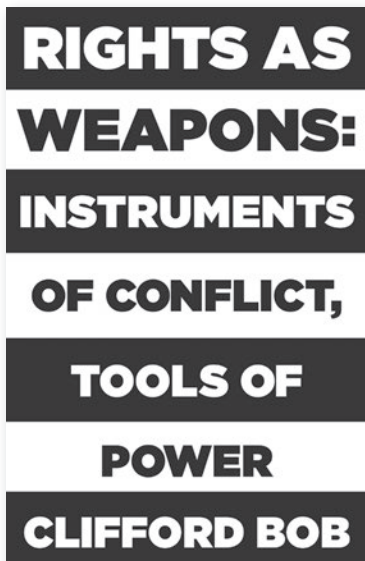
In this light, the Russian attack on American democracy cannot be viewed as even a tactical success. Instead of getting his dismemberment of Ukraine legally recognized or sanctions lifted, Putin got slapped with additional sanctions. The cyber-intrusions and special operations to disseminate stolen e-mails were a technical success, but their contribution to Trump's victory was at most marginal. The Kremlin did get Washington to obsess about Russia in unhealthy ways, and Moscow's actions did play a part in launching a fury-raising investigation of a U.S. president. But the United States has resilient institutions (as opposed to Russia's corrupt ones), a gigantic economy (as opposed to Russia's medium-sized one), and a powerfully self-organized civil society (as opposed to Russia's persecuted one). That is why highly educated, entrepreneurial Russians continue to immigrate to the United States.

This is also why, notwithstanding the unmet, unrealistic expectations of the Mueller report, the Trumpian moment is an opportunity. The best of the United States is there to be rediscovered, reinvented, and repositioned for the challenges the country faces: the dilemmas posed by bioengineering, rising seas and extreme weather, the overconcentration of economic power, and the geopolitical rivalry with China. Above all, what the country needs is massive domestic investment in human capital, infrastructure, and good governance. Trump's instinctive exploitation of Washington's recent failures offers an emphatic reminder that the country must attend to those elements of American greatness. At a high cost, Trump could nonetheless be a gift, if properly understood. 🌐



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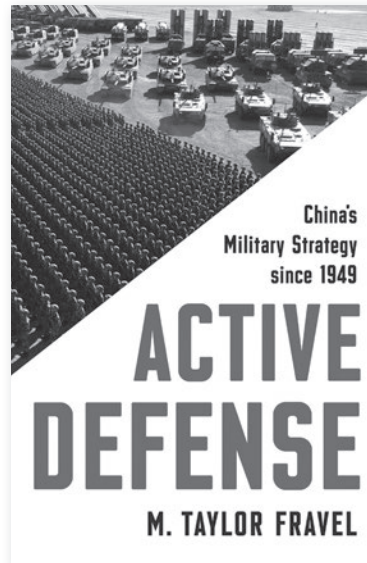
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# The New Tiananmen Papers

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## Inside the Secret Meeting That Changed China

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*Andrew J. Nathan*

**O**n April 15, 1989, the popular Chinese leader Hu Yaobang died of a heart attack in Beijing. Two years earlier, Hu had been cashiered from his post as general secretary of the Chinese Communist Party for being too liberal. Now, in the days after his death, thousands of students from Beijing campuses gathered in Tiananmen Square, in central Beijing, to demand that the party give him a proper sendoff. By honoring Hu, the students expressed their dissatisfaction with the corruption and inflation that had developed during the ten years of “reform and opening” under the country’s senior leader, Deng Xiaoping, and their disappointment with the absence of political liberalization. Over the next seven weeks, the party leaders debated among themselves how to respond to the protests, and they issued mixed signals to the public. In the meantime, the number of demonstrators increased to perhaps as many as a million, including citizens from many walks of life. The students occupying the square declared a hunger strike, their demands grew more radical, and demonstrations spread to hundreds of other cities around the country. Deng decided to declare martial law, to take effect on May 20.

But the demonstrators dug in, and Deng ordered the use of force to commence on the night of June 3. Over the next 24 hours, hundreds were killed, if not more; the precise death toll is still unknown.

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**ANDREW J. NATHAN** is Class of 1919 Professor of Political Science at Columbia University. This essay is adapted from his introduction to *Zuihou de mimi: Zhonggong shisanjie sizhong quanhui “liusi” jielun wengao* (The Last Secret: The Final Documents From the June Fourth Crackdown; New Century Press, 2019).



*Last stand: protesting in Tiananmen Square, Beijing, June 1989*

The violence provoked widespread revulsion throughout Chinese society and led to international condemnation, as the G-7 democracies imposed economic sanctions on China. Zhao Ziyang, the general secretary of the Chinese Communist Party, had advocated a conciliatory approach and had refused to accept the decision to use force. Deng ousted him from his position, and Zhao was placed under house arrest—an imprisonment that ended only when he died, in 2005.

A little over two weeks later, on June 19–21, the party’s top decision-making body, the Politburo, convened what it termed an “enlarged” meeting, one that included the regime’s most influential retired elders. The purpose of the gathering was to unify the divided party elite around Deng’s decisions to use force and to remove Zhao from office. The party’s response to the 1989 crisis has shaped the course of Chinese history for three decades, and the Politburo’s enlarged meeting shaped that response. But what was said during the meeting has never been revealed—until now.

On the 30th anniversary of the violent June 4 crackdown, New Century Press, a Hong Kong–based publisher, will publish *Zuihou de mimi: Zhonggong shisanjie sixhong quanhui “liusi” jielun wengao* (The Last Secret: The Final Documents From the June Fourth Crackdown), a group of speeches that top officials delivered at the gathering. New Century obtained the transcripts (and two sets of written remarks) from a party official who managed to make copies at the time. In 2001, this magazine published excerpts from *The Tiananmen Papers*, a series

of official reports and meeting minutes that had been secretly spirited out of China and that documented the fierce debates and contentious decision-making that unfolded as the party reacted to the protests in the spring of 1989. Now, these newly leaked speeches shed light on what happened after the crackdown, making clear the lessons party leaders drew from the Tiananmen crisis: first, that the Chinese Communist Party is under permanent siege from enemies at home colluding with enemies abroad; second, that economic reform must take a back seat to ideological discipline and social control; and third, that the party will fall to its enemies if it allows itself to be internally divided.

The speeches offer a remarkable behind-the-scenes look at authoritarian political culture in action—and a sign of what was to come in China as, in later decades, the party resorted to ever more sophisticated and intrusive forms of control to combat the forces of liberalization. Reading the transcripts, one can see serving officials closing ranks with the elderly retired officials who still held great sway in the early post-Mao period. Those who had long feared that Deng's reforms were too liberal welcomed the crackdown, and those who had long favored liberal reforms fell into line.

The speeches also make clear how the lessons taken from Tiananmen continue to guide Chinese leadership today: one can draw a direct line connecting the ideas and sentiments expressed at the June 1989 Politburo meeting to the hard-line approach to reform and dissent that President Xi Jinping is following today. The rest of the world may be marking the 30-year anniversary of the Tiananmen crisis as a crucial episode in China's recent past. For the Chinese government, however, Tiananmen remains a frightening portent. Even though the regime has wiped the events of June 4 from the memories of most of China's people, they are still living in the aftermath.

### **THE PARTY LINE**

Participants in the enlarged Politburo meeting were not convened to debate the wisdom of Deng's decisions. Rather, they were summoned to perform a loyalty ritual, in which each speaker affirmed his support by endorsing two documents: a speech that Deng gave on June 9 to express gratitude to the troops who had carried out the crackdown and a report prepared by Zhao's hard-line rival, Premier Li Peng, detailing Zhao's errors in handling the crisis. (Those two documents have long been publicly available.)

It is not clear who, exactly, attended the Politburo meeting. But at least 17 people spoke, and each began his remarks with the words “I completely agree with” or “I completely support,” referring to Deng’s speech and Li’s report. All agreed that the student demonstrations had started as a “disturbance” (often translated as “turmoil”). They agreed that only when the demonstrators resisted the entry of troops into Beijing on June 2 did the situation turn into a “counterrevolutionary riot” that had to be put down by force. Each speech added personal insights, which served to demonstrate the sincerity of the speaker’s support for Deng’s line. Through this ceremony of affirmation, a divided party sought to turn the page and reassert control over a sullen society.

In analyzing why a “disturbance” had occurred in the first place, and why it evolved into a riot, the speakers revealed a profound paranoia about domestic and foreign enemies. Xu Xiangqian, a retired marshal in the People’s Liberation Army, stated:

The facts prove that the turmoil of the past month and more, which finally developed into a counterrevolutionary riot, was the result of the linkup of domestic and foreign counterrevolutionary forces, the result of the long-term flourishing of bourgeois liberalization. . . . Their goal was a wild plan to overturn the leadership of the Chinese Communist Party, to topple the socialist People’s Republic of China, and to establish a bourgeois republic that would be anticommunist, anti-socialist, and in complete vassalage to the Western powers.

Peng Zhen, the former chair of the Standing Committee of the National People’s Congress, echoed those sentiments:

For some time, an extremely small group of people who stubbornly promoted bourgeois liberalization cooperated with foreign hostile forces to call for revising our constitution, schemed to destroy [Deng’s] Four Cardinal Principles [for upholding socialism and Communist Party rule] and to tear down the cornerstones of our country; they schemed to change . . . our country’s basic political system and to promote in its place an American-style separation of three powers; they schemed to change our People’s Republic of democratic centralism led by the working class and based on the worker-peasant alliance into a totally westernized state of capitalist dictatorship.

Others put an even finer point on this theme, evoking the early days of the Cold War to warn of American subversion. “Forty years



ago, [U.S. Secretary of State John Foster] Dulles said that the hope for the restoration [of capitalism] in China rested on the third or fourth [postcommunist] generation,” railed Song Renqiong, the vice chair of the party’s Central Advisory Commission. “Now, the state of political ideology among a portion of the youth is worrisome. We must not let Dulles’ prediction come true.”

### **THE FALL GUY**

Many speakers contended that ideological rot had set in under Hu, Zhao’s predecessor. Hu had served as general secretary from 1982 to 1987, when Deng’s reform policy began to introduce foreign trade and investment, private enterprise, and elements of market pricing. Along with these reforms, China had seen an influx of pro-Western ideas among journalists, writers, academics, students, the newly emerging class of private entrepreneurs, and even the general public. The conservatives who had prevailed on Deng to remove Hu from office had blamed Hu for failing to stem this trend. They had hoped that Zhao would do better. Instead, they charged, Zhao did not pay sufficient attention to ideological discipline, and the party lost control over public opinion.

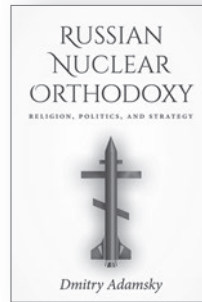
The speakers at the Politburo meeting believed that most of the people who had joined in the demonstrations were misguided but not hostile to the regime. They had been manipulated by “an extremely small number of bad people,” as one put it. Song Ping, an economic planner and Politburo member, even claimed that Zhao and his reformist allies had hatched a nefarious plot to split the party, overthrow Deng, and democratize China. Several other speakers supported this idea, without offering proof.

The speakers also railed against foreign enemies who they alleged had colluded to worsen the crisis. According to Song, “During the student movement, the United States stuck its hands in, in many ways. The Voice of America spread rumors and incitement every day, trying to make sure that China would stay in chaos.” Vice President Wang Zhen expressed a widely shared view that Washington’s interference was just the latest move in a decades-long plot to overthrow communism:

After the October Revolution [of 1917], 14 imperialist countries intervened militarily in the newborn Soviet regime, and Hitler attacked in 1941. After World War II, U.S. imperialists supported Chiang Kai-shek in the Chinese Civil War and then invaded Korea and Vietnam.



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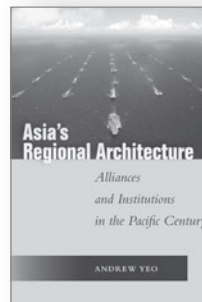
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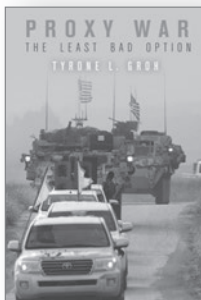
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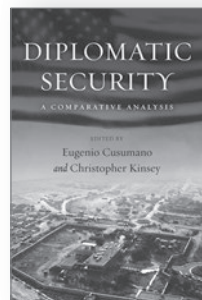
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Now they'd like to achieve their goal the easy way, by using "peaceful evolution": . . . buying people with money, cultural and ideological subversion, sending spies, stealing intelligence, producing rumors, stimulating turmoil, supporting our internal hostile forces, everything short of direct invasion.

By demonizing domestic critics and exaggerating the role of foreign forces, the victorious conservatives revealed their blindness to the real problems affecting their regime. Prime among them was the alienation that the party's atavistic methods of political control had produced in students, intellectuals, and the rising middle class. Instead, they blamed the reforms. The party's now ascendant conservative faction had been worried about Deng's policies all along, as Zhao recounted in his secretly composed and posthumously published memoir, *Prisoner of the State*. He had battled conservative critics throughout his tenure as premier (from 1980 to 1987), when he served as the chief implementer of Deng's vision, and Deng had often been forced to compromise on his ambitions in order to placate hard-liners.

The conservatives who condemned Zhao at the Politburo meeting often did so by attacking policies that were actually Deng's. Wang, for example, warned that economic reforms were leading China into a convergence with the West, but he pretended that these reform ideas were Zhao's, not Deng's. (He and others referred to Zhao as "comrade" because Zhao was still a party member.) Wang said:

We need to acknowledge that the reform and opening that Comrade Xiaoping talked about was different in its essence from the reform and opening that Comrade Zhao Ziyang talked about. Comrade Xiaoping's reform and opening aimed to uphold national sovereignty and ethnic respect, uphold the socialist road, uphold the combination of planned economy and market regulation, continue to protect the creative spirit of bitter struggle and to direct investment toward basic industries and agriculture. Comrade Zhao Ziyang's reform and opening was to take the capitalist road, increase consumption, generate waste and corruption. Comrade Zhao Ziyang was definitely not the implementer of Comrade Xiaoping's reform-and-opening policy but the distorter and destroyer of it.

Speakers also pilloried Zhao for failing to adequately support the People's Liberation Army, even though military affairs had been un-

der Deng's control. Marshal Nie Rongzhen defended the military's centrality to the stability of the state in stark terms:

In recent years, with the relaxation of the international situation and under the influence of the bourgeois liberal thought trend, our awareness of the need for dictatorship [that is, armed force as a guarantee of regime stability] weakened, political thought work became lax, and some comrades mistakenly thought that the military was not important and lashed out at military personnel. There were some conflicts between military units and local authorities in places where they were stationed. At the same time, some of our comrades in the military were not at ease in their work and wanted to be demobilized and return home, where they thought they had better prospects. All this is extremely wrong. I think these comrades' thinking is clear now, thanks to the bloody lesson we have just had: the barrel of the gun cannot be thrown down!

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*The Politburo speeches betrayed the lack of solutions that the party leadership was able to offer for China's problems.*

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Although policy disagreements among the party's leadership had paved the way for the Tiananmen crisis, the armed crackdown did nothing to set a clear path forward. Indeed, the Politburo speeches betrayed the lack of solutions that the party leadership was able to offer for China's problems, as members fell back on hollow slogans, with calls to "strengthen party spirit and wipe out factionalism" and to "unify the masses, revitalize the national spirit, and promote patriotic thought." Owing to this paucity of genuine policy thinking, the consensus that formed in the wake of Tiananmen was fragile from the start.

A few days after the Politburo meeting, the party gathered its full 175-person Central Committee, together with alternates, members of the Central Advisory Commission, and high-ranking observers, for the Fourth Plenum of the 13th Central Committee. Zhao's successor as general secretary, Jiang Zemin, delivered a speech in which he tried to fudge the differences between Deng and the conservatives. He claimed that Deng had never wanted to loosen ideological discipline: "From 1979 to 1989, Comrade Xiaoping has repeatedly insisted on the need to expand the education and the struggle to firmly support the Four Cardinal Principles and oppose bourgeois liberalization. But these important views of Comrade Xiaoping were not thoroughly

implemented.” Jiang pledged to unify the party and to seek advice from “the old generation of revolutionaries.”

Despite Jiang’s promises, the former Politburo member Bo Yibo worried that the new leadership would continue to face opposition. “We cannot afford another occurrence” of division, he warned. “In my view, history will not allow us to go through [a leadership purge] again.”

After 1989, the conservatives remained ascendant for three years, until the aging Deng made his attention-getting “trip to the South” in 1992. By visiting “special economic zones” (places where the government allowed foreign-invested, export-oriented enterprises to operate) and issuing statements such as “whoever is against reform must leave office,” Deng forced Jiang and his colleagues to resume economic liberalization. This was Deng’s last political act. It helped usher in rapid economic growth but did nothing to revive political liberalization.

### **CORE BELIEFS**

After coming to power in the wake of the Tiananmen crisis, Jiang spent more than a dozen years as general secretary, from 1989 to 2002. But like Zhao, he was never able to achieve complete control over the party. Indeed, none of Zhao’s successors was able to do so—until Xi. Zhao’s failure on this count was discussed at the enlarged Politburo meeting in a way that reveals why the Chinese system tends toward one-man rule, despite the costs and risks of concentrated power.

The words of President Yang Shangkun are especially interesting because he was Deng’s most trusted lieutenant and personal representative and in that capacity had participated as an observer and mediator in a series of crucial Politburo Standing Committee meetings during the Tiananmen crisis. He also served as Deng’s emissary to the military during the crackdown. Yang faulted Zhao for failing to make himself what would later be called a “core” (*hexin*) leader—that is, for failing to build a working consensus among all the other senior acting and retired leaders, even though many of them fundamentally disagreed with him. Zhao, he complained, “did not accept the opinions raised by others, nor did he perform any serious self-criticism. On the contrary, he kept the other members at a distance and did things by himself, which pushed the work of the Standing Committee into a situation where there was only a practical division of labor and not a collective leadership. This was a serious violation of the supreme organizational principle of collective leadership of the party.”

What does it mean to establish an effective collective leadership? Peng, the former chair of the Standing Committee of the National People's Congress, explained how it worked as an ideal:

In the party, . . . we should and must implement complete, true, high-level democracy. In discussing issues, every opinion can be voiced, whoever is correct should be obeyed, everyone is equal before the truth. It is forbidden to report only good news and not bad news, to refuse to listen to differing opinions. If a discussion does not lead to full unanimity, what to do? The minority must follow the majority. Only in this way can the Four Cardinal Principles be upheld, the entire party unified, the people unified.

But the party has seldom, if ever, achieved this ideal. Zhao, his critics agreed, never found a way to work with those who disagreed with him and instead listened to the wrong people. "He took advice only from his own familiar group of advisers," Song Ping charged. "[We should not] lightly trust ill-considered advice to make wholesale use of Western theories put forward by people whose Marxist training is superficial, whose expertise is infirm, and who don't have a deep understanding of China's national conditions."

Zhao's detractors complained that instead of trying to persuade them, Zhao would turn to Deng for support. Wan Li, chair of the Standing Committee of the National People's Congress, complained that at a meeting in December 1988, Zhao ignored critical comments. "Worse," Wan declared, "he went and reported to Comrade Xiaoping what [the critics] had said, and then . . . bragged about how Comrade Xiaoping supported him. Isn't this using Comrade Xiaoping to suppress democracy?"

### **THE CENTER CANNOT HOLD**

These vivid portrayals of life at the top—rife with factionalism and backstabbing—demonstrate the dilemma created by the party's leadership doctrine. The leader must solve problems decisively while also accepting, and even inviting, criticism and dissent from a host of elders and rivals who, given the complexity of China's problems, are bound to have different ideas about what to do. Mao Zedong did not do so (he purged a long series of rivals instead), and neither did Deng, who contended with powerful equals who frequently forced him to rein in his reform ideas. Deng devised the idea of a core leader after the Tianan-

men crisis to encapsulate this demand, reflecting his and other senior leaders' anxiety that an inability to work together would cripple the leading group going forward, as it had done in the recent crisis.

Although the first post-Tiananmen leader, Jiang, claimed the label of "core," he did not establish true dominance over the system, and his successor, Hu Jintao, did not even claim the label. Xi has made himself a true core and awarded himself the label in 2016, after four years in office. He achieved that position by purging all possible rivals, packing the Politburo and the Central Military Commission with people loyal to him, creating an atmosphere of fear in the party and the military with an anticorruption campaign that targeted his opponents, and moving quickly to crush any sign of dissent from lawyers, feminists, environmental campaigners, and ordinary citizens. Just as nature abhors a vacuum, the Chinese political system abhors genuine democracy and presses its leaders toward dictatorship.

Yet centralized leadership has not resolved the abiding contradiction between reform and control that generated the Tiananmen crisis 30 years ago. The more China pursues wealth and power through domestic modernization and engagement with the global economy, the more students, intellectuals, and the rising middle class become unwilling to adhere to a 1950s-style ideological conformity, and the more conservative party elites react to social change by calling for more discipline in the party and conformity in society. That tension has only worsened as Xi has raised incomes, expanded higher education, moved people to the cities, and encouraged consumption. China now has a large, prosperous middle class that is quiescent out of realistic caution but yearns for more freedom. Xi has responded by strengthening the state's grip on the Internet and other media sources, intensifying propaganda, constraining academic freedom, expanding surveillance, fiercely repressing ethnic minorities in western China, and arresting lawyers, feminists, and other activists who dare to push for the rule of law.

Marshal Nie was right when he told the post-Tiananmen Politburo meeting that "the counterrevolutionary riot has been pacified, but the thought trend of bourgeois liberalization is far from being eliminated. The battle to occupy the ideological front will remain a bitter one. We must resolve to fight a protracted battle; we must prepare for several generations to battle for several decades!" The party did indeed prepare, and the battle rages on today, with Xi counting on the power concentrated in his hands to stave off divisions within the party and

opposition in society. So far, he seems to have succeeded: economic development has continued, and another episode of dissent on the scale of the Tiananmen incident seems unthinkable today.

But Xi's form of leadership creates its own dangers. Within the party, there is much private grumbling about the demand for loyalty to a vacuous ideology and what is in effect a ban on the discussion of policy. In the wider society, the intensity of control builds up psychological forces of resistance that could explode with considerable force if the regime ever falters, either in its performance or in its will to power.

What is more, Xi's placing himself in an unassailable power position, with no rivals and no limitation on his time in office—in 2018, Xi pushed through the removal of constitutional term limits on the state presidency—has created the conditions for a future succession crisis. When the question of succession arises, as it must in one form or another, according to the Chinese constitution, whoever is serving as vice president should succeed Xi as state president. But there is nothing on paper, and no informal norm or custom, that says who should succeed him as general secretary of the party or as chair of the Central Military Commission, positions that are far more powerful than that of state president. There is no evidence that Xi has designated a successor, as Mao did, and this may be because Mao's experience showed how a designated successor can become a rival waiting in the wings. On the other hand, failing to name an heir is equally problematic if one wishes to see a smooth power transition.

Had Deng sided with Zhao 30 years ago and chosen a less aggressive response to the Tiananmen demonstrations, the Chinese Communist Party might very well still be in control today, because nothing that Zhao said during the crisis, or in the several publications that reflected his views during the period of his house arrest, indicated that he wanted to open China up to multiparty political competition. Zhao claimed that the ruling party could trust the people and therefore could allow the press to report the truth (or at least more of it), could conduct dialogue with the students and other petitioners, could loosen the constraints on civil society organizations, could make the courts more independent, and could give more power to an elected legislature. He thought those changes would make the party more legitimate, not less, and would make one-party rule more stable. But China took another path. Today it has a regime that is stronger on the surface than at any time since the height of Mao's power, but also more brittle. 🌐



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# A World Safe for Autocracy?

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## China's Rise and the Future of Global Politics

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*Jessica Chen Weiss*

**T**he Chinese people, President Xi Jinping proclaimed in 2016, “are fully confident in offering a China solution to humanity’s search for better social systems.” A year later, he declared that China was “blazing a new trail for other developing countries to achieve modernization.” Such claims come as the Chinese Communist Party (CCP) has been extending its reach overseas and reverting to a more repressive dictatorship under Xi after experimenting with a somewhat more pluralistic, responsive mode of authoritarianism.

Many Western politicians have watched this authoritarian turn at home and search for influence abroad and concluded that China is engaged in a life-and-death attempt to defeat democracy—a struggle it may even be winning. In Washington, the pendulum has swung from a consensus supporting engagement with China to one calling for competition or even containment in a new Cold War, driven in part by concerns that an emboldened China is seeking to spread its own model of domestic and international order. Last October, U.S. Vice President Mike Pence decried China’s “whole-of-government” effort to influence U.S. domestic politics and policy. In February, Christopher Wray, the director of the FBI, went further: the danger from China, he said, was “not just a whole-of-government threat but a whole-of-society threat.” Such warnings reflect a mounting fear that China represents a threat not just to specific U.S. interests but also to the very survival of democracy and the U.S.-led international order.

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*The view from Beijing: a Chinese-built bridge in Maputo, Mozambique, May 2018*

This fear gets the challenge from Beijing wrong. Not since the days of Mao Zedong has China sought to export revolution or topple democracy. Under Xi, the CCP has promoted “the Chinese dream,” a parochial vision of national rejuvenation that has little international appeal. China’s remarkable economic growth under previous leaders came from experimentation and flexibility, not a coherent “China model.”

Since 2012, China’s growing authoritarianism and resurgent state dominance over the economy have dashed Western hopes that China would eventually embrace liberalism. And China’s actions abroad have offered alternatives to U.S.-led international institutions, made the world safer for other authoritarian governments, and undermined liberal values. But those developments reflect less a grand strategic effort to undermine democracy and spread autocracy than the Chinese leadership’s desire to secure its position at home and abroad. Its efforts to revise and work around international institu-

tions are the result of pragmatic decisions about Chinese interests rather than a wholesale rejection of the U.S.-led international order. Beijing's behavior suggests that China is a disgruntled and increasingly ambitious stakeholder in that order, not an implacable enemy of it. In seeking to make the world safer for the CCP, Beijing has rejected universal values and made it easier for authoritarian states to coexist alongside democracies. And within democracies, the CCP's attempts to squelch overseas opposition to its rule have had a corrosive influence on free speech and free society, particularly among the Chinese diaspora.

These are real challenges, but they do not yet amount to an existential threat to the international order or liberal democracy. Successfully competing with China will require more precisely understanding its motives and actions and developing tough but nuanced responses. Overreacting by framing competition with China in civilizational or ideological terms risks backfiring by turning China into what many in Washington fear it already is.

### **NOT MADE FOR EXPORT**

Although Xi has proudly advertised in his rhetoric a Chinese example that other societies could emulate, he has also qualified such statements. In 2017, two months after touting China's modernization at the 19th Party Congress, he told a high-level gathering of foreign leaders that "managing our own affairs well is China's biggest contribution to building a community with a shared future for humanity." He went on: "We will not 'import' a foreign model. Nor will we 'export' a China model, nor ask others to 'copy' Chinese methods." That statement was a reiteration of the Chinese leadership's line ever since it began to reform and open up the economy in the late 1970s. Chinese officials have consistently stressed the unique character of China's development path.

And no wonder: neither China's economic nor its political model is well suited for export. As the economist Barry Naughton has noted, China has benefited from at least three unique economic conditions: an enormous internal market, abundant labor, and a hierarchical authoritarian government committed to a transition away from a planned economy. None of these conditions will be easy for other developing states to copy.

If there is a general principle underlying China's development, it is pragmatism and a willingness to experiment, rather than any particular

economic orthodoxy. In the words of the political scientist Yuen Yuen Ang, “directed improvisation,” rather than state control, brought about China’s economic miracle. The introduction of markets and competition into a state-run economy drove much of China’s growth before 2012, when the state began reasserting its dominance over the economy.

Other authoritarian-minded leaders may look to the CCP’s long reign with envy, but they will have trouble emulating China’s political system. Xi and his predecessors have relied on the CCP’s pervasive reach in Chinese society to maintain their rule, backstopped by an internal security apparatus that by 2011 cost more than the Chinese military. Despite its Marxist-Leninist roots, the CCP has been ideologically opportunistic, embracing capitalism and alternately rejecting and celebrating traditional Chinese philosophies such as Confucianism. Responsiveness to public criticism has also helped the CCP survive policy mistakes and improve governance. But the party’s recent moves to dominate society and curtail public discussion risk returning China to a more brittle past.

Last year, the Chinese leadership proclaimed “Xi Jinping Thought on Socialism With Chinese Characteristics for a New Era” as its guiding ideology, enshrining it in the Chinese constitution and promoting it to Chinese citizens with a smartphone app. Xi’s signature “Chinese dream” is a nationalist vision focused on delivering wealth and power to the Chinese people, with the CCP in command. As the legal scholar Margaret Lewis has written, “China’s Party-state structure is rooted in a particular history that does not lend itself to an easy copy-and-paste abroad.”

### **A HELPING HAND FOR AUTOCRATS**

Yet China has still made it easier for authoritarianism to thrive elsewhere. The country’s four decades of rapid economic growth have demonstrated that development does not require democracy. In the words of the political scientist Seva Gunitsky, “Material success . . . often creates its own legitimacy: regimes become morally appealing simply by virtue of their triumph.”

Beijing also supports autocracies in more direct ways, especially through international institutions. Along with Russia, China has regularly used its veto in the UN Security Council to shield other authoritarian countries from international demands to protect human rights and to block interventions that would force governments to end abuses. China has styled itself as a conservative defender of interna-

tional norms, protecting state sovereignty against what it sees as unlawful humanitarian interventions. China's growing economic clout has also led other states, particularly those in Africa and Latin America that trade heavily with China, to join Beijing in opposing human rights resolutions in the UN General Assembly.

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*Neither China's economic  
nor its political model is  
well suited for export.*

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But China has not always used its power in the UN Security Council to defend authoritarian states from international pressure. It has voted several times for UN sanctions resolutions against Iran and North Korea and has pushed other countries, including Myanmar and Sudan, to curb political violence. "Despite its equivocations," the political scientist Joel Wuthnow has pointed out, "China cannot be simply described as a patron of rogue regimes."

For example, in the early years of this century, when the Sudanese government was carrying out a campaign of genocidal violence in Darfur, China sold weapons to the regime and tried to temper international sanctions. But under international pressure in advance of the 2008 Beijing Olympics, China prevailed on Khartoum to accept a peacekeeping force that included Chinese peacekeepers.

In 2011, Beijing surprised many international observers by voting for sanctions against Libya and in favor of referring the Libyan dictator Muammar al-Qaddafi to the International Criminal Court. China then chose not to block a UN Security Council resolution authorizing the military intervention in Libya that led to Qaddafi's violent ouster. Having learned from that experience, during the civil war in Syria, China has reserved its veto for those resolutions it believes threaten forcible regime change. China's overall approach to the UN reflects a conservative position on the balance between sovereignty and human rights, tempered by a desire to avoid the political costs of taking unpopular stands.

Critics often accuse Beijing of supporting authoritarian countries by providing them with unconditional loans and aid. There is some truth to this claim, but the picture is more complicated than critics usually suggest. China's official development assistance tends to follow its political interests rather than target particular types of governments according to their level of democracy or corruption. China also provides an attractive alternative source of finance to governments

unable or unwilling to meet the requirements of other international lenders. Indeed, compared with other international sources of finance, Chinese loans may actually operate more effectively in badly governed places, as they are often tied to specific infrastructure projects, such as new roads, schools, power plants, or sewage systems. Complaints that Beijing's lending props up dictators can also ring hollow given the long record of the U.S. government, international banks, and multinational oil and mining corporations sustaining strategically important or resource-rich dictatorships.

China has also begun to introduce requirements on Chinese companies aimed at reducing the negative effects of investments on local communities and curtailing vanity projects, although Beijing's diplomatic and strategic interests can still override these concerns. Under international pressure, the Chinese-led Asian Infrastructure Investment Bank has adopted norms about the environmental and social consequences of its policies similar to those in developed countries. In April, Christine Lagarde, the managing director of the International Monetary Fund, applauded Beijing's announcement of a debt-sustainability framework in response to international criticism of Xi's Belt and Road Initiative. Chinese aid and finance may not improve governance in the developing world, but it's not clear that they will worsen it either.

China also rightly gets heat from Western observers for exporting surveillance and censorship technologies. China's heavy investments in these technologies have made it cheaper for other authoritarian and would-be authoritarian regimes to monitor their citizens. Chinese companies have sold surveillance systems, including AI-powered facial recognition technology, to several countries, including Ecuador, Iran, Kenya, Venezuela, and Zimbabwe. Some government officials around the world look to China's example when it comes to managing the Internet and social media. As Tanzania's deputy minister for transport and communications noted in 2017, "Our Chinese friends have managed to block such media [Facebook, Twitter, and Instagram] in their country and replaced them with their homegrown sites that are safe, constructive, and popular. We aren't there yet, but while we are still using these platforms, we should guard against their misuse."

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*China's four decades of rapid economic growth have demonstrated that development does not require democracy.*

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Yet as with Chinese lending, the story of Chinese technology is more complicated than it first appears. The diffusion of digital authoritarianism is not the same thing as an intentional effort to remake other governments in China's image. And repression is not the only use for many of the technologies China exports. The Chinese telecommunications company ZTE, for instance, has been criticized for helping develop Venezuela's new national identity card system, which the Venezuelan authorities realized, after a visit to Shenzhen in 2008, would allow them to monitor citizens' behavior. But China isn't the only exporter of electronic identification systems. A recent article published by the Council on Foreign Relations, for example, praised British-made electronic ID cards that would "allow Rwandans to efficiently access government services." When the U.S. Commerce Department considered banning the export of technology that could be used for surveillance, many U.S. technology companies pointed out that such technology also protects digital networks from intruders.

Although these systems can help governments monitor and control their people, how exactly they are used depends on local politics. Cameras can replace more brute-force methods of surveillance, as in Ecuador, which, beginning in 2011, installed a monitoring system with China's help. But as *The New York Times* reported, many Ecuadorians have complained that the system hasn't done enough to cut crime, as the authorities haven't hired enough police officers to monitor the footage or respond to crimes caught on camera. And the Ecuadorian administration that came to power in 2017, which has pledged to reverse some of its predecessor's autocratic policies, has begun an investigation into alleged abuses of the monitoring system, including inviting the *Times* to review its records.

Ultimately, the political effects of technology can cut both ways. Just as the Internet did not bring democratic freedom to every country, so surveillance technology does not magically enable governments to control society. Technology can empower the state, but strong democratic institutions can also constrain the power of technology.

Many Western leaders also worry that Beijing is working to undermine democratic systems. The openness of democratic societies has allowed their adversaries, primarily Russia, to sow discord, paralyze debate, and influence elections. Although there is no evidence that China has illegally interfered in U.S. elections, despite allegations by U.S. President Donald Trump, some of the CCP's overseas activities

have stifled open discussion, particularly among the Chinese diaspora. Yet Beijing's aim is to advance its interests and portray Chinese actions in a positive light, not to export a particular form of government.

Beijing has devoted resources to improving China's image, sometimes in worrying ways. Since 2004, Beijing has funded several hundred Confucius Institutes, which teach Mandarin, around the world.

Concerns that the institutes infringe on academic freedom have led universities to close a number of them and academics to call for greater transparency in their operations. Beijing has also strengthened what it calls its "discourse power" by investing in English-language print and broadcast media, including the

*China Daily* insert in *The Des Moines Register* that Trump criticized last year. The danger is that many people may not notice that the news they are reading or watching is paid for by the Chinese government. Beijing has become more aggressive in its use of what the National Endowment for Democracy experts Christopher Walker and Jessica Ludwig have called "sharp power." It has threatened to ban airlines, hotels, and other international corporations from operating in China unless they toe the party's line on Taiwan and Tibet. Last year, for example, American Airlines, Delta, and United all removed references to Taiwan from their websites at the insistence of the Chinese government.

Beijing has also used a variety of tactics to co-opt and intimidate the Chinese diaspora. In particular, it has bought or leaned on Chinese-language media outlets abroad in order to suppress criticism of the CCP. Some of the most alarming evidence of China's influence has come from Australia and New Zealand. In Australia, a storm of controversy around Beijing-linked political donations, pressure, and compromising relationships recently resulted in new laws against foreign interference.

These efforts to coerce the Chinese diaspora, combined with Beijing's campaign to shape the international media narrative about China, go well beyond so-called soft power. Although the CCP's primary purpose is not to undermine democracy, its activities threaten the healthy functioning of democratic civil society and the public's access to alternative sources of information. Yet Western countries should recognize that the threat comes from the CCP, not the Chinese people or the Chinese diaspora. If

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*Most people around the world still prefer U.S. leadership to the prospect of Chinese leadership.*

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governments pass and enforce laws against foreign interference, Chinese efforts need not constitute an existential threat to liberal democracy.

### **HOW THE PARTY HURTS ITSELF**

In making the world safer for the CCP's interests, Beijing has projected a parochial, ethnocentric brand of authoritarian nationalism. That vision may be intended to help preserve the CCP's domestic rule, but it is more likely to repel international audiences than attract them. Xi's signature slogan, "the Chinese dream," reflects a self-centered CCP rhetoric that is likely to prevent Chinese political concepts from gaining universal appeal.

Growing repression at home is also tarnishing China's image abroad. Over the past two years, the CCP has built a dystopian police state in the northwestern region of Xinjiang and a network of internment camps to detain as many as one million of the Muslim Uighur community. The scale and intensity of the CCP's attempt to "reeducate" the Uighurs have drawn condemnation from the international human rights community, as well as statements of concern from the Organization of Islamic Cooperation and political leaders in Indonesia, Malaysia, and Turkey, all three of which are Muslim-majority countries important to Xi's Belt and Road Initiative.

Polls of global public opinion suggest that most people around the world still prefer U.S. leadership to the prospect of Chinese leadership. In a survey of people in 25 countries conducted by the Pew Research Center last year, respondents were asked to state whether U.S. or Chinese leadership would be better for the world. An average of 63 percent said they would prefer U.S. leadership; just 19 percent opted for Chinese leadership.

Even within China, many Chinese citizens are dubious of the CCP's heavy-handed nationalist propaganda and the personality cult growing around Xi. In 2012, the year Xi took the helm, a massive wave of anti-Japanese protests swept China. Since then, the Chinese government has kept a tight leash on grass-roots activism and promoted state-led nationalism in its place. The CCP has rolled out new holidays to commemorate World War II, blockbuster films to celebrate China's military prowess, and a smartphone app, Study the Great Nation, to promote "Xi Jinping Thought."

Blanketing the airwaves and the Internet with propaganda may foster the appearance of conformity, but it can also hide public disenchant-

ment. In my conversations with Chinese citizens and scholars, many said they felt paralyzed by the political climate; one scholar in Beijing even said that he was afraid of speaking honestly for fear of retaliation in “a new Cultural Revolution.” An extensive crackdown on corruption has also stifled policy initiatives at lower levels of government, as officials fear that taking any action will lead to retribution. Echoing the dismay of many Chinese elites at Xi’s move to scrap presidential term limits, the Chinese law professor Xu Zhangrun published an online critique of Xi’s turn toward one-man rule, which led to Xu’s suspension from Tsinghua University. Xu wrote that “people nationwide, including the entire bureaucratic elite, feel once more lost in uncertainty about the direction of the country” under Xi and warned that “the rising anxiety has spread into a degree of panic throughout society.” Despite this discontent, opinion polls in China show that the public is still quite hawkish, putting pressure on the leadership to stand tough in international disputes.

Overseas, China’s policies are arousing fear and suspicion in the very societies whose goodwill China needs if it is to maintain access to foreign markets, resources, and technology. In the South China Sea, Beijing has artificially enlarged islands to support advanced military capabilities and claimed the right to fish and extract oil and gas, stoking resentment and anti-China protests in the Philippines and Vietnam. Its actions have even aroused suspicion in countries, such as Indonesia, that do not have competing territorial claims in the South China Sea.

China’s state-directed efforts to dominate emerging technologies, such as its Made in China 2025 program, have added to fears that open trade, investment, and research will undermine U.S. national security. In the United States and Europe, trade deficits and a backlash against globalization have made China an easy target for resurgent nationalism. Many politicians, especially those who otherwise support free trade, have found it convenient to bash China.

## **GETTING CHINA RIGHT**

If Beijing were truly bent on destroying democracy and spreading authoritarianism, containment might be the right response. But a U.S. strategy of countering Chinese influence everywhere it appears in the name of fighting an ideological battle against a hostile civilization would be dangerously misguided. Such a strategy would damage U.S. economic growth and innovation, limit the freedom and openness of U.S. society, and risk becoming a self-fulfilling prophecy.

Democracy has retreated across the globe, but critics often exaggerate Beijing's role in that trend. The CCP welcomes democratic dysfunction abroad, as it makes the party look better by comparison. But democratic backsliding does not reflect a grand strategic plan in Beijing. The best approach for those who wish to counter the spread of authoritarianism is to defend and restore democracy. The United States should recommit itself to certain basic principles: the rule of law, fair elections, free speech, and freedom of the press. Where Chinese actions violate those principles, the United States should confront those responsible and join other like-minded governments to protect shared values. By recommitting to working with democratic allies and multilateral institutions, the United States could renew faith in its leadership.

When Chinese actions do not violate democratic principles, the United States should work with China to address common problems. Other countries will not be able to solve the greatest challenge humanity faces—climate change—without China's help. Under Xi, the Chinese public has acquired a taste for international leadership. Governments should welcome that trend when Chinese leadership promises to advance the global good, while criticizing Chinese actions when they fall short. Such a strategy has the added benefit of being more likely to win support from those within China who are seeking change.

At home and abroad, the CCP is fighting a defensive ideological battle against liberal norms of democracy and human rights, but so far at least, it is not engaged in a determined effort to spread autocracy. In order to respond to Beijing's actions effectively, the United States and its allies will need to be more precise about what exactly China is doing. In the end, the best way to respond to China is to make democracy work better. That would set an example for others to follow and allow the democratic world to compete with the true sources of China's international power: its economic and technological might. 🌐



## SETTING DOWN A NEW PATH

When France elected its youngest-ever president in 2017, millions of its citizens were eager to see huge changes they hoped would jump start their declining economy. But, over the past two years, the road has been rocky for Emmanuel Macron, who had faced the unenviable task of implementing drastic economic measures without eliminating state subsidies.

Beyond the headline-grabbing yellow vest movement, Macron remains resolute in making France more competitive and more aligned with stronger, less regulated economies elsewhere in the world.

This year, France climbed to the top five in the AT Kearney Direct Investment Confidence Index, its highest-ever ranking.

"France is an open and welcoming country with no less than 28,000 foreign companies employing around 2 million people. 2018 was the best year in the last five years. We attracted 1,323 new foreign investment projects, which means 25 international companies per week took the decision to invest in France. The numbers speak for themselves. France's image is improving thanks to reforms being implemented," **Business France CEO Christophe Lecourtier** said.

Another objective of the Macron government is to become a major contributor to global innovation. It has provided strong support to "La French Tech," the name given to the French startup ecosystem. The latest surveys show around 60% of young people want to start their own business, up from just 13% in 2009. To date, France has established more than 300 incubators and 50 accelerators across the whole country.

As the country's capital, Paris naturally stands at the center of this economic growth. With around 12 million residents, the region accounts for nearly 30% of the country's GDP and has the highest concentration of Fortune 500 companies in Europe.

Away from Paris, several regions across France have exhibited their own strengths for attracting foreign investment and embracing the new economy.

"The digital and technological transformation occurring in France is felt just as strongly here in Strasbourg. We have built a strong reputation for our competence in innovation," said **Eurometropolis of Strasbourg President Robert Hermann**.

This change could not have happened without the realization of France's educational sector to also adapt to the rapid changes around the world. Some universities merged to forge a more visible global presence and stronger research capabilities.

**Minister of Higher Education, Research and Innovation Frederique Vidal** shared the logic behind this: "There is a national strategy for research and higher education. It is highly important to be at an international level in order to tackle world issues concerning climate,

health, energy, mobility, among others."

This is in line with national policy: "While we want to achieve better results and be more equitable, at the core, the sector needs to better establish its world leadership," said **Minister of National Education Jean-Michel Blanquer**.

"As the backbone of the economy, education is crucial

in forming minds capable of navigating a world constantly moving," he added.

Following that path the **Université Bourgogne Franche-Comté (UBFC)** became a multidisciplinary research university following the merger of seven institutions in the Bourgogne Franche-Comté Region, which represented a total of

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60,000 students and 8,000 staff. "UBFC is responsible for the implementation of specific structuring projects and programs common to the members' academic, research and communication strategies. A striking feature of UBFC is the use of a common scientific signature. By going under the UBFC brand, our members increase the region's excellence and visibility in the global education sector," **International Affairs Director Yevgenya Pashayan-Leroy** said.

abroad will help UBFC raise enrollment of foreign students, which surged 140% in its eight English-taught master degree programs last year. In 2019, it will double the number of such programs, all centered on three areas: advanced materials, waves and smart systems; territories, environment, and food; and comprehensive individual care.

While alliances can be successful models, **Artois University President Pasquale Mammone** stressed that partnerships flourish only

if those schools have their own strengths. Artois formed an alliance with its neighbors: Université du Littoral-Côte-d'Opale and Université de Picardie Jules Verne.

"We want more exchanges for international research and for our masters and doctoral programs. We want to be more visible in our major domains of research and applied learning given our expertise in fields such as artificial intelligence, social links, environmental energy efficiency, and heritage and cross-cultural awareness," Mammone noted.

"Our ambition is two-fold: We want to develop our international activities and we want to continue helping our own region. Artois University is part of the administrative board of the region's bodies tasked to boost our industries here in Northern France," he added.

For its part, the **University of Bordeaux** realized the merits of internationalization earlier than its counterparts. For several years now, it has focused on cultural exchange as well as adopting English as its medium of instruction.

UB runs several multidisciplinary international summer schools that lets students experience life in one of the most renowned regions of France.

Regarded as the most prestigious scientific and engineering school, **Ecole Polytechnique** wants to supply France and the world with future innovators.

"Sustainable development is at the core of our teaching and research. We aim to provide

solutions to the most pressing world issues," said **President Eric Labaye**.

In a fast-changing world, engineering schools must ensure its students remain relevant long after they graduate.

"It is important for us to provide holistic growth for the students. We not only train students to get a general sense of all key digital areas, but we also ensure that in the evolution of technologists, the human dimension of innovation is also considered," **President of Institut Supérieur d'Electronique de Paris (ISEP) Jean-Luc Archambault** said.

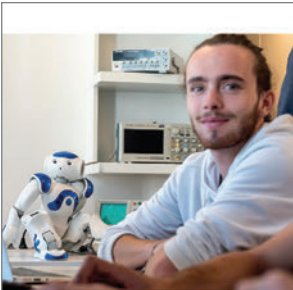
"We value applied learning. In fact, our engineers were involved in 30 of the 100 startups formed in France last year," Archambault added.

Meanwhile, industry collaboration and internationalization are priorities for **ENSEA**, a graduate school focused on electrical engineering.

"This year, we are proud to say that 100% of our students received international experience," **Director Laurence Hafemeister** said.

"This was a huge jump from our previous rate of 30%. It shows how much we value providing our students the right multi-cultural environment to reach their full potential. We aim to open opportunities for them, whether here with our students or abroad for the French ones," she added.

Already with 150 international partnerships and 30 double degree programs, ENSEA still wants more academic and industry partners. ■



**ISEP is a French graduate school of engineering in digital technology.** ISEP trains very high-level graduate engineers thoroughly in key areas of the IT world, such as AI, cybersecurity, IoT, electronics, telecommunications & networks, software engineering, and signal-image processing.

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# Feel the pulse of Europe in Strasbourg

Located only a few hours from Paris, Brussels, Frankfurt and Munich, Strasbourg in the northeastern region of Alsace plays a large symbolic role in the post-war European project which, over several decades, has evolved into one of the world's most successful political and economic blocs.

With a population of 35 million, Strasbourg is home to the European Parliament, Council of Europe, European Court of Human Rights, as well as 75 diplomatic representations and consulates.

Dubbed the Capital of Europe, the city's metropolitan composition is strengthened by the more than 11,000 foreign students who make up

over 20% of the total student population.

With four Noble Prize winners in Physiology or Medicine working within its walls, the University of Strasbourg is undisputedly the city's leading academic and research institution. Because around one-third Alsatians are aged 25 and under, the city has nurtured a robust startup climate that attracts investors, both from France and further afield.

"We are at the heart of Europe. While we are a city full of history and culture, we also have significant strengths in technological innovation, anchored by our universities," **Eurometropolis of Strasbourg President Robert Hermann** said.

By setting up five certified competitiveness clusters (life sciences and therapeutic innovation, urban vehicle innovation and mobility solutions, water quality innovation, energy efficiency, fiber-based eco-materials), Eurometropolis aims to create an ecosystem that encourages convergence and interdisciplinary collaboration, similar to that found in its sister city, Boston, Massachusetts.

"We strongly value our relationship with the city of Boston and the United States as a whole. Eli Lilly, for instance, continues to massively invest here with its largest manufacturing site in nearby Fegersheim. We have many other American companies located here as well and that number is growing," Hermann said.

Drawing inspiration from Boston, Strasbourg announced an ambitious project to transform 1.5 hectares in its city center into a techno park called NextMed, which aims to

create even more opportunities for interdisciplinary collaboration and strengthen the city's reputation as an incubator of global innovation.

Located just a few steps away from NextMed is Research Institute Against Digestive Cancer (IRCAD France), a world-renowned pioneer in less invasive surgical techniques. Celebrating its 25th anniversary this year, IRCAD allows surgeons from anywhere in the world to obtain high-level surgical training.

"We have gone to great lengths to create a collaborative environment within our city as we offer the foundational elements that can generate the kind of globally game-changing innovation we want to be known for," **Eurometropolis of Strasbourg Vice President Catherine Trautmann**, a former member of the European Parliament and a long-time advocate of innovation and entrepreneurship. ■

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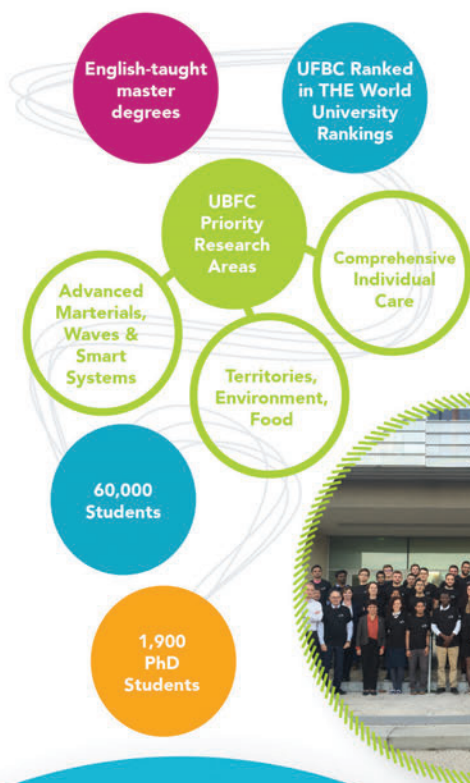
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## V20 OVERVIEW

With the G20 exploring how to maximize opportunities presented by blockchain technologies, and with businesses needing clarity and certainty around global regulatory frameworks, we have recognised a need for an international body to drive collaboration between government and industry (and other such-key stakeholders moving forward) to deliver a coordinated response to the updated standards proposed by the FATF. Led by a collective of international trade industry associations, a one-day event will be held in parallel to the G20 Summit in Osaka, Japan, with representation from leading digital asset exchanges as well as key domestic industry representative bodies. The goal of the event is to take a unified approach in developing a solution that would be workable for business and acceptable for regulators.

### KEY V20 INITIATIVES

1. An urgent meeting of key parties during the G20 Summit in Osaka including government agencies and crypto companies, as well as notable representatives of the FATF working group
2. A coordinated proposal for 'bottom up' regulation by the industry and to influence the standards proposed by FATF to better reflect the unique nature of virtual asset transactions
3. A proposal for the extension of the timeline for the updated FATF standards to come into effect to allow an appropriate response to be prepared
4. Development of protocols and standards to underpin a new platform (or similar) to meet the information collection requirements of FATF

### FINANCIAL ACTION TASK FORCE

In February 2019, the Financial Action Task Force (FATF) put forward proposed standards that would require virtual asset providers, including cryptocurrency exchanges, to not only verify their customers' identities but also the recipients of their customers' transfers. FATF has sought industry feedback on these standards, due to take effect during the G20 Summit in Osaka in June this year.

FATF is an inter-governmental body that sets global standards to combat anti-money laundering and terrorist financing (AML/CTF) as well as other threats to the integrity of the international finance system. In 2018, it announced that its international standards for illicit finance regulations would now apply to virtual assets with more precise instructions coming in 2019.

### FOUNDING MEMBERS

The following organisations in the United Kingdom, Japan, Singapore and Australia are inviting more nations to join the Virtual Asset Service Provider Summit to unite the industry.



### INDUSTRY MEMBERS

Our national trade associations exist with the support of industry partners and members. We invite you to join today.



### G20 JAPAN SUMMIT

The V20 is a two-day event in Osaka alongside the G20 Summit to discuss the FATF Standards with Industry and including FATF and/or G20 representation. Hosted in partnership with Japanese Industry (JVCEA), the participants would include Singapore, the United Kingdom, Australia, Japan, associations, and appropriate delegates from a number of the world's leading crypto companies and Virtual Asset Service Providers.

The V20 follows the initial event at G20 Brisbane 2014 (Australia), that brought together what became the signers of the GBF Memorandum of Understanding a year later

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# Europe Alone

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## What Comes After the Transatlantic Alliance

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*Alina Polyakova and Benjamin Haddad*

Speaking at the Munich Security Conference in early 2019, former Vice President Joe Biden had a reassuring message for European politicians, diplomats, and military leaders worried about American disengagement: “We will be back.” Biden’s speech was met with applause and relief. Wait out the tenure of U.S. President Donald Trump, he seemed to be saying, and sooner or later, leaders can return to the transatlantic consensus that defined the post–World War II era. Patience is the name of the game.

Biden was feeding a common but delusional hope. A new U.S. administration could assuage some of the current transatlantic tensions by, say, removing tariffs on European steel and aluminum or rejoining the Paris climate agreement. But these fixes would not deal with the problem at its root. The rift between the United States and Europe did not begin with Trump, nor will it end with him. Rather than giving in to nostalgia, U.S. and European leaders should start with an honest assessment of the path that led them to the current crisis—the first step to building a more mature and forward-looking transatlantic partnership.

The main threat to the transatlantic relationship is not a hostile White House or a decoupling of interests. Today’s crisis is first and foremost a result of the power asymmetry between the United States and Europe. For a long time, both sides accepted this imbalance, even cultivated it. Europe remained submissive in exchange for a spot un-

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derneath the U.S. defense umbrella. For all their current hectoring about “burden sharing,” American leaders have long preferred European free-riding to European chaos. But the end of the Cold War, 9/11, and the rise of China eventually shifted Washington’s security priorities elsewhere, leaving Europe alone and mortal. Today, the continent is “a vegetarian in a world of carnivores,” as Sigmar Gabriel, then Germany’s foreign minister, put it. The Trump administration’s Europe policy, alternating between indifference and hostility, has given this revelation a newfound urgency.

For now, European visions of “strategic autonomy” from the United States, often invoked by the European Commission’s president, Jean-

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*The rift between the United States and Europe did not begin with Trump, nor will it end with him.*

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Claude Juncker, and French President Emmanuel Macron, remain just that—visions. So far, a European army exists only in white papers. But even such tentative proposals fuel skepticism, if not outright opposition, in Washington. The fear, it seems, is that Europe’s desire to go its own way in security

matters will put the continent in direct competition with the United States. U.S. policymakers would prefer Europeans to spend more on military power within the confines of NATO, an idea that is based on the assumption that a more capable Europe would still follow the United States’ lead. Yet the hope that Europe can be pushed to invest in its defense without developing more autonomous security interests is fanciful. U.S. policymakers have to make a choice. Do they prefer to maintain a weak and divided European continent that is aligned with their interests and dependent on U.S. power? Or are they ready to deal with a more forceful and autonomous partner that will sometimes go against their favored policies? Europe, for its part, has a similar choice to make. It cannot claim the mantle of independent global leadership and continue to rely on the United States for its security, including in its immediate neighborhood.

Reversing the trend toward European irrelevance and disunity is the responsibility of European policymakers. But the United States should not oppose these efforts, even if they end up making Europe a more difficult partner. In the long run, a strong continent that is able to defend its interests and fight its own battles will benefit Washington more than a divided and weak one. The transatlantic alliance can

and should remain the bedrock of the Western model of liberal democratic values and principles. But it will have to transform to meet the growing economic, security, and political challenges from China and Russia. Rather than pining for the return of a transatlantic partnership that will surely continue to fray, the United States and Europe must now invest in and accept the consequences of autonomy.

## **SLOW BURN**

Tales of a golden age of transatlantic unity are written with the benefit of hindsight. In truth, the relationship has always been tumultuous. France and the United Kingdom developed their own nuclear strike capabilities in the 1950s and 1960s, against the initial objections of U.S. leaders. France even left NATO's integrated military command in 1966, returning only in 2009. West Germany sought a *détente* with East Germany in the 1970s, leading others to fear that the transatlantic ties uniting the West against the Eastern bloc were eroding. Events in the Middle East, above all, have sparked disagreements between the United States and Europe for decades, long before the U.S. withdrawal from the Iran nuclear deal.

Nor did U.S. disengagement from Europe start with Trump's inauguration. Since the end of the Cold War, the United States has shown itself willing to dismiss Europeans' concerns and reticent to dispense blood and treasure on European soil. In 2001, President George W. Bush withdrew the United States from the 1997 Kyoto Protocol despite hard lobbying by Gerhard Schröder, the German chancellor. France and Germany refused to join the Bush administration's "coalition of the willing" in the Iraq war, a split that seemed to mark a new low in transatlantic relations.

President Barack Obama poured salt on the wounds. His administration "pivoted" to Asia and pursued a "reset" with Russia. At the same time, it canceled plans to build a U.S. missile defense system in Poland with radar stations in the Czech Republic and later withdrew two U.S. Army brigades from Europe. It was only after Russia annexed Crimea in 2014 that the Obama administration reversed course, eventually reinstating one of the brigades and setting up the European Reassurance Initiative (now known as the European Deterrence Initiative), a Pentagon fund for operations to defend European allies. But even then, Obama had harsh words for Europe, calling France and the United Kingdom "free riders" in an interview with *The Atlantic*.

Put in perspective, today's troubles are not so unusual. The current differences between the United States and Europe over the Iran nuclear deal pale in comparison to the split that arose when Washington opposed the British and French invasion of Egypt during the 1956 Suez crisis, the breakdown over Iraq in 2003, and the recurring disagreements over the Israeli-Palestinian conflict. And yet today's Zeitgeist of crisis and disintegration feels appropriate, likely because the Trump administration makes for a convenient scapegoat. As the journalist James Kirchik put it, "blaming Trump for their problems is the one thing Europeans can agree on."

European leaders, of course, could have read the writing on the wall long before the Trump presidency and come up with a strategy for keeping the United States engaged. Instead, they have remained complacent in their own weakness and complicit in the deterioration of the relationship, to the point where each policy disagreement—compounded by Trump's undiplomatic rhetoric—now feels existential. Rather than lamenting the causes of an early death, both sides would be better off accepting that the alliance must change, working toward the goal of a more balanced relationship, and mitigating the inevitable fallout.

### **AN END TO COMPLACENCY?**

Europe's predicament is clear. Without a common vision for defense, and with destabilizing pressures on its periphery, the continent will soon serve as a theater, rather than a participant, in a great-power competition. Russia actively supports European far-right parties and regularly interferes in European elections. In Ukraine, Russia has illegally annexed Crimea and fomented a slow-burning war that has killed 13,000 Ukrainians and displaced 1.5 million. Farther south, the Syrian civil war has driven millions of refugees to Europe's shores, causing a split over immigration policy and fueling the rise of populist parties. China, for its part, has invested heavily in Europe's ports and technology infrastructure, in part because it hopes to drive a wedge between the United States and Europe. The more internally divided Europe is, the more it will find itself at the mercy of these opportunistic great powers. This is a recipe for a Europe once again roiled by nationalism, an EU that is irrelevant, and a transatlantic alliance in which Europe has little influence and the United States lacks a strong partner.

The only prudent way to avoid this nightmare scenario is for Europe to shed its culture of complacency in favor of autonomy. It must de-



velop the ability to better defend itself and pursue common European interests. The EU's foreign service outlined this goal in its 2016 Global Strategy, and leaders have echoed the same sentiment in speeches all over the continent. But that doesn't mean getting there will be easy.

For one, Europe will have to do more to secure neighboring regions. As the Syrian civil war has demonstrated, many European countries lack the military capacity and political will to do so. Take German Chancellor Angela Merkel, whose rebuke of Trumpism led many observers to christen her "the new leader of the free world." At this year's Munich Security Conference, Merkel, usually cautious, criticized Trump's announcement that the United States would pull out of Syria (a decision that his administration later walked back). "Is it a good thing to immediately remove American troops from Syria," Merkel asked, "or will it not strengthen Russia and Iran's hands?" The chancellor had a point: sudden U.S. disengagement from Syria might create a dangerous power vacuum, much as it did in Iraq in 2011. But Merkel's critique rang hollow: as she took the stage to attack U.S. policy in Syria, not a single German soldier was fighting on the ground there.

For a more assertive European security strategy, look instead to Paris. France not only committed its air force to the fight against the Islamic State, or ISIS, in Syria; it also pushed the United States for more joint action there. French strategists still fume over the "redline" episode in the summer of 2013, when the Obama administration ignored its own warning that chemical warfare in Syria would trigger U.S. military action. French President François Hollande, who had all but sent orders to French jets to start flying toward Syria, felt betrayed when Washington did not follow through. Looking back on the incident in 2016, Hollande's foreign minister, Laurent Fabius, called the United States' backtracking "a turning point, not only for the crisis in the Middle East, but also for Ukraine, Crimea, and the world." Yet France, with its limited military capacity and growing domestic woes, cannot act on its own without more backing from its European neighbors.

The Europeans will also have to overcome their internal foreign policy divisions. Concerns about Chinese spying, technology theft, and hidden subsidies have led the European Commission to call China "a systemic rival" and introduce a system that screens foreign investment in infrastructure, energy, defense, and the media for potential threats to European security—an initiative supported by France and Germany. Yet the screening system still lacks teeth, as it issues only

recommendations and gives EU member states, many of which lack comparable national-level protections, the final say. Furthermore, Brussels' newfound tough stance papers over divisions among member states. Italy's populist government, for instance, is going down a different path, having recently become the first major European economy to join Beijing's Belt and Road Initiative. And the United Kingdom has reportedly decided to allow the Chinese technology company Huawei to participate in building the British 5G network, despite pressure by the United States not to use any equipment manufactured by the Chinese telecommunications giant.

Similar divisions plague the continent's energy policy. Austria and Germany are moving toward completing the controversial Nord Stream 2 pipeline, which would deliver Russian gas to Germany via the Baltic Sea. If completed, Nord Stream 2 would exacerbate Europe's dependence on Russian gas by doubling Russia's export capacity. Crucially, it would allow Moscow to circumvent Ukraine entirely, thus depriving Ukraine of billions in revenues from gas transit fees. The project has exposed deep divisions between the economic ambitions of individual member states and the interests of the bloc as a whole.

For all these obstacles, there is still a great deal more consensus on the EU's foreign policy than analysts usually acknowledge. Despite pushback from incipient populist movements and domestic business interests, the EU has stayed firm on its sanctions on Russia. Following Russian interference in U.S. and European elections, the EU has also taken the lead in proposing and coordinating policy to counter disinformation, putting Europe ahead of the United States in addressing this problem. In particular, EU states have begun sharing more intelligence and have expanded a task force

that monitors and exposes Russian disinformation. The EU has also remained steadfast in its attempts to keep the Iran nuclear deal alive, against U.S. objections. To convince Tehran to stay in

compliance with the deal and to protect European companies doing business with Iran, the EU has even pursued the establishment of a special-purpose financial vehicle to circumvent U.S. extraterritorial sanctions against European companies continuing to trade with Iran. Even if Tehran revamps its nuclear program, as Iranian President Hassan Rouhani threatened in May, the European effort to save the

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*Europe must shed its culture of complacency in favor of autonomy.*

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nuclear deal shows that the continent is able to pursue a foreign policy independent from the United States.

After a rude awakening to growing security issues, from the war in Ukraine to terrorist attacks and unsecured borders at the onset of the refugee crisis, European states have also begun increasing their defense investments, putting an end to the continuous decrease that had taken place since the 1990s. Although some countries, most notably Germany, still lag behind, recent trends point in the right direction. In 2016, 22 out of 28 EU member states increased their defense spending, and the continent's combined defense spending increased again the following year. Lithuania and Sweden even reinstated compulsory military service.

In addition to greater spending at the national level, European governments are working together to build a common and efficient defense industry. Europe's defense spending is second only to that of the United States, but it is beset by redundancies and inefficiencies. To address this matter, in 2017, the bloc established the Permanent Structured Cooperation, or PESCO, a series of projects designed to avoid inefficient or overlapping military investments and coordinate efforts on cyberwarfare and energy security. That same year, European governments created the European Defence Fund, which helps finance transnational defense projects.

These defense investments won't come without hurdles. As the creation of the European Defence Fund has signaled, the continent is seeking to develop its own defense industry. Yet national interests in military strategy often still diverge. Germany, for instance, banned its arms manufacturers from exporting weapons to Saudi Arabia after the murder of the Saudi journalist Jamal Khashoggi, whereas France continues to look to Saudi Arabia as an arms export market. Moreover, a growing European defense industry would compete with U.S. businesses, adding another point of tension to the transatlantic relationship. Already, Washington has come under fire for pressuring European countries to purchase U.S.-made military equipment. In March, the French defense minister, Florence Parly, made the point that the mutual-defense provision of the NATO treaty does not require European countries to buy American fighter jets. "It's called Article 5, not Article F-35," she quipped.

Still, U.S. fears that Europe's homegrown defense push is incompatible with NATO are overblown. Europe's efforts aim to address

shortcomings in areas left vulnerable by the United States' withdrawal from the region since the end of the Cold War. European leaders have gone out of their way to emphasize that attempts to integrate European defense will strengthen, rather than compete with, NATO. Indeed, the alliance has been reenergized since Russia's aggression against Ukraine. It has carried out operations to signal its commitment to protect eastern Europe and has prepared rapid-response troops to shore up NATO's eastern flank. NATO has also refocused on its core mission: collective territorial deterrence. And despite Trump's public dismissals of the alliance, his administration raised spending on the European Deterrence Initiative, which clearly serves a purpose similar to NATO's, to \$6.5 billion in fiscal year 2019—an increase of more than \$3 billion in two years.

## **POWER POLITICS**

On defense, Europe should continue to invest in NATO and develop a foreign policy that puts security interests above the continent's aversion to foreign military engagements. More and more, Europe will need to send troops abroad to secure itself by stabilizing its periphery and neighboring regions. The Balkans, for example, remain a tinderbox, especially as some states—most recently North Macedonia—join NATO, whereas others, such as Serbia, seek favor with Russia. The situation in Syria remains fragile, and if the war there heats up, Europe may have to consider military intervention to avoid another wave of refugees.

European autonomy, however, is not measured in defense and security terms alone. Europe should not get bogged down in the technicalities of defense procurement policies or seek to create a counterweight to U.S. military power. Instead, a new European strategy should maximize those areas where the EU already has a comparative global advantage: its economic weight, its unified currency, and its political and soft power.

To use these advantages to their fullest extent, however, Europeans will need to intellectually reconcile themselves to power, a difficult proposition for a continent where several generations of policymakers, protected by the United States' security umbrella, have come to define themselves by the notion that technical cooperation could simply replace relations of force on the international stage. The EU likes to think of itself as a normative power, leveraging its regulatory ex-

pertise and vast, integrated single market to shape global norms and rules on everything from environmental protection to data privacy.

That U.S. companies have adopted the terms of the General Data Protection Regulation, the EU's ambitious data privacy law, shows how effective the bloc is at exporting its norms. Yet the EU has at times underestimated the importance of hard power in supporting soft power. When Brussels was negotiating a free-trade agreement with Ukraine in 2014, it in essence sent well-meaning economists to a deeply geopolitical fight. EU leaders thought of the European Neighborhood Policy, with its comprehensive package of reforms, as a simple tool to promote good governance in EU border states. What they

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*Europeans will need to intellectually reconcile themselves to power, a difficult proposition for their technocratic leaders.*

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failed to appreciate was that its significance was more geopolitical than anything else. Most Ukrainians saw the agreement not as a collection of technocratic tweaks but as an opportunity to anchor their country more fully in Europe and thus challenge Russia. And indeed, when Ukrainians overthrew their president after he refused to sign

an association agreement with the EU, Russian President Vladimir Putin reacted by invading eastern Ukraine and seizing Crimea. Ironically, for all the talk of Putin's anachronistic, Machiavellian understanding of power, the Russian president was much more attuned than Brussels to the real significance of the EU's technocratic instruments. Europe's timid support for Ukraine, even after Ukrainians protested—and in some cases died—while brandishing the EU flag, likely emboldened Moscow to invade Ukraine, intervene in Syria, and meddle in several Western elections. Instead of mostly standing by, Europe should have seen the Euromaidan revolution as an opportunity to take a principled stance against a revisionist Russia.

Europe's efforts to reconcile itself to power will have to include an understanding of the geopolitical role its single market can play in ensuring European sovereignty. From breaking Russian gas monopolies to blocking Chinese investments, the European Commission can use its regulatory bureaucratic instruments to ensure that Europe is not a theater for the actions of predatory great powers. To do so, lawmakers will have to overcome their dogmatic attachment to openness and put a more realistic defense of European citizens at the core of

the EU's economic policies. The same applies to immigration and asylum laws. More robust border controls, a basic pillar of sovereignty, would help bridge the gap between Brussels and citizens all over the continent, many of whom are concerned that EU institutions have not been able to protect them against what they see as unruly migrants.

### **NO MORE NOSTALGIA**

As far as Washington is concerned, a more autonomous Europe will inevitably mean more headaches and disagreements. Consider the European efforts to circumvent U.S. sanctions on Iran. Although such endeavors are largely symbolic at this stage, they could lead to a more ambitious attempt to promote the euro as an alternative reserve currency, reducing Europeans' dependence on the U.S. dollar and the U.S. financial system. This would compel the United States to rely less on the brute force of its financial dominance and more on diplomacy and persuasion—an impulse that is anathema in U.S. diplomatic culture. Yet that is the price one pays for having serious, reliable allies. It is unrealistic to imagine that after asking a partner to take on a larger portion of its own security, your interests will magically align. U.S. policymakers simply cannot expect Europe to both increase its defense spending and remain politically passive.

The good news is that Europe's willingness to pull its own weight will, paradoxically, go a long way toward ensuring a new transatlantic relationship. It will alleviate the frustrations and resentment that free-riding has fueled on the American side and remedy the weakness and dependence on the European side. In many cases, the United States will greatly benefit from European actors defending their security on their own in areas that are only peripheral to U.S. interests. U.S. support for French-led operations against al Qaeda-linked groups in the Sahel, for instance, is proof that European leadership can serve the United States well. And given that the American public has shown little appetite for getting more involved in Middle Eastern conflicts, a greater European capacity to promote stability in a region whose problems often affect Europe directly would allow Washington to lead from behind.

Above all, policymakers on both sides of the Atlantic should adjust their expectations downward. Europe will never be as central to the United States as it once was and will have to focus on ensuring the survival of its own model before claiming global ambitions. The United States should help the Europeans in this undertaking as best it can.

But the Trump administration, with its confrontational stance, has already forfeited some of the influence Washington used to have. By forgoing its role as a trust builder among Europeans and, with the United Kingdom's decision to leave the EU, losing its historic ally within the community, the United States has seen most of its ability to shape positive outcomes in Europe evaporate. Instead, it has focused on building strong bilateral ties with individual countries, such as Germany under Obama and Poland under Trump. A new U.S. president might not label the European Union a "foe," as Trump has. But merely paying lip service to common values and shared history is unlikely to translate into an increased willingness to protect European interests.

Observers should neither lament this state of affairs nor yearn for what used to be. If Europe can choose its own path, the transatlantic relationship will mature into a more balanced alliance. By 2030, NATO could be stronger and more capable than it is today. The EU could take military action to end future wars on its periphery. It could invest in Belarus, Moldova, Ukraine, and the Balkans, thus pushing back against Chinese and Russian influence there.

From developing best practices for the use of artificial intelligence to responding to unfair Chinese trade practices to fighting climate change, the United States and Europe together are still indispensable when it comes to shaping the norms and rules of tomorrow. The transatlantic alliance is unlikely to look like it once did. There may be more distance and distrust. Siblings often grow apart when they come of age; they make choices, choose partners, and embrace careers that the other doesn't necessarily approve of. But in the end, the ties that bind are stronger than the individual choices that divide. 🌐

# The Global Economy's Next Winners

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What It Takes to Thrive in the Automation Age

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*Susan Lund, James Manyika, and Michael Spence*

**T**he countries that once led the world toward economic openness are retreating into protectionism. Over the past two and a half years, the United States has abandoned the Trans-Pacific Partnership and imposed tariffs on steel, aluminum, and a wide range of Chinese goods. The United Kingdom is in the process of leaving the world's largest free-trade area. And rising nationalist sentiment is threatening to repeat these self-destructive acts elsewhere. The rich world is turning inward.

Its timing couldn't be worse. Even as critics of free trade gain the upper hand, globalization, wholly of its own accord, is transforming in rich countries' favor. Economic growth in the developing world is boosting demand for products made in the developed world. Trade in services is up. Companies are moving production closer to their customers so they can respond faster to changes in demand. Automation has slowed the relentless search for people willing to work for ever-lower wages. And the greater complexity of modern goods means that research, design, and maintenance are coming to matter more than production.

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All these trends play to the strengths of developed countries, where skilled work forces, large quantities of capital, huge customer bases, and dense clusters of high-tech companies combine to power modern economies. Middle-income countries, such as China and Mexico, may also benefit from the next era of globalization (although changing trade and investment patterns may well leave sections of their work forces behind, just as they did in rich countries over the past two decades). The poorest countries, meanwhile, will see their chief advantage—cheap labor—grow less important.

Rich countries have chosen a spectacularly poor time to begin closing themselves off from trade, investment, and immigration. Rather than pulling up the drawbridge just as the benefits of globalization have begun to flow back toward the developed world, they should figure out how to take advantage of these changing patterns of globalization. Making sure that everyone, not just the already successful, benefits will be a daunting task. But the one way for rich countries to ensure that everyone loses is to turn away from the open world just as they are becoming the masters of it.

### **THAT WAS THEN . . .**

In the 1990s and the early years of this century, growth in trade soared, especially in manufactured goods and natural resources. In 2001, China's entry into the World Trade Organization helped create a vast new manufacturing center for labor-intensive goods. The digital revolution allowed multinational companies to stretch their supply chains around the world. This spurt of globalization was fueled in part by trade in intermediate goods, such as raw materials and computer chips, which tripled in nominal value, from \$2.5 trillion in 1995 to \$7.5 trillion in 2007. Over that period, the total value of goods traded each year grew more than twice as fast as global GDP.

Then came the Great Recession. Global trade flows plummeted. Most analysts assumed that once the recovery gained steam, trade would come roaring back. They were wrong. From 2007 to 2017, exports declined from 28 percent to 23 percent of global gross output. The decline has been most pronounced in heavily traded goods with complex global value chains, such as computers, electronics, vehicles, and chemicals. A decade after the Great Recession, it is clear that trade is not returning to its former growth rates and patterns.



*Back in business: at an Amazon warehouse in Florence, New Jersey, August 2017*

In part, that's because the global economy is rebalancing as China and other countries with emerging markets reach the next stage of development. After several decades of participating in global trade mainly as producers, emerging economies have become the world's major engines of demand. In 2016, for example, carmakers sold 40 percent more cars in China than they did in Europe. It is expected that by 2025, emerging markets will consume two-thirds of the world's manufactured goods and, by 2030, they will consume more than half of all goods.

China's growing demand means that more of what is made in China is being sold there. In 2007, China exported 55 percent of the consumer electronic goods and 37 percent of the textiles it produced; in 2017, those figures were 29 percent and 17 percent, respectively. Other emerging economies are following suit.

Developing countries also now rely less on intermediate imports. China first stepped onto the global trading scene in the 1990s by importing raw materials and parts and then assembling them into finished goods for export. But things have changed. In several sectors, including computers, electronics, vehicles, and machinery, China now produces far more sophisticated components, and a wider range of them, than it did two decades ago.



Trade is becoming more concentrated in specific regions, particularly within Europe and Asia. That is partly the result of greater domestic demand from emerging-market countries, but it is also being driven by the increased importance of speed. Proximity to consumers allows companies to respond faster to changing demand and new trends. Many companies are creating regional supply chains near each of their major markets. Adidas, for example, has built fully automated “Speedfactories” to produce new shoes in Germany and the United States rather than making them in its traditional locations in Indonesia. Zara has pioneered the “fast fashion” industry, refreshing its store merchandise twice a week. More than half of the company’s thousands of suppliers are concentrated in Morocco, Portugal, Spain, and Tur-

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*Trade in services will take up an ever-greater share of the global economy.*

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key, where they can serve the European and U.S. markets. Zara can get new designs from the drawing board to a store in Manhattan in just 25 days.

The growth of new technologies, such as Internet connectivity and artificial intelligence (AI), are also changing trade patterns. From 2005 to 2017, the amount of data flowing across borders every second grew by a factor of 148. The availability of cheap, fast digital communication has boosted trade. E-commerce platforms allow buyers and sellers to find each other more easily. The Internet of Things—everyday products with Internet connections—lets companies track shipments around the world and monitor their supply chains.

Yet not all new technologies lead to more trade. Some, such as robotics, automation, AI, and 3-D printing, are changing the nature of trade flows but not boosting the overall amount of trade. Factories have used robots for decades, but only for rote tasks. Now, technological advances, such as AI-powered vision, language comprehension, and fine motor skills, allow manufacturing robots to perform tasks that were once out of their reach. They can assemble intricate components and are starting to work with delicate materials, such as textiles.

The rise of automation means companies don’t have to worry as much about the cost of labor when choosing where to invest. In recent decades, companies have sought out low-paid workers, even if that meant building long, complex supply chains. That is no longer the dominant model: today, only 18 percent of the overall trade in goods involves exports from a low-wage country to a high-wage one. Other

factors, such as access to resources, the speed at which firms can get their products to consumers, and the skills available in the work force, are more important. Companies are building fully automated factories to make textiles, clothes, shoes, and toys—the labor-intensive goods that gave China and other developing countries their start in global manufacturing. Exports from low-wage countries to high-wage countries fell from 55 percent of all exports of those kinds of cheap, labor-intensive goods in 2007 to 43 percent in 2017.

### **... THIS IS NOW**

Trade in goods may be slowing relative to global economic growth, but trade in services is not. Since 2007, global trade in services has grown more than 60 percent faster than global trade in goods. Trade in some sectors, including telecommunications, information technology, business services, and intellectual property, is now growing two to three times as fast as trade in goods. In 2017, global trade in services totaled \$5.1 trillion, still far less than the \$17.3 trillion of goods traded globally. But those numbers understate the size of the services trade. National accounts do not, for example, separate out R & D, design, sales and marketing, and back-office services from the physical production of goods. Account for those elements, and services make up almost one-third of the value of traded manufactured goods. And companies have been turning more and more to foreign providers for those services. Although directly measured services are only 23 percent of total trade, services now account for 45 percent of the value added of traded goods.

Trade in services will take up an ever-greater share of the global economy as manufacturers and retailers introduce new ways of providing services, and not just goods, to consumers. Car and truck manufacturers, for example, are launching partnerships with companies that develop autonomous driving technologies, rent out vehicles, or provide ride-hailing services, as they anticipate a shift away from the traditional model of one-time vehicle purchases. Cloud computing has popularized pay-as-you-go and subscription models for storage and software, freeing users from making heavy investments in their own hardware. Ultrafast 5G wireless networks will give companies new ways to deliver services, such as surgery carried out by remotely operated robots and remote-control infrastructure maintenance made possible by virtual re-creations of the site in question.

For decades, manufacturing firms made physical things. Today, that is no longer a given. Some multinational companies, including Apple and many pharmaceutical manufacturers, have turned themselves into “virtual manufacturers”—companies that design, market, and distribute but rely on contractors to churn out the actual product.

That change reflects a broader shift toward intangible goods. Across many industries, R & D, marketing, distribution, and after-sales services now create more value than the physical goods, and they’re growing faster. The economist Carol Corrado has shown that firms’ annual investment in intangible assets, such as software, brands, and intellectual property, exceeds their investment in buildings, equipment, and other physical assets. In part, that’s because products have become more complicated. Software now accounts for ten percent of the value of new cars, for example, and McKinsey expects that share to rise to 30 percent by 2030.

Goods still matter. Companies still have to move goods across borders, even when services have played a big role in their production. Tariffs on goods disrupt and distort these flows and lower productivity. That means they act as tariffs on the services involved, too. Tariffs on intermediate goods raise costs for manufacturers and result in a kind of double taxation for final exports. In short, the argument for free trade is just as strong today as it was three decades ago.

### **THE GOOD NEWS FOR THE WEST**

Middle-class Americans and Europeans bore the brunt of the job losses caused by the last wave of globalization. With the notable exception of Germany, advanced economies have experienced steep falls in manufacturing employment over the past two decades. In the United States, the number of people working in manufacturing declined from an estimated 17.6 million in 1997 to a low of 11.5 million in 2010, before recovering modestly to about 12.8 million today.

Yet advanced economies stand to benefit from the next chapter of globalization. A future that hinges on innovation, digital technology, services, and proximity to consumers lines up neatly with their strengths: skilled work forces, strong protections for intellectual property, lucrative consumer markets, and leading high-tech firms and start-up ecosystems. Developed countries that take advantage of these favorable conditions will thrive. Those that don’t, won’t.

Manufacturing jobs are not yet flowing back to the rich world in vast numbers, but there are some encouraging signs. Several major compa-

nies, such as Adidas, Fast Radius, and Lincoln Electric, have opened U.S. facilities in recent years. Apple has announced a major expansion in Austin, Texas, and is planning new data centers and research facilities in other cities across the United States. Companies based in the developing world are also investing more in the United States and Europe.

The growth in trade in services is providing another boost for advanced economies. The United States, Europe, and other advanced economies together already run an annual surplus in trade in services of almost \$480 billion, twice as high as a decade ago, demonstrating their competitive advantage in these industries. New technology will let companies remotely deliver more services, such as education and health care. Countries that already specialize in exporting services, such as France, Sweden, the United Kingdom, and the United States, are in a good position to capitalize on these trends.

Finally, as the developing world gets richer, it will buy more cars, computers, airplanes, and machinery from the developed world. Advanced economies send more than 40 percent of their exports to emerging markets, almost double the share they sent 20 years ago. Those exports added up to more than \$4 trillion worth of goods in 2017 alone.

The picture for advanced economies is not uniformly rosy, however. Some industries will face fierce new competition from the developing world. Homegrown companies in Brazil, China, and other middle-income countries are branching out into higher-value-added industries, such as supercomputing, aerospace, and solar panel manufacturing, and relying less on imported parts from the developed world. Chinese companies are beginning to manufacture the computer chips they used to buy from abroad. (Although for smartphones, China still imports chips.) China's total annual imports of intermediate goods from Germany for vehicles, machines, and other sophisticated products peaked in 2014 at \$44 billion; by 2017, the figure was \$37 billion. Japan and South Korea have also seen their exports of intermediate goods to China in those industries decline. The Made in China 2025 initiative aims to build the country's strengths in cutting-edge areas such as AI, 5G wireless systems, and robotics.

## **STUCK IN THE MIDDLE**

Middle-income countries, such as Brazil, China, Hungary, Mexico, Morocco, Poland, South Africa, Thailand, and Turkey, will reap some of the benefits of the new globalization, but they will also face new

difficulties. Such countries now play important roles in the complex value chains that produce vehicles, machinery, electronics, chemicals, and transportation equipment. They both supply and compete with the companies based in countries with advanced economies that have traditionally dominated those industries.

A number of middle-income countries enjoy a fixed advantage: geographic proximity to major consumer markets in advanced economies. As automation makes labor costs less important, many multinational

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*Emerging economies have become the world's major engines of demand.*

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companies are choosing to build new factories not in countries with the lowest wages but in countries that are closer to their main consumer markets and that still offer lower wages than rich countries. Mexico fits the bill for the

United States; Morocco, Turkey, and eastern European countries do the same for western European countries, as do Malaysia and Thailand for richer Asian countries, such as Japan and the wealthier parts of China.

Other middle-income countries are poised to benefit from the shift from goods to services. Costa Rica, for example, is now a major exporter of business services, such as data entry, analytics, and information technology support. Its exports in those sectors have grown at an average annual rate of 34 percent over the last ten years, and they are worth \$4.5 billion today, or 7.6 percent of Costa Rica's GDP. The global annual trade in outsourced business services—everything from accounting to customer support—totals \$270 billion and growing. That represents a lucrative opportunity for middle-income countries such as Costa Rica. Yet since AI tools could handle much of the work involved in these services, workers will need to be able to assist customers with more complex troubleshooting or sales if they are to stay ahead of the machines.

Middle-income countries also have huge opportunities to benefit from new technologies—not only by adopting them but also by building them. China, for instance, is a world leader in mobile payments. Apps such as WeChat Pay and Alipay have allowed Chinese consumers to move straight from using cash for transactions to making smartphone payments, skipping credit cards altogether. China's third-party payment platforms handled some \$15.4 trillion worth of mobile payments in 2017—more than 40 times the amount processed in the United States, according to the consulting firm iResearch. In addition to making transactions cheaper and more efficient, payment apps also

create huge pools of data that their creators can use to offer individually tailored loans, insurance, and investment products. In every country, the rise of big data raises difficult legal and ethical questions; in China, especially, official use of such data has come under scrutiny. No two countries are likely to come to exactly the same conclusions, but all will have to grapple with these issues.

In addition, e-commerce, mobile Internet, digital payments, and online financial services tend to contribute to more inclusive growth. A 2019 report by the Luohan Academy, a research group established by Alibaba, found that the benefits of the current digital revolution are likely to be more evenly distributed than those of previous technological revolutions. That's because digital technologies are no longer restricted to rich people in rich countries. Today's technologies have made it easier for people everywhere to start businesses, reach customers, and access financing. The report found that in China, digital technologies have accelerated growth in rural areas and inland provinces, places that have long lagged behind the coasts.

Even as middle-income countries shift to higher-value manufacturing and services, their manufacturing workers are likely to face struggles similar to those of American and European workers who have been displaced by digital technologies. Factory workers in China, Mexico, and Southeast Asia may bear the brunt of job displacement as wages rise and automation proceeds. A study by the economist Robert Atkinson found that China, the Czech Republic, Slovenia, and Thailand are adopting industrial robots faster than their wage levels would predict. Although automation will raise productivity growth and product quality, these countries will need to help displaced workers and avoid the mistakes made by the West.

## **THE DEVELOPING-COUNTRY CHALLENGE**

In a world of increasing automation, the prospects for low-income countries are growing more uncertain. In the short term, export-led, labor-intensive manufacturing may still have room to grow in some low-wage countries. Bangladesh, India, and Vietnam are achieving solid growth in labor-intensive manufacturing exports, taking advantage of China's rising wages and the country's emphasis on more sophisticated and profitable products. To make the old model of export-led manufacturing growth work, countries will need to invest in roads, railways, airports, and other logistics infrastructure—and

eventually in modern, high-tech factories that can compete with those in the rest of the world. Bangladesh, India, and Vietnam have taken some positive steps but will need to do more.

Whether services can drive the kind of rapid growth in early stage developing countries that manufacturing once did remains to be seen. Some low-income countries, such as Ghana, India, and the Philippines, have thriving service industries catering to businesses around the world. But even in those countries, the services-export sector employs few people and contributes little to GDP. Like middle-income countries, low-income ones will need to shift to higher-value activities to stay ahead of automation. Tradable services, such as transportation, finance, and business services, enjoy high productivity growth and can raise living standards, but less tradable ones, such as food preparation, health care, and education, which employ millions more people, thus far show little productivity growth, making them a poor engine for long-term prosperity.

Technology may enable some people in low-income economies to jump ahead in economic development without retracing the paths taken by those in advanced economies. Internet access allows workers everywhere to use online freelance platforms, such as UpWork, Fiverr, and Samasource, to earn supplemental income. A large share of the freelancers on these platforms are in developing countries. Khan Academy and Coursera teach languages and other skills. Google Translate is removing language barriers. Kiva and Kickstarter help aspiring entrepreneurs fund their start-ups. And telemedicine services make better health care available to people in remote places. But using those services requires widespread access to affordable high-speed Internet. Countries need to invest in digital infrastructure and education if they are to succeed in a global digital economy. Although many countries have achieved near-universal primary schooling, getting students to complete secondary school and making sure they receive a high-quality education when there are the next hurdles.

Trade has done more than almost anything else to cut global poverty. If developing countries shift strategies to take advantage of the next wave of globalization, trade can continue to lift people out of poverty and into the middle class. It is advanced economies, however, that need to change their outlook the most dramatically. They are shutting themselves off from the outside world at the very moment when they should be welcoming it in. 🌐

# Africa's Democratic Moment?

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## The Five Leaders Who Could Transform the Region

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*Judd Devermont and Jon Temin*

**I**n the 60-plus years since the countries of sub-Saharan Africa started becoming independent, democracy there has advanced unevenly. During the Cold War, many African states turned into Soviet- or U.S.-backed dictatorships. Afterward, some nascent democracies made notable gains, but others ended up backsliding. Even as some countries in the region have grown into success stories, most have failed to embrace true democracy, despite a deep hunger for it among their populations. Today, a mere 11 percent of Africans live in countries that Freedom House considers free.

But change is afoot. Whereas from 2010 to 2014, the region experienced nine transfers of power from one leader to another, since 2015, the region has experienced 26 of them. Some of these transitions amounted to one leader relinquishing his or her seat to a hand-picked successor, but more than half featured an opposition candidate defeating a member of the incumbent party. Of the 49 leaders in power in sub-Saharan Africa at the beginning of 2015, only 22 of them remained in power as of May 2019. Just one of the newcomers, Emmerson Mnangagwa of Zimbabwe, entered office through a coup (although once someone is chosen to succeed Omar al-Bashir in Sudan, the count will grow to two). Gone are the decades when power

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regularly changed hands through coups—87 times between 1950 and 2010, according to one count.

Africa's new set of leaders includes former military dictators turned democrats, party loyalists who steadily moved up the ranks, and a few political outsiders, among them a disc jockey, a business magnate, and a former soccer star. Five of them will prove especially pivotal: Abiy Ahmed of Ethiopia, João Lourenço of Angola, Cyril Ramaphosa of South Africa, Félix Tshisekedi of the Democratic Republic of the Congo, and Muhammadu Buhari of Nigeria. These leaders pre-

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*The leaders of five key African states could shape the region for years to come.*

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side over countries that make up nearly half the population of sub-Saharan Africa, include four of the region's five largest economies, and have some of the continent's strongest militaries. And all of them claim to reject the corruption and misrule associated with their predecessors.

This is not the first time Africa has seen a wave of new leaders who inspired optimism. In the 1990s, a fresh cohort of rebels turned politicians presented themselves as democratic reformers, including Isaias Afwerki of Eritrea, Paul Kagame of Rwanda, Meles Zenawi of Ethiopia, and Yoweri Museveni of Uganda. But the accompanying enthusiasm proved misplaced: all made turns toward authoritarianism and, with the exception of Meles, who died in office in 2012, remain in power to this day. Whatever their lofty promises, it turns out, those who come to power through the gun rarely transform into democrats. Today's class of new leaders seeking a break with the past entered office peacefully, through elections—however imperfect—or other constitutional processes. Their legitimacy comes not from their military prowess but from their reformist agendas.

As the leaders of five key African states, Abiy, Lourenço, Ramaphosa, Tshisekedi, and Buhari could shape the region for years to come. The choices they make when it comes to navigating domestic challenges, pursuing reforms, and wielding their influence beyond their borders will go a long way toward determining whether the region stagnates or thrives. And although revanchist forces always threaten tentative gains, there is good reason for optimism: the popular pressures that led to change in these countries, through protest and the ballot box, will press the leaders to follow through on their promises.



*Five guys: Abiy, Lourenço, Ramaphosa, Tshisekedi, and Buhari*

Given its diplomatic, military, and economic weight in Africa, the United States has the power to nudge these leaders to choose transformation over stasis. For too long, however, Washington has embraced the false comfort of the status quo. Worried about rocking the boat in a seemingly fragile region, it has supported trusted but flawed partners instead of pushing leaders to make real change. It's time for a new approach. As a new cohort of leaders takes the reins of power in Africa's most influential countries, the United States should have the courage to stand with the people calling for change.

### **FRESH FACES**

Ethiopia, a country of some 100 million people, has seen the most dramatic transformation. In 2015, the ruling party and its allies swept every seat in parliamentary elections, revealing the sorry state of the country's ostensibly multiparty political system. The next year, tens of thousands of Ethiopians took to the streets to protest their country's closed political space and uneven allocation of resources. Lacking the political heft to steer Ethiopia through the crisis, the prime minister, Hailemariam Desalegn, resigned in February 2018, and the ruling party chose Abiy to succeed him. Abiy swiftly ushered in a series of audacious and previously unimaginable reforms. He has released thousands of political prisoners; made peace with Ethiopia's archenemy, Eritrea;

lifted restrictions on civil society; and begun the process of privatizing the country's telecommunications company and national airline.

Although his actions have proved wildly popular among Ethiopians, setting off a craze known as "Abiymania," the dizzying pace of his reforms has unsettled the political elite. Many of its members are of the Tigrayan ethnic minority, a group from the country's north that has long dominated national politics and the security sector, and they see Abiy's reforms as coming at their expense. In October 2018, he claimed to have stared down a coup attempt by the military. Moreover, by loosening the state's tight grip on its population, Abiy's reforms have exacerbated communal tensions that used to be contained. Ethnic violence—often triggered by competing claims to land and resources—has escalated under his leadership, displacing nearly three million people inside the country's borders. Abiy has called the violence "shameful" but has been unable to stop it. Yet he remains popular at home and abroad, and his twin goals of political pluralism and a market-based economy are exactly what have been missing from Ethiopia for the past two decades.

A new leader is upending Angola's politics, too. For nearly 40 years, the country was ruled by José Eduardo dos Santos, who stole Angola's substantial oil revenues to enrich his family and associates. In 2016, dos Santos, 73 years old and in poor health, announced that he would step down, and the next year, he endorsed a successor from the ruling party: Lourenço, a former defense minister. In office, Lourenço quickly defied expectations that he would do the bidding of the dos Santos family, instead pursuing corruption investigations and breaking its near monopoly on the economy and politics.

In a country ruled by a formerly Marxist political party, Lourenço has broken with precedent by seeking warmer ties with the United States and even with his country's former colonizer, Portugal. He has also broken a taboo against accepting international assistance that comes with conditions attached by welcoming an aid package from the International Monetary Fund. Although he has not turned away from China, he has promised to cease providing it with oil as collateral for credit lines, a practice that left Angola in considerable debt. And whereas his predecessor rarely deployed troops to multilateral peacekeeping missions, he has flexed Angola's muscle in regional crises, contributing soldiers to a South African-led peacekeeping operation in Lesotho and insisting on a political transition in Congo.

It is possible that Lourenço is merely a canny politician building a new patronage structure beholden to him. His anticorruption investigations have targeted dos Santos' family and key allies while sparing other power brokers. But he seems to grasp that reform is the best way for his country to end its decades of underperformance, and Angolans appear to agree. If he succeeds, then Angola—a mineral- and oil-rich country of 30 million people with an 87,000-strong military—could realize its potential as a regional powerhouse.

Ramaphosa faces greater structural challenges as he seeks to move South Africa away from the corrupt legacy of his predecessor, Jacob Zuma. Zuma allowed cronies to hijack ministries and state-owned companies to line their pockets, authorized a disastrous military deployment to the Central African Republic, and entertained a shady deal with Russia for a

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*Sometimes new leaders  
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from their patrons.*

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nuclear power plant. For Africa's most advanced economy, the anemic growth, weakening currency, and periodic rolling power outages had become a national embarrassment, and in February 2018, Zuma's party, the storied African National Congress, forced him to resign, replacing him with Ramaphosa. Ramaphosa has pledged to attract \$100 billion in new investments over the next five years and reform the country's decrepit state-owned corporations. Equally important, he has established a commission to investigate corruption under his predecessor, which has already unearthed considerable abuses by former officeholders.

In May 2019, Ramaphosa won a fresh electoral mandate. To do so, however, he had to appease left-leaning constituents, signaling support for land expropriation without compensation, a step that threatens to scare off foreign investors. Moreover, his party remains riddled with corruption and ideological divisions, which will constrain full-throated reform. Yet Ramaphosa still represents South Africa's best hope for revitalization, and there is so much low-hanging fruit that even partial reforms could prove game changing. South Africa began its two-year term as a nonpermanent member of the UN Security Council in 2019 and is set to take over the chairmanship of the African Union in 2020. Ramaphosa now has an opportunity to reverse Zuma's ignoble record of supporting autocrats and stifling human rights campaigns, and he has made some improvements on this front.

Last year, he reversed his country's vote in the UN General Assembly in order to condemn human rights abuses in Myanmar. South Africa is the only African member of the G-20 and the most powerful member of the Southern African Development Community. If Ramaphosa manages to clean up his country's politics and reform its economy, South Africa could act as an engine of growth for the whole region. And if he expands its global voice, too, the country could serve as a global champion of conflict resolution, drawing on its experience of ending apartheid 25 years ago.

Congo's road to reform is far rockier. Even though he is steering his country through its first peaceful transfer of power, Tshisekedi became president in dubious circumstances. Most observers agree that another opposition candidate actually won the elections held in December 2018, even though Tshisekedi was declared the victor. The surprise result fueled speculation that Tshisekedi had struck a deal that would allow Joseph Kabila, the country's outgoing authoritarian leader, to retain influence out of power. Any such deal will continue to constrain Tshisekedi. So will his party's lack of a majority in parliament, which means that he has to negotiate with Kabila to appoint his prime minister and cabinet.

Yet as Lourenço has shown in Angola, sometimes new leaders can untether themselves from their patrons. So far, Tshisekedi has freed about 700 political prisoners, appointed a competent national security adviser who is not beholden to Kabila, and pledged to revive the Congolese economy. Despite Tshisekedi's limited room for maneuver, in Congo's ever-shifting political landscape, he may be able to pick off defectors from Kabila's coalition and expand his own power base. He also has the benefit of strong support from the United States and other influential countries, which chose to overlook the undemocratic nature of his ascent.

The size of western Europe, Congo boasts vast stores of natural resources and the potential to generate up to 100,000 megawatts of hydro-power (second only to China and Russia in this regard). If Tshisekedi earnestly tries to address Congo's endemic insecurity, contain its devastating Ebola outbreak, and responsibly manage its immense mineral wealth, he can reap dramatic dividends that should prove popular among Congolese. The prospect of a stable Congo—a long-standing basket case that borders nine countries—could obviate the need for the 20,000-strong UN peacekeeping mission there and reduce regional tensions.

Nigeria, with a population of nearly 200 million people, has long been Africa's would-be heavyweight, full of potential but plagued by poor leadership, corruption, and insecurity. Change was supposed to come in 2015 with the election as president of Buhari, who, even though he was a military head of state in the early 1980s, campaigned on a promise to fight corruption. In a few ways, Buhari has made good on his promise, fighting some corruption, increasing infrastructure investment, and streamlining government finances. But he has turned out to be less dynamic than hoped. He has spent several months in London over the last four years for medical treatment and has failed to inspire Nigerians outside his base in the country's north. Only 35 percent of Nigerians turned out for the February 2019 elections that gave him a second term, the lowest participation rate on record since the country's transition to civilian rule, in 1999. The private sector is especially wary of his economic instincts and failed to respond to his win with a stock market rally—a first for Nigeria.

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*Ethiopia's profound improvements in individual rights could have a spillover effect across East Africa.*

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Crucially, however, he has opened up space for a new cadre of reformers, in the cabinet and at the state level, who are now waiting in the wings. Buhari has never fit into Nigeria's political class. He never sought to build a patronage network, and he has consistently pressed for cleaner government and a strong work ethic among civil servants. However inconsistently, he has promoted Nigerian leaders who share these values and sidelined politicians who do not.

Nigeria's energetic vice president, Yemi Osinbajo, exemplifies the country's potential. During Buhari's trips to London, Osinbajo has stepped in as acting president and showcased a pragmatic and inclusive style of leadership. Notably, he agreed to devalue the naira to narrow the gap between official exchange rates and black-market rates, and he traveled to the oil-rich Niger Delta to lower tensions there. His successful stints in power have increased his profile as a potential candidate in elections in 2023. Other up-and-comers include Peter Obi, a former governor and the opposition's most recent vice-presidential candidate, who has won plaudits for his economic management of his state, and Kashim Shettima, a former governor who ably facilitated humanitarian assistance to war-ravaged north-

eastern Nigeria. Reform under Buhari will continue to be slow, but he has set the stage for the next generation of leaders to quicken the pace of change.

### **THE PATH TO PROGRESS**

Two main obstacles stand in the way of these countries' democratic progress. The first is economic stagnation. Africa's overall GDP is forecast to grow by around three percent in 2019, dragged down by even slower growth rates in Angola, Nigeria, and South Africa, all of which have been hit hard by the recent slump in commodity prices. If growth rates don't improve, it will be nearly impossible for these countries' new leaders to sustain reforms and reduce dangerous levels of unemployment. But even in a period of weak commodity prices, Lourenço, Buhari, and Ramaphosa can undertake reforms that would boost growth. Nigeria should shift to a single exchange rate to attract foreign investment; it and South Africa should reform their bloated state-owned companies; and it and Angola should reduce their reliance on oil revenues. Abiy and Tshisekedi, by contrast, have the wind at their backs, with Ethiopia's economy growing at over seven percent (thanks largely to a more attractive climate for investors) and Congo's growing at over five percent (in part due to public investments in infrastructure). All five leaders have pledged to diversify their economies, reduce corruption, and attract foreign investment. Their predecessors said the same things, but unlike them, these leaders face real pressure to deliver on these promises or face the wrath of their people.

The second obstacle is political. Each of the five leaders is engaged in a high-wire act, trying to pursue reforms without triggering a backlash. Abiy, Lourenço, Ramaphosa, and Tshisekedi are mindful of the still powerful reactionary forces within their coalitions that are associated with the *ancien régime*. If these leaders move too fast, rivals may clip their wings or lead a party revolt. (Buhari, by contrast, is at risk of moving too slowly and providing an opening to his opponents.) Abiy has already encountered firsthand the consequences of charging ahead, with several politicians tied to the previous regime loudly opposing his reforms. Ramaphosa, for his part, presides over an African National Congress divided between factions loyal to him and those loyal to Zuma and risks the ire of the senior party officials who stand to lose from a crackdown on large-scale corruption. Tshisekedi is in the most precarious position of all. Kabila, his predecessor, is still

relatively young, and his party remains dominant. He will not go quietly into retirement, especially if his substantial wealth is threatened.

These leaders will need to discern when to press forward and when to slow down, getting the buy-in of would-be opponents without abandoning bold aspirations. Abiy, for instance, could build more internal consensus before rushing to announce his next big idea, a step that would preempt political pushback and pave the way for swifter implementation. Ramaphosa will need to respond delicately to demands for land expropriation, addressing the legitimate concerns of his base without scaring off investors and threatening commercial agriculture.

If the five leaders get the economics and politics right, then they could set off a virtuous cycle of reform. First, economic prospects improve, the result of a combination of economic diversification, increased foreign investment, and reduced corruption. That, in turn, strengthens their hand and helps them navigate political obstacles. As their popularity increases, they have more incentive to double down on existing reforms and build support for new ones. Investor confidence increases, economic growth accelerates, and the old guard becomes further marginalized.

If this cycle repeats across enough of the five countries, a broader narrative of regional reform could take hold, building pressure on other African countries to follow the same path. Ethiopia's profound improvements in individual rights, for example, could have a spillover effect across East Africa, emboldening antigovernment protesters in Uganda and elsewhere and convincing the military dictatorship in Eritrea to open up. In Congo, Tshisekedi has denounced his predecessor's human rights record and promised that he "will be making a clean break with everything." If he really does, the new standard he will be setting for governance in central Africa could increase the pressure on neighboring leaders, most of whom have been in power for two or more decades, to walk back some of their most egregious abuses of power.

Something similar could happen economically. Stagnation in Angola, Nigeria, and South Africa brings down Africa's overall growth rates, but under better economic management, the three largest economies in sub-Saharan Africa could drive up foreign investment outside their borders as companies use these markets as gateways to the region. Corruption in all the countries also inhibits growth, and if Abiy,



Buhari, Lourenço, and Ramaphosa continue their efforts to fight it—and if Tshisekedi follows through on his still notional promises to do the same—then they could reassure skittish foreign investors about the economic potential of the entire region.

Reforms could also supercharge promising moves toward regional economic integration. As of April 2019, 52 countries had signed up for the African Continental Free Trade Area, an agreement aimed at uniting the region's 1.2 billion people and combined GDP of \$3.4 trillion into a single market. Owing to poor infrastructure and high trade barriers, Africa suffers from particularly weak economic integration, with just 17 percent of its countries' exports staying within the region, compared with 69 percent for Europe and 59 percent for Asia. According to an estimate from the Brookings Institution, removing tariffs would increase the value of intra-African trade by \$50–\$70 billion. Although Nigeria, which is in dire need of economic liberalization, has yet to sign the treaty, the momentum for reform and integration is growing.

Transformation in these five countries could reverberate beyond the continent, too. Historically, the African states large enough to enjoy sustained global influence have been crippled by internal dysfunction. Moving beyond domestic distractions would give these countries a chance to finally punch their weight internationally. To actually do so, however, they will need to adopt more assertive foreign policies. That means better leveraging existing forums and leadership posts, such as South Africa's seat on the Security Council (where, by some estimates, more than 60 percent of resolutions concern Africa). It also means taking the lead on regional flash points. There are tentative signs of progress on this front: Angola has put its thumb on the scale to resolve political disputes in Congo and Lesotho, and Ethiopia has done the same for one between Kenya and Somalia.

The five leaders can also defend basic rights and weigh in on global issues. When it comes to violations of democratic principles, rather than turning a blind eye, they should increase the pressure on violators, both through policies such as sanctions and through their personal connections with other leaders. And when it comes to global priorities—such as climate change, counterterrorism, migration, trade, human rights, and data privacy—they should demand a seat at the table. To date, few African governments have been more than pro forma participants in the global debate over these issues, even though they greatly affect the continent.

## AMERICA IN AFRICA

Just as the developments in Africa's largest states can change how the region deals with the rest of the world, they can also change how the United States deals with the region. U.S. policy toward Africa has long been decidedly risk averse, aimed at preserving relations with predictable partners in the pursuit of stability. This is particularly true when it comes to the region's heavyweights. Washington has been willing to lean forward when freedom is at stake in smaller countries—for example, supporting the ouster of tiny Gambia's longtime dictator in 2017—but is much more restrained in countries with greater influence. The Obama administration shied away from making forceful statements about democratic backsliding and repression in Ethiopia and Uganda because the two countries were counterterrorism allies, and it refused to abandon the narcissistic leaders of South Sudan even as they led the country to ruin. The Trump administration declined to call the military takeover in Zimbabwe in 2017 a coup and has taken a hands-off approach to the protest movement in Sudan.

It is time for a bolder approach that embraces change. Opportunities to support such fundamental reforms in such strategically important states are rare, and they give the United States a chance to endear itself to growing populations that are increasingly finding their political voice. To start, the United States should increase its diplomatic, financial, and technical support to those states doggedly reforming on their own initiative, beginning with Angola and Ethiopia.

But the United States needs to target this support carefully: instead of applauding individual leaders, it should seek to strengthen institutions. Tempting as it may be for Washington to throw its political weight behind reform-minded leaders such as Lourenço and Abiy, it must not feed into cults of personality. Those, after all, are the lifeblood of dictators, and all the praise of the would-be reformers of the 1990s probably ended up encouraging their authoritarian turn. Rather, the United States should focus its attention on promoting reforms in the most important parts of each state, such as the security services, the finance ministry, the judiciary, and the legislature. The goal should be reforms that outlive the reformers.

U.S. financial support should also be rebalanced. For now, the lion's share is focused on public health and humanitarian relief, with relatively little devoted to supporting democratic governance, promoting human rights, or reforming regressive legislation. More aid

should go to the latter set of tasks, and most aid should be tied more closely to tangible progress. The Millennium Challenge Corporation, a U.S. aid agency established in 2004, offers a promising model. The MCC negotiates “compacts” worth several hundred million dollars with countries that meet certain governance criteria. Although Ethiopia is the only one of the five countries currently in the MCC

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*U.S. policy toward Africa  
has long been decidedly  
risk averse.*

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program, the United States can and should apply the principles behind it to assistance to all five, making support conditional on reforms. It should use this approach at the subnational level, too. In Nigeria, for example, the United

States should consider striking deals with the most dynamic of the country’s 36 states, some of which boast economies larger than entire African countries.

But support cannot be limited to governments. As encouraging as some of the reformers may be, equally important are the civil society leaders, human rights defenders, and journalists who provide an essential check on government authority. In Angola, Congo, and Ethiopia, such figures have suffered from decades of repression and would benefit immensely from more outside help. South Africa shows just how effective such elements can be: it was the media, civil society, and the judiciary that shone a light on the massive corruption of Zuma and his cronies, building pressure for his removal. Political leaders get the headlines, but civil society leaders often deserve just as much credit for reform.

Finally, if the United States wants to reinforce new openings under new leaders, it needs to stop treating Africa as an afterthought. Washington tends to relegate the region to one-off engagements and staid forums, if not ignore it entirely. Congo last had an Oval Office visit in 2007, South Africa in 2006, Angola in 2004, and Ethiopia in 2002. The Trump administration has devoted even fewer resources and less attention than its predecessors to sub-Saharan Africa: the current secretary of state has yet to visit the region, and unlike the George W. Bush and Obama administrations, the Trump administration has no signature initiatives centering on it. (The White House’s Prosper Africa initiative has yet to get off the ground.) Optics and invitations matter. The Trump administration should work with France to invite Africa’s new leaders to the G-7 summit in Biarritz in

August 2019. It should invite key reformers, such as Abiy, to deliver an address to Congress and encourage leaders of other branches of African governments to meet their U.S. counterparts. It should revive the moribund strategic dialogue with South Africa and start its first one with Ethiopia. And it should fill key ambassadorial posts that have been left vacant since before Donald Trump took office, including those in South Africa and Tanzania.

What makes this moment in Africa unique is the confluence of new leaders coming to power in the most influential countries, each with a mandate for reform and renewal. Success is never guaranteed, and the path to lasting progress is littered with obstacles. But in each country, there is a plausible route to reform that just a few years ago did not exist. Where it ultimately leads is worth the journey: a future in which hundreds of millions of Africans live in freedom and prosperity. 🌍



## SPIRIT OF RESILIENCE

Over the last decade, Portugal broadened its economy not only to attract more foreign tourists but also to interest more overseas investors and expatriates. With the recessions of 2008 and 2013 caused by domestic fiscal issues and a eurozone slump behind them, the country has made tremendous progress as GDP growth reached 2.1 percent last year.

“Portugal is a small country. Having just one neighbor, Spain, we decided to cross the seas. We became people of exploration. We went to Africa, India and Brazil. We extended ourselves across the globe, establishing communities everywhere,” **President of Portugal Marcelo Rebelo de Sousa** says.

“So this small country is not so small after all, because of our historic global geographic and economic influence,” de Sousa adds.

The relations between Portugal and the United States can be traced back more than 200 years and continue to remain important to the geopolitical and economic interests of both nations. Among

those making significant contributions to nurturing these ties is the **Luso-American Development Foundation (FLAD)**, a private group founded in 1985 by the Portuguese government.

“FLAD’s role is to promote Portuguese development through bilateral cooperation with the U.S. We want to focus on science and technology, education and culture. FLAD has been fostering ties between the Portuguese and American societies through people to people contact,” **FLAD President Rita Faden** says.

While its traditional industries, like textiles, wine, olive oil and shoes, have recovered, Portugal developed its own biomedical

and biotechnology industries, and nurtured a vibrant tech startup sector. A clear sign of Portugal’s new-found status: the country hosts the annual Web Summit, widely considered the world’s most important tech event.

Further afield, in the north, Braga is rebranding itself as a city that is, as **Mayor Ricardo Rio** calls it, “a fusion of history and the future, of tradition and youth.” Portugal’s third-largest city after Lisbon and Porto, Braga is very proud of how it is preserving ancient cultural heritage while attracting global brands, like Bosch.

“The innovative approach of the University do Minho makes it one of the best in Portugal. It

works closely with industry and produces world-class research,” Rio says.

Over the past decade, Portugal’s ideal location, climate, quality of life, security and highly-skilled workers have attracted many foreign investors, particularly in the property market. The Golden Visa has become a popular way of investing in Portugal as it allows foreigners to become permanent residents through a 350,000 euro investment in real estate needing restoration.

**Square Asset Management** has helped many foreigners invest in Portugal. Founded in 2002 as a purely independent asset manager in real estate, pension and the company now oversees nearly

### RRP: Bridging Portugal and the world

**RRP Advogados** is taking an entrepreneurial approach to Portugal’s traditional legal landscape. **Managing Partner Ricardo Pereira’s** illustrious career led him to establish a small and agile team that breaks conventions of Europe’s large legal firms.

The firm’s wide network and individual track record has sustained its continuous growth since its founding in 2016. Drawing on international experience, they pride themselves on being flexible and accommodating to their clients, many from overseas attracted to the country’s favorable investment climate.

“Our role as a firm and as lawyers is to connect these individuals and enterprises to educate them with an approach they are familiar with,” said Pereira. ■

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1.5 billion euros in funds and other financial vehicles, working with companies like Apollo, Oaktree and Signal Capital.

“We develop and grow activity in all sectors but especially in real estate. We went from zero to 1 billion euros in management twice with a 12% market share. We manage the biggest Portuguese fund with around 700 million euros and more than 23,000 unit-holders,” **Executive Director Pedro Coelho** says.

**Square Asset Management** has proved its global status by winning the MSCI award eight years in a row for overseeing the highest return balanced portfolio. To achieve long-term growth, it plans to diversify its products, clients and markets, starting with a new fund-raising structure in Luxembourg for institutional clients.

Meanwhile, **RRP Advogados**, set up in 2016, has established its position as one of the leading law practices in Portugal. Amid the influx of foreign investment, the young law firm employs many experts in various fields who provide sound advice and innovative solutions.

“We possess both

technical and commercial capabilities. With years of collective legal experience in both domestic and international markets, we are a bridge, an ideal partner for future clients and investors into Portugal,” **Managing Partner Ricardo Reigada Pereira** says.

Another law firm earning preferred adviser status by foreign investors, individual and institutions, is **CMS Rui Pena & Arnaut**. Established in 1964, it is well known for its full-suite of services in the fields of energy, IT and intellectual property as well as its profound expertise in labor and corporate law.

“We have a very strong private sector. We have a very stable political system. We are a country you can trust, and we are always interested in receiving and welcoming foreign people,” says **Managing Partner José Luis Arnaut**, who is also president of Lisbon’s Tourism Agency.

As the head of the capital’s main tourism promotion agency, Arnaut oversaw tourism in Lisbon grow 80% between 2015 and 2017, far above the 12% national average during the same period.

Founded in 2017, **Home Tailors** specializes in real



**Home Tailors CEO David Carapinha**

estate funding and brokerage and is a highly sought out partner of foreign investors.

“We distinguish ourselves by offering our clients quality, comprehensive service, with our proficient experts. We support Golden Visa investors, providing the best real estate solutions,” **CEO David Carapinha** says.

Beyond investments in hard assets, some in Portugal are not neglecting the importance of its human resources. Since 2002, **I Have the Power (IHTP)** has offered training and coaching programs geared to improve the interpersonal, leadership and communication skills of its clients.

“Our vision, which is the foundation of our company and brand, is to solve the challenges of the future. Starting with the education of children and continuing at every stage and every age of their lives, we don’t teach technical education, rather human education,” **CEO Adelino Cunha** said.

Today, IHTP is present in 53 countries around the world with 70 consultants across Portugal, France, Brazil and the United States. ■

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# With Great Demographics Comes Great Power

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## Why Population Will Drive Geopolitics

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*Nicholas Eberstadt*

**D**emographics may not be destiny, but for students of geopolitics, they come close. Although conventional measures of economic and military power often receive more attention, few factors influence the long-term competition between great powers as much as changes in the size, capabilities, and characteristics of national populations.

The United States is a case in point. In 1850, the United States was home to some 23 million people, 13 million fewer than France. Today, the U.S. population is close to 330 million, larger than the British, Dutch, French, German, and Italian populations combined. For more than a century, the United States has had the world's largest skilled work force, and by measures such as mean years of adult schooling, it has long had among the world's most highly educated populations. These favorable demographic fundamentals, more than geography or natural resources, explain why the United States emerged as the world's preeminent economic and military power after World War II—and why it still occupies that position today.

Yet past performance is no guarantee of future results. Thanks in large part to demographics, rival states such as China have become genuine great-power competitors over the past few decades. The United States, meanwhile, has eroded or squandered its demographic edge in a number of ways, even as its traditional allies in Europe and Asia have struggled with population stagnation or decline. So far, the damage to U.S. power has been limited by the fact that the United States' main geopolitical rivals face serious demographic problems of their own. Gaz-

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*Keep 'em coming: at a daycare center in New York City, May 2010*

ing further into the future, however, population growth and rising levels of education may propel new countries toward great-power status.

Demographics offer a clue to the geopolitical world of the future—and how Washington should prepare for it. To maintain the United States' edge, American leaders must take steps to slow or reverse the negative demographic trends now eating away at the foundations of U.S. power. They must also begin to rethink Washington's global strategy, recognizing that the future of the U.S.-led international order lies with the young and growing democracies of the developing world. With wise domestic policy and farsighted diplomacy, U.S. leaders can ensure that their country's still considerable human resources reinforce American power long into the coming century.

## **PEOPLE POWER**

For premodern empires and kingdoms, a larger population meant more people to tax and send off to war. But thanks to modern economic development, demographics are more important now than ever before. Since the Industrial Revolution, technological innovations



and other improvements in human productivity have led to a long-term decline in the price of natural resources and basic commodities such as food. At the same time, they have greatly increased the returns to skilled labor. In fact, most global economic growth since World War II can be attributed to two factors: improvements in human capital—a catchall term for education, health, nutrition, training, and other factors that determine an individual worker's potential—and favorable business climates, which allowed the value of those human resources to be unlocked. Human capital, in particular, has an extraordinary impact on economies. For each year of increased life expectancy today, for instance, a country sees a permanent increase in per capita income of about four percent. And for each additional year of schooling that a country's citizens obtain, the country sees, on average, a ten percent increase in per capita GDP.

Vast disparities between human capital development in different countries have produced gaps in economic productivity that are larger today than at any previous point in history. For example, in 2017, according to World Bank estimates, Ireland's per capita GDP was roughly 100 times as high as that of the Central African Republic (when adjusted for relative purchasing power). Yet such disparities are not set in stone: thanks to technological breakthroughs, nations can now augment their human capital faster than ever before. It took Sweden from 1886 to 2003 to raise its life expectancy from 50 years to 80 years; South Korea accomplished the same feat in less than half the time, between the late 1950s and 2009.

Despite the possibility of such rapid and often unexpected improvements in human capital, demography as a whole is a fairly predictable social science. Unlike economic or technological forecasts, population projections tend to be reasonably accurate for at least a few decades, since most of the people who will be living in the world of 2040, for example, are already alive today. And although such projections cannot predict the future, they can offer a rough guide to the emerging contours of international politics—the changing realm of the possible in world affairs. Policymakers who want to plan for the long term should be paying attention.

### **POPULATION PROBLEMS IN THE PRC**

Today, the international arena is dominated by one superpower (the United States) and two great powers (China and Russia). Recent

U.S. misadventures abroad and political turbulence at home have naturally led some to suggest that American power is on the wane. A look at demographic projections for China and Russia, however, suggests that fears that the United States will lose its position of primacy anytime soon are misplaced.

China is the United States' main international rival, and at first glance, it is an impressive rival indeed. It is the world's most populous country, with almost 1.4 billion people, and over the past four decades, it has seen the most rapid and sustained burst of economic growth in human history. Adjusting for relative purchasing power, the Chinese economy is now the largest in the world. China's growth since the 1970s is usually attributed to the policies of Deng Xiaoping, who pushed the country in a more market-friendly direction after becoming the paramount leader in 1978. But

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*Unfavorable demographic trends are creating heavy headwinds for the Chinese economy.*

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demographics also played a critical role. Between 1975 and 2010, China's working-age population (those aged 15–64) nearly doubled, and total hours worked grew even faster, as the country abandoned the Maoist policies that had made paid labor both less available and less appealing. Overall health and educational attainment rose rapidly, as well.

Given this impressive record, many—apparently including China's leadership—expect that China will surpass the United States as the world's leading power sometime in the next two decades. Yet the country's longer-term demographic prospects suggest otherwise. Over the past two generations, China has seen a collapse in fertility, exacerbated by Beijing's ruthless population-control programs. The one-child policy, introduced in 1979, was ended in 2015, but the damage had already been done. China's total fertility rate (TFR) has been below the replacement level of 2.1 children per woman since at least the early 1990s. According to the UN Population Division, China's TFR now stands at 1.6, but some analysts, such as Cai Fang, a Chinese demographer and member of the Standing Committee of the National People's Congress, believe it may be as low as 1.4—more than 30 percent below replacement. In major cities such as Shanghai, fertility may stand at one birth per woman or less.

With decades of extremely low fertility in its immediate past, decades more of that to come, and no likelihood of mass immigration,

China will see its population peak by 2027, according to projections by the U.S. Census Bureau. Its working-age population has already been shrinking for the past five years, and it is set to decrease by at least 100 million between 2015 and 2040. The country will see a particularly large decline in its working-age population under 30, which may plunge by nearly 30 percent over these years. Although this rising generation will be the best educated in Chinese history, the country's overall growth in educational attainment will slow as the less educated older generations come to make up a larger and larger share of the total population. The Wittgenstein Centre for Demography and Global Human Capital estimates that by 2040, China's adult population will have fewer average years of schooling than that of Bolivia or Zimbabwe.

As China's working population slumps, its over-65 population is set to explode. Between 2015 and 2040, the number of Chinese over the age of 65 is projected to rise from about 135 million to 325 million or more. By 2040, China could have twice as many elderly people as children under the age of 15, and the median age of China's population could rise to 48, up from 37 in 2015 and less than 25 in 1990. No country has ever gone gray at a faster pace. The process will be particularly extreme in rural China, as young Chinese migrate to the cities in search of opportunity. On the whole, China's elderly in 2040 will be both poor and poorly educated, dependent on others for the overwhelming majority of their consumption and other needs.

Taken together, these unfavorable demographic trends are creating heavy headwinds for the Chinese economy. To make matters worse, China faces additional adverse demographic factors. Under the one-child policy, for instance, Chinese parents often opted for an abortion over giving birth to a girl, creating one of the most imbalanced infant and child sex ratios in the modern world. In the years ahead, China will have to deal with the problem of tens of millions of surplus men, mostly from disadvantaged rural backgrounds, with no prospects of marrying, having children, or continuing their family line.

China will also face a related problem over the next generation, as traditional Chinese family structures atrophy or evaporate. Since the beginning of written history, Chinese society has relied on extended kinship networks to cope with economic risks. Yet a rising generation of urban Chinese youth is made up of only children of only children, young men and women with no siblings, cousins, aunts, or uncles.

The end of 2,500 years of family tradition will be a departure into the unknown for Chinese civilization—and Beijing is manifestly unprepared for this impending great leap.

### **THE RUSSIAN PARADOX**

For Russia, the demographic outlook may be even worse. The Kremlin sees itself as helming a global power, yet its grandiose self-conception is badly mismatched with the human resources at its disposal. From the standpoint of population and human capital, Russia looks like a power in the grip of all but irremediable decline.

In some respects, Russia is a typical European country: it has an aging, shrinking population and difficulties assimilating the low-skilled immigrant work force on which its economy increasingly depends. When it comes to human capital, however, Russia faces an acute crisis. After fully half a century of stagnation or regression, Russia has finally seen an improvement over the last decade in the overall health of its people, as evidenced by measures such as life expectancy at birth. But the situation is still dire. In 2016, according to the World Health Organization, 15-year-old Russian males could expect to live another 52.3 years: slightly less than their counterparts in Haiti. Fifteen-year-old Russian females, although better off than the males, had a life expectancy only slightly above the range for the UN's roster of least developed countries.

In addition to its health problems, Russia is failing in knowledge production. Call it “the Russian paradox”: high levels of schooling, low levels of human capital. Despite an ostensibly educated citizenry, Russia (with a population of 145 million) earns fewer patents each year from the U.S. Patent and Trademark Office than the state of Alabama (population: five million). Russia earns less from service exports than Denmark, with its population of six million, and has less privately held wealth than Sweden, with a population of ten million. And since Russia's working-age population is set to age and shrink between 2015 and 2040, its relative economic potential will diminish, too.

Ambitious revisionist states such as Russia can, for a time, punch above their weight in international affairs. Yet for all of Russian President Vladimir Putin's foreign meddling and military adventurism, his country is facing demographic constraints that will make it extraordinarily difficult for him and his successors to maintain, much less seriously improve, Russia's geopolitical position.

## **THE AMERICAN ADVANTAGE**

Relative to its principal rivals, the United States is in an enviable position. This should come as no surprise: the United States has been the most powerful country in the world since World War II, and its demographic advantages—its large and highly educated population, relatively high fertility rates, and welcoming immigration policies—have been crucial to that success.

The United States' most obvious demographic advantage is its size. It is the world's third most populous country, and it is likely to remain so until 2040. No other developed country even comes close—the second and third largest, Japan and Germany, have populations that are two-fifths and one-fourth the size of the U.S. population, respectively. Between 1990 and 2015, the United States generated nearly all the population growth for the UN's "more developed regions," and both UN and U.S. Census Bureau projections suggest that it will generate all of these regions' population growth between 2015 and 2040. In fact, excluding sub-Saharan Africa—the only region where the rate of population growth is still increasing—the U.S. population is on track to grow slightly faster than the world population between now and 2040.

The United States benefits from what might be called "American demographic exceptionalism." Compared with other developed countries, the United States has long enjoyed distinctly high immigration levels and birthrates. Between 1950 and 2015, close to 50 million people immigrated to the United States, accounting for nearly half of the developed world's net immigration over that time period. These immigrants and their descendants made up most of the United States' population growth over those decades. But U.S. fertility is also unusually high for an affluent society. Apart from a temporary dip during and immediately after the Vietnam War, the United States' birthrates after World War II have consistently exceeded the developed-country average. Between the mid-1980s and the financial crisis of 2008, the United States was the only rich country with replacement-level fertility. Assuming continued levels of immigration and near-replacement fertility, most demographers project that by 2040, the United States will have a population of around 380 million. It will have a younger population than almost any other rich democracy, and its working-age population will still be expanding. And unlike the rest of the developed world in 2040, it will still have more births than deaths.

Yet the United States' demographic advantage is not merely a function of numbers. For over a century, the United States has benefited from a large and growing cadre of highly skilled workers. Research by the economists Robert Barro and Jong-Wha Lee on educational attainment suggests that between 1870 and 2010, Americans were the world's most highly educated people in terms of average years of schooling for the working-age population. In 2015, by their estimate, 56 million men and women in the United States aged 25 to 64 had undergraduate degrees or graduate degrees: twice as many as in China and almost one-sixth of the global total. The United States leads the world in research and development, as measured by international patent applications and scientific publications, and in wealth generation, with Americans having accumulated more private wealth since 2000 than the Chinese have in recorded history.

### **THE TASK AHEAD**

Despite these advantages, all is not well for the United States. Warning lights are flashing for a number of key demographic metrics. In 2014, U.S. life expectancy began slowly but steadily dropping for the first time in a century. This drop is partly due to the surge in so-called deaths of despair (deaths from suicide, a drug overdose, or complications from alcoholism), especially in economically depressed regions of the country. Yet even before the decline began, U.S. progress in public health indicators had been painfully slow and astonishingly expensive. Improvements in educational attainment have also been stalled for decades: as of 2010, American adults born in the early 1980s had, on average, 13.7 years of schooling, only fractionally higher than the average of 13.5 years for their parents' generation, born in the early 1950s. Meanwhile, employment rates for American men of prime working age (25–54) are at levels not seen since the Great Depression.

Further, it is possible that consensus projections for U.S. population growth are too optimistic. Such projections generally assume that U.S. fertility will return to replacement levels. But U.S. fertility fell by about ten percent after 2008 and shows no sign of recovering. According to the Centers for Disease Control and Prevention, in 2017, the United States' TFR stood at 1.77, the lowest level since the 1970s and below those of European countries such as France and Sweden. Most demographic projections also assume that the United States will maintain net immigration at its current level of roughly one million

per year. But immigration is an intrinsically political phenomenon. In the past, the United States has decided to all but shut off immigration in response to domestic turbulence, and it may do so again.

Even with these troubling signs of decline, no rival is likely to overtake the United States in terms of raw human potential anytime soon. China and India, for instance, may have more college-educated workers than the United States does by 2040, but the superior quality of U.S. higher education will weigh heavily in the United States' favor, and the United States will almost certainly still have the world's largest pool of workers with graduate degrees. If U.S. demographic and human resource indicators continue to stagnate or regress, however, Americans may lose their appetite for playing a leading role in international affairs. Isolationism and populism could thrive, and the U.S. electorate could be unwilling to bear the considerable costs of maintaining the international order. There is also a nontrivial risk that the United States' relatively disappointing trends in health and education will harm its long-term economic performance.

To avoid these outcomes, the United States will need to revitalize its human resource base and restore its dynamism in business, health, and education. Doing so will be immensely difficult—a far-reaching undertaking that is beyond the powers of the federal government alone. The first step, however, is for Americans of all political persuasions to recognize the urgency of the task.

### **AGING ALLIES**

Even as they try to put U.S. demographic trends back on track, American policymakers should also begin considering what U.S. strategy should look like in a world in which demographic advantages no longer guarantee U.S. hegemony. One appealing solution would be to rely more on traditional U.S. partners. Japan's GDP is nearly four times as large as Russia's on an exchange-rate basis, and although its total population is slightly smaller than Russia's, it has a larger cadre of highly skilled workers. The current population of the EU is around 512 million, nearly 200 million more than that of the United States, and its economy is still substantially larger than China's on an exchange-rate basis.

The trouble is that many of Washington's traditional allies face even more daunting demographic challenges than does the United States. The EU member states and Japan, for instance, all have healthy, well-

educated, and highly productive populations. Yet the EU and Japan have both registered sub-replacement fertility rates since the 1970s, and their fertility rates began to drop far below the replacement level in the 1980s. In both the EU and Japan, deaths now outnumber births. Their working-age populations are in long-term decline, and their overall populations are aging at rates that would have sounded like science fiction not so long ago. The main demographic difference between the EU and Japan is that Europe has embraced immigration and Japan has not.

Both approaches have their drawbacks. For EU members, immigration has postponed the shrinking of their work forces and slowed the aging of their populations. Yet the EU's record of integrating newcomers, particularly Muslims from poorer countries, is uneven at best, and cultural conflicts over immigration are roiling politics across the continent. Japan has avoided these convulsions, but at the cost of rapid and irreversible population decline. As in China, this is leading to an implosion of the traditional Japanese family. Japanese demographers project that a woman born in Japan in 1990 has close to a 40 percent chance of having no children of her own and a 50 percent chance of never having grandchildren. Japan is not just graying: it is becoming a country of elderly social isolates, with rising needs and decreasing family support.

Population decline does not preclude improvements in living standards, but it is a drag on relative economic and military power. According to the U.S. Census Bureau, the United States' working-age population is set to grow by about ten percent between 2015 and 2040. Over the same period, Germany's and South Korea's working-age populations are expected to shrink by 20 percent, and Japan's, by 22 percent. The number of young men aged 15 to 24, the group from which military manpower is typically drawn, is projected to increase over that period by three percent in the United States but to fall by 23 percent in Germany, 25 percent in Japan, and almost 40 percent in South Korea.

This decline, combined with the budgetary politics of the modern welfare state—borrowing money from future generations to pay for the current benefits of older voters—means that most U.S. treaty allies will become less willing and able to provide for their own defense

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*No rival is likely to overtake the United States in terms of raw human potential anytime soon.*

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over the coming decades. The United States, in other words, will become ever more valuable to its aging security partners at the same time as they become less valuable to Washington—all while the United States' own demographic advantage is beginning to erode.

### **MAKING NEW FRIENDS**

Yet even as population trends sap the strength of traditional powers in Europe and East Asia, they are propelling a whole new set of countries, many of them potential U.S. allies and partners, toward great-power status. By courting these rising powers, U.S. policymakers can strengthen the international order for decades to come.

Washington should begin by turning its attention to South and Southeast Asia. As Japan and South Korea lose population, for instance, emerging democracies such as Indonesia and the Philippines will continue to grow. By 2040, Indonesia could have a population of over 300 million, up from around 260 million today, and the Philippines' population could reach 140 million—which would be possibly larger than Russia's. Both countries, moreover, are young and increasingly well educated. In 2015, China had almost four times as many people aged 20 to 39 as Indonesia and the Philippines did combined; by 2040, it is projected to have only twice as many. Both Indonesia and the Philippines are likely to come into increasing confrontation with an expansionist China, and as they do, they may discover an interest in deeper security cooperation with the United States.

Indonesia and the Philippines, however, pale in comparison to India. India is on track to overtake China as the world's most populous country within the next decade, and by 2040, India's working-age population may exceed China's by 200 million. India's population will still be growing in 2040, when China's will be in rapid decline. By that time, about 24 percent of China's population will be over 65, compared with around 12 percent of India's. India has its own demographic and human resource problems—compared with China, it still has poor public health indicators, low average educational attainment, and egregiously high levels of illiteracy. Despite years of attempted reforms, India still ranks 130th out of 186 countries on the Heritage Foundation's Index of Economic Freedom. Yet by 2040, India may have a larger pool of highly educated workers aged 20 to 49 than China, and its advantage will be increasing with every year. The United States and India have already begun defense cooperation in

the interest of countering China; American leaders should make it a priority to deepen this partnership in the years ahead.

The United States today has many advantages over its international rivals, thanks in no small part to its favorable demographics. Yet U.S. power cannot be taken for granted. It would be a geopolitical tragedy if the postwar economic and security order that the United States built really were to fade from the scene: no alternative arrangement is likely to promise as much freedom and prosperity to as many people as the U.S.-led international order does today. Thankfully, it is a tragedy that can be averted. If the United States can begin to repair its human capital base and forge new alliances for the twenty-first century, it can strengthen—with the aid of demographics—Pax Americana for generations to come. 🌐

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# America's Forgotten Colony

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## Ending Puerto Rico's Perpetual Crisis

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*Antonio Weiss and Brad Setser*

**W**hen Hurricane Maria struck Puerto Rico in September 2017, Americans on the mainland were horrified by the scale of the damage—thousands of deaths, hundreds of thousands displaced, millions left without electricity, and, by some estimates, economic losses as high as \$90 billion. What few registered, as the hurricane's toll and the shocking inadequacy of the U.S. government's response became clear, was an underlying cause of Puerto Rico's condition: that the island is still effectively a U.S. colony.

Since 1898, when Washington took possession of it at the end of the Spanish-American War, Puerto Rico has been neither granted sovereignty nor fully integrated into the United States. Instead, it has remained an "unincorporated territory," a place that is simultaneously a part of, yet apart from, the rest of the country. Residents of Puerto Rico are U.S. citizens, subject to federal laws and eligible for the draft, but they do not enjoy the same political rights as their fellow Americans. They have only one, nonvoting member in the House of Representatives, and although they can vote in U.S. presidential primaries, they have no Electoral College votes in the general election.

Without any say in the federal policies that govern it, Puerto Rico has for decades been neglected by Washington. Such neglect has been costly: even before Maria, Puerto Rico's economy had been in sustained decline for years. Between 2004 and 2017, economic

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*The 51st state? At a political rally in San Juan, November 2012*

output dropped by 14 percent. If Puerto Rico were measured as a country, that decline would rank among the worst in recent history for a nation not at war. This economic crisis has sparked a wave of out-migration: Puerto Rico's population has fallen from over 3.8 million in 2006 to less than 3.2 million today. The island has a poverty rate double that of Mississippi, the poorest U.S. state: around 45 percent of Puerto Rico's residents and 56 percent of its children live below the federal poverty line.

The status quo cannot continue. The United States' continued economic and political neglect of the island is a stain on the country's moral authority. Puerto Rico did not choose to enter the United States—it was conquered in an expansionist war, and its wishes have been ignored ever since. For the United States to remain a voice for democracy and self-determination on the international stage, it must end its unjust colonial relationship with Puerto Rico and the damaging purgatory that the island's current status represents.

The decision over the island's future should be left to the people of Puerto Rico themselves, as it is a question not just of economics but also of identity, heritage, and values. But however complex the process, the U.S. government must commit to working with Puerto Rico to resolve the island's status once and for all. Americans on the mainland must stand ready to support whatever choice the Puerto Rican people make—

whether that's revising the current commonwealth status, becoming an independent nation, or joining the federal union as the 51st U.S. state.

### **A QUESTION OF STATUS**

In 1898, the United States won the Spanish-American War and forced Spain to cede control of Guam, the Philippines, and Puerto Rico. Sovereignty over Puerto Rico was transferred to Congress, which under Article 4 of the U.S. Constitution has plenary power over all "Territory or other Property belonging to the United States." Immediately, the federal government had to determine the constitutional standing of the newly acquired territories.

In a series of controversial decisions known as the Insular Cases, the Supreme Court resolved this question by distinguishing between incorporated territories—those destined for eventual statehood, such as Hawaii—and unincorporated territories, including Puerto Rico. Although the Court ruled that the fundamental personal freedoms guaranteed by the Constitution extended to individuals in the unincorporated territories, those territories would not automatically enjoy the full scope of constitutional protections, such as birthright citizenship and the right to a trial by jury. There was a clear racial dimension to the rulings: in the opinion for the Court in the 1901 case of *Downes v. Bidwell*, Justice Henry Billings Brown worried that if Puerto Rico were recognized as part of the United States, then its inhabitants, "whether savages or civilized," would be "entitled to all the rights, privileges and immunities of citizens." In a prescient dissent, Justice John Marshall Harlan attacked the majority ruling for allowing Congress to "engraft upon our republican institutions a colonial system such as exists under monarchical governments."

The United States initially appointed a colonial government in Puerto Rico. But local resistance led to the Jones Act of 1917, which granted the inhabitants of the island U.S. citizenship and created a popularly elected Puerto Rican Senate. In 1947, Congress passed legislation allowing Puerto Ricans to elect their own governor. Three years later, driven in part by a desire to comply with UN rules related to the self-government of territories, it permitted the Puerto Rican legislature to draft its own constitution, subject to congressional approval. Since ratification of its constitution in 1952, Puerto Rico has officially been called a "commonwealth" in English, yet its Spanish title of "free associated state" implies a degree of autonomy that Wash-

ington, despite patchwork reforms, has consistently failed to grant it.

The question of status has long defined Puerto Rico's own politics. Its main political parties are centered on their support for statehood or commonwealth status, and policies are routinely designed and discarded in view of their implications for one or the other position. The island has held five nonbinding referendums on its status. The first two, in 1967 and 1993, indicated a preference for the commonwealth option, but in the third, held in 1998, "none of the above" won just over half the vote. More recent votes have appeared to show greater support for statehood. In 2017, for instance, in a referendum designed by the current, pro-statehood government, statehood received 97 percent of the vote, but turnout was a mere 23 percent, as both pro-independence and pro-commonwealth parties boycotted the referendum.

The federal government, for its part, has been largely content to maintain the colonial relationship. In response to the 1967 referendum, in 1970, U.S. President Richard Nixon created an ad hoc advisory group on Puerto Rico, which recommended that residents of Puerto Rico be allowed to vote in U.S. presidential elections. But that proposal failed to receive congressional support, and a later recommendation to grant the island greater autonomy was rejected by Nixon's successor, Gerald Ford, who favored statehood. Over the past three decades, Congress has periodically considered legislation to address the status of Puerto Rico, but the only measure ever passed was a small appropriation in 2014 that provided federal funding for a vote without any commitment to act on the results. And so the status quo prevails.

### **A HISTORY OF NEGLECT**

The United States has not only asserted political sovereignty over Puerto Rico; it has fundamentally shaped the island's economy. Puerto Rico's currency is the U.S. dollar, its major banks are supervised by U.S. regulators, and its commerce with the 50 states is governed by U.S. law. When a foreign good enters Puerto Rico, it clears U.S. customs and faces no further duties or trade restrictions. The federal minimum wage has applied in Puerto Rico since 1983. Puerto Rican residents can move freely within the United States, and Americans can visit Puerto Rico without a passport. Yet the island is not fully integrated with the mainland: for income tax purposes, Puerto Rico is legally offshore. Companies operating in Puerto Rico pay no federal income tax on profits earned on the island. And although Puerto Ri-

can residents pay local and U.S. payroll taxes, most do not pay federal income tax. As a result, they receive only some of the federal benefits available to Americans on the mainland—Social Security, for example, but not Supplemental Security Income.

At times, Puerto Rico has benefited from its economic ties with the United States. After World War II, a number of manufacturers opened

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*Puerto Rico is still  
effectively a U.S. colony.*

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factories in Puerto Rico, drawn by the island's low wages, increasingly skilled work force, and tariff-free access to the U.S. market. Average annual growth topped five percent in both the 1950s

and the 1960s, and income levels, although low compared with those on the mainland, were far higher than those in the rest of the Caribbean. Many viewed Puerto Rico as the capitalist and democratic answer to communist Cuba.

Yet the island's postwar boom was not built to last. Puerto Rico's growth was heavily dependent on federal policies that shielded it from international competition. These policies began to change after the 1970s, when the United States became more deeply integrated into the global economy. In 1973, when the United States abandoned its oil import quota system, which had privileged Puerto Rican oil imports and thus helped stimulate the island's economic development, Puerto Rico's sizable petrochemicals industry collapsed.

As Puerto Rico's traditional manufacturing sectors were exposed to global competition, the island became more and more dependent on its status as an offshore tax haven for U.S. firms. A 1976 change to the U.S. tax code, Section 936, allowed firms to repatriate income earned in Puerto Rico to the U.S. mainland without paying taxes. This made the island an attractive destination for U.S. companies, particularly those in the pharmaceutical industry, which could transfer intellectual property rights for a valuable drug to a Puerto Rican subsidiary, manufacture the drug in Puerto Rico, charge a high markup on its sales to customers on the mainland, and then repatriate the tax-free profit. Over time, other high-profit industries reliant on intellectual property also took advantage of Puerto Rico's tax status—but they failed to generate much local employment.

As a result, even with these tax incentives, Puerto Rico in the 1970s and 1980s never replicated the rapid, broad-based growth of the 1950s and 1960s. By the time the United States repealed Section 936 (through

a ten-year phaseout ending in 2006), the federal policies that had supported the Puerto Rican economy—high external tariffs, oil import quotas, and tax-free repatriation of offshore profits—were all gone. When the island's real estate bubble burst in 2008, Puerto Rico's economy collapsed, and then continued to decline even as the mainland recovered. Not surprisingly, the island's government began facing persistent revenue shortages and budget deficits, which it financed through excessive (and often hidden) borrowing and through sales of whatever marketable assets remained in its already depleted public pension system. Between 2005 and 2017, the island's total public debt rose from \$35 billion to over \$70 billion, or \$20,000 for every Puerto Rican. The last time that Puerto Rico tried to issue bonds, in 2014, the three major U.S. credit-rating agencies scored them as junk.

Puerto Rico has made its share of policy mistakes. The island's government never fully mastered its own finances, lacking modern systems to control and monitor spending by its constituent parts. It entered into shortsighted, opaque tax agreements with multinational corporations that sacrificed long-term revenue in order to address short-term budget shortfalls. It cut public investment as the economy shrank, weakening the island's infrastructure, and forwent critical initiatives, such as modernizing Puerto Rico's dangerously outdated electrical grid. But the U.S. government also bears a great deal of responsibility for the island's plight. When federal policies that aided Puerto Rico's economic development were repealed, no enduring replacements were put in place. Washington largely ignored Puerto Rico until it was clear that the island was in severe financial distress and would default on its debt without the protections granted to U.S. municipalities when they file for bankruptcy. In 2016, well before Maria, Congress passed legislation to create a process akin to bankruptcy that would allow the island's debt to be restructured in court. It also established an oversight board responsible for supervising the island's finances and ensuring that it would eventually regain access to credit markets. Although necessary to gain bipartisan support for the bill, the creation of the board—with seven members appointed by the U.S. president—was a stark reminder of the island's colonial status.

Yet Congress did nothing to address Puerto Rico's incomplete integration into the federal safety net, leaving the island's residents more exposed to poverty than U.S. citizens on the mainland. Residents of Puerto Rico do not receive the federal Earned Income Tax Credit,



which supplements the income of poor Americans. EITC benefits can be substantial: on the mainland, a family with two children earning the Puerto Rican median income of \$20,000 would receive around \$5,600 in tax credits every year. And although Puerto Rico participates to varying degrees in other federal safety net programs, including Medicaid and Medicare, a 2014 study by the Government Accountability Office estimated that Puerto Rico received between \$1.7 billion and \$5.4 billion less in annual federal benefits than it would if it were a state.

### **FIRST THINGS FIRST**

The first priority for both U.S. and Puerto Rican policymakers must be to reduce the commonwealth's overwhelming debt burden, which, measured both in per capita terms and relative to GNP, is far higher than that of any U.S. state. Puerto Rico's contracted debt service amounts to around 20 percent of its annual revenue, compared with below five percent for the average state. Now that Puerto Rico has entered the bankruptcy-like process set out by Congress in 2016, it should be able to reduce its debt. But there is no guarantee that once Puerto Rico, the oversight board, and various creditor groups agree to a debt restructuring, the island will emerge with a truly sustainable debt burden.

After the debt has been restructured, the island must gain access to federal funds to rebuild its critical infrastructure. Since Hurricane Maria, Puerto Rico has been promised substantial federal disaster aid over the coming decades. Although the total amount of this aid could reach over \$80 billion, only half has been authorized by federal agencies, and just over \$10 billion had reached the island by the start of 2019. It is crucial that this money be used to modernize the island's outdated infrastructure rather than to service legacy debts. The Puerto Rico Electric Power Authority, for example, currently uses 40-year-old power plants that burn oil to generate much of Puerto Rico's electricity. This electricity is then delivered across the island's uneven and forested terrain via large transmission lines, which are vulnerable to hurricane-force winds. Puerto Rico's electrical grid is thus exposed both to higher oil prices and to damage from natural disasters. Puerto Rico needs to improve its electricity generation, reduce its dependence on imported energy by investing in renewables, and create a resilient power grid that can withstand future hurricanes.

Puerto Rico's government should also take measures to improve the environment for business, while recognizing that now is not the time

to implement austerity measures or punitive labor-market reforms. The economic stimulus provided by post-Maria reconstruction should result in a short-term increase in the island's tax revenues, allowing the government to avoid some previously planned budget cuts, including in its educational and health-care systems. Proposals to reduce Puerto Rico's minimum wage, advocated by some economists, or increase its at-will employment, pushed by the oversight board but rejected by Puerto Rico's elected representatives, would be less likely to stimulate economic growth than measures such as the introduction of a federally sponsored EITC.

### **THE ROAD AHEAD**

The immediate economic crisis must be addressed through an ambitious program to restructure Puerto Rico's debt, rebuild its infrastructure, and revitalize its economy. But the path forward will be sustainable only if the island's political status is finally resolved. Although it is for the people of Puerto Rico to decide their future, the federal government has a responsibility to work with them to develop options for a referendum and clarify how each option would be implemented if chosen. The federal government must also make clear that the vote will result in action. Washington must commit, for the first time, to respect the will of the Puerto Rican people, regardless of which path they choose.

None of the options for addressing Puerto Rico's status is straightforward. Each raises complex economic, cultural, and constitutional issues and would require a multiyear transition process, designed together with the people of Puerto Rico. Yet however challenging it may appear, the task is a necessary one.

The first option for resolving Puerto Rico's status is to revise the current commonwealth arrangement. The initial step for such a revision would be to address the island's broken economic model. The federal government, for instance, must be willing to provide additional funds for Puerto Rico's health-care system, which currently relies on Affordable Care Act and Hurricane Maria relief appropriations that will soon run out. A revised arrangement should also ensure that any corporate tax incentives be tied to the creation of jobs in Puerto Rico, rather than providing multinational companies with a convenient tax haven.

Such changes to the economic relationship could be enacted through congressional legislation, but they would not by themselves end the island's colonial status, as a future Congress could overturn

or change them without Puerto Rico's consent. A revised arrangement would need to provide Puerto Rico with greater control over its destiny, through increased local autonomy, a more meaningful voice in the development of national policy, or both. Accomplishing this would arguably require an amendment to the U.S. Constitution, as over a century of federal actions and judicial decisions, including two recent Supreme Court cases, have suggested that Congress will continue to have absolute authority over Puerto Rico under the current constitutional arrangement. An amendment should enshrine Puerto Rican residents' equal status as American citizens with specific rights to self-government, voting representation in presidential elections, and equal treatment in social safety net programs. There is some precedent for such an amendment: the 23rd Amendment, ratified in 1961, guaranteed residents of Washington, D.C., representation in the Electoral College. Yet a constitutional amendment requires approval by two-thirds of both houses of Congress or two-thirds of the states and then ratification by three-quarters of the states—a high bar, but one that has been cleared 27 times.

The second option, independence, has relatively limited support within Puerto Rico, judging from the most recent polls. Independence would offer full policy autonomy, including, if Puerto Rico so desired, an independent central bank, a floating currency, and the ability to craft its own labor, tax, and trade policies. These would, in theory, allow Puerto Rico to set economic policies based on its own needs, rather than those of the broader United States. In practice, however, autonomy would require thorough reform. The benefit of a floating currency, for example, would be limited so long as Puerto Rico's debt was still denominated in dollars, as any depreciation of the island's currency would increase the cost of its debt.

Full independence would come at a cost, as Puerto Rico receives substantial economic benefits from being part of the United States. Before any referendum, the federal government and Puerto Rico would have to agree on how independence would be carried out, including a realistic timeline, a plan to replace or maintain the functions currently carried out by the federal government, and clarity about how the federal benefits that currently flow to Puerto Rican residents would be funded during the transition and maintained by the Puerto Rican government after independence. The two parties would also have to define their future trade relationship and deter-

mine whether Puerto Rican residents would retain their U.S. citizenship and the right to travel freely to the United States.

At the opposite pole from independence is statehood. Statehood provides a clear alternative to Puerto Rico's current patchwork of partial federal taxation and access to federal benefits. But it has been nearly 60 years since the last state, Hawaii, was admitted to the federal union, and there are several open questions related to possible Puerto Rican statehood that should be resolved prior to any referendum.

A crucial question is how the United States would respond to a vote in favor of statehood, as admission requires a joint resolution of Congress signed by the president. Washington must make clear that it is prepared to embrace Puerto Rico as a member of the union, including by granting it full congressional representation. Puerto Rico would immediately become the 30th-largest state by population, with two senators and perhaps five representatives. Statehood would also give Puerto Rican residents access to full federal benefits, including the EITC, Medicaid, and Medicare.

There has long been skepticism that statehood could gain sufficient bipartisan support, given Republican fears that most Puerto Ricans would vote for Democrats. But although U.S. President Donald Trump has voiced his opposition to statehood, previous Republican presidential candidates and party platforms have consistently supported it. In 2018, for instance, the Republican leadership of the House Committee on Natural Resources, which has jurisdiction over U.S. territories, called on the Department of Justice to oversee a Puerto Rican plebiscite on statehood.

If Puerto Rico became a state, its residents would receive full federal benefits, equal to those enjoyed by citizens on the mainland. Puerto Rico's population is already aging, and with a low birthrate and high levels of out-migration, the island will soon have the oldest population in the United States. It would benefit in particular from expanded access to federal health-care funding. Many Puerto Rican families would also receive significant EITC benefits when filing federal income taxes. Access to the EITC would not only alleviate poverty but also, by adding incentives for lower-income individuals to work, increase the island's labor-force participation rate, which, at about 40 percent today, is only two-thirds of the average on the mainland.

Perhaps the most difficult economic aspect of statehood would be the integration of Puerto Rico into the U.S. tax system. Even after the repeal of Section 936, firms operating in Puerto Rico can avoid

U.S. corporate income tax, paying the much lower “global minimum” rate applied to foreign intangible income. If Puerto Rico were a state, however, firms operating there would be subject to the federal income tax, eliminating their incentive to shift operations to the island. Individual residents of Puerto Rico would also have to pay federal income tax, making it hard for the island to maintain its high local individual income tax rate, which currently has a top marginal rate of 33 percent. Statehood could put at risk nearly \$5 billion of Puerto Rico’s annual revenue, or about one-third of its total. To help the island continue to cover its debt and pension obligations, the federal government would have to make up for a portion of the lost revenue, at least during the initial transition to statehood.

At its core, status is a question of ideology and identity. Resolving Puerto Rico’s status is not an alternative to restructuring its debt or revitalizing its economy. It is, however, a critical step in allowing Puerto Rico to chart a sustainable long-term economic course. And for the United States, which has ruled Puerto Rico as a colony for over a century, giving the people of Puerto Rico the chance to decide their own future is not only a wise policy decision—it is, for a country that prides itself as the leader of the free world, a moral imperative. 🌐

## REVIEWS & RESPONSES



*In China, the term  
“feminism,” once  
a battle cry, has become  
a pejorative.*

*—Susan Greenhalgh  
and Xiyong Wang*

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# China's Feminist Fight

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#MeToo in the Middle Kingdom

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*Susan Greenhalgh and  
Xiying Wang*

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*Betraying Big Brother: The Feminist  
Awakening in China*

BY LETA HONG FINCHER. Verso,  
2018, 240 pp.

As the #MeToo movement spreads around the globe, women's rights advocates are looking for cases to cheer, stories of women standing up to sexual harassment and assault and saying, "Enough is enough." Chinese women who are doing just that are the focus of *Betraying Big Brother*, a deeply affecting book by the journalist and China specialist Leta Hong Fincher. The main characters in her tale are a small group of relatively well-off, college-educated young women in China's major cities who connect with one another through social media. Coming of age in an era of economic progress and promise, these women had high hopes for their lives and careers. But their aspirations were dealt a blow by widespread sexism.

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Beginning in 2012, they dared to take to the streets to engage in performance art, including forming flash mobs, and then posted videos of their activities online to promote discussion and raise awareness about gender among the general public.

Based on interviews with these young women, including the group that came to be known as the Feminist Five, Hong Fincher describes a collective awakening in which they came to see their lives as "worth something," a realization that led them to believe they had a right to ask for more than their society seemed willing to offer. In recent years, young Chinese feminists have advocated a national law on domestic violence; criticized sexual harassment, sexual assault, and misogyny in the media and culture; challenged gender discrimination in college admissions, job recruitment, and workplace practices; and appealed for more public restrooms for women. Such activism "tapp[ed] into a groundswell of dissatisfaction among hundreds of thousands of educated urban women who were just beginning to wake up to the rampant sexism in Chinese society," Hong Fincher writes.

But the story then takes a disturbing turn. In March 2015, one day before International Women's Day, the Feminist Five were detained by China's aggressive state security apparatus and held for 37 days, during which they were often treated roughly. They had been preparing to hand out stickers decrying sexual harassment in public spaces—for instance, the widespread phenomenon of men groping women on public transportation. Their ordeal created a scandal in China, where the news spread quickly on social media despite being mostly ignored or trivialized by the

mainstream press. The story received extraordinary attention abroad, as well: major Western news organizations covered it, human rights groups condemned the Feminist Five's detention, and prominent figures, such as Hillary Clinton and the feminist activist Eve Ensler, expressed support for the group. *Ms.* magazine added the group to its list of the year's most inspiring feminists.

Nevertheless, the state's repressive tactics essentially worked. After being released, the Feminist Five remained under constant surveillance and faced threats to themselves and their families. Three went to the United Kingdom or Hong Kong to pursue master's degrees in human rights, law, or social work. One left Beijing for the southern Chinese city of Guangzhou to start a new non-governmental organization, which was quickly closed down because of its work on the still sensitive issue of sexual harassment. Most of the five turned their feminist activism into a part-time voluntary mission, while holding down day jobs, such running an online store or working at an education agency.

Hong Fincher's vivid, blow-by-blow account of the women's experiences is a valuable work of journalism, and she offers interesting evidence of a wider feminist awakening. But she ventures well beyond reportage, using the story to make a sweeping argument about the future of Chinese politics. This small group of women, she argues, "was capable of posing what the Chinese Communist Party perceived to be a serious challenge to its rule." Portraying the episode as a harbinger of significant social change in China, she contends that "any major demographic shift as a result of women choosing to reject marriage and chil-

dren—or perhaps even to rise up collectively against the Communist Party's oppression—will inevitably reverberate throughout the global economy."

Such far-reaching claims add a sense of drama and high stakes to the book, but they have a wobbly basis in fact. What is more, Hong Fincher's account of the women's stories is embedded in an overly simplified portrait of contemporary China. Although the book gives voice to the justified outrage the crackdown provoked in many observers, it is important to look closely at how Hong Fincher's tale is constructed and how her picture of China sometimes deviates from reality and from conventional scholarship on the country.

#### **WHOSE BETRAYAL?**

In what seems like a gesture of solidarity, Hong Fincher borrowed the deliciously provocative phrase "betraying big brother" from Wei Tingting, one of the Feminist Five, and made it the book's title. Hong Fincher's use of the term suggests that Wei intended it as an expression of defiance against China's party-state. But that is not how Wei meant it. In *Prison Notes*, a blog Wei published in 2015, in which she wrote about her experience of being jailed, she recalled discretely masturbating in her cell while guards tromped by outside—an act she describes as allowing her to take "joy in betraying big brother." In repurposing that phrase, Hong Fincher conflates a relatively low-risk, private expression of individual autonomy with far more dangerous acts of public dissent. By suggesting that the women were opposed to the state, the book's title could jeopardize their future work and even their safety.



In a private conversation with one of the authors of this review (Wang), Wei confided that she felt uncomfortable with the title and was considering asking Hong Fincher to change it.

This sort of distortion extends beyond the book's title. Throughout, Hong Fincher inaccurately elevates the Feminist Five's protest against sexual harassment and sexism to a direct and open challenge to the Chinese state. But the notion of Chinese women collectively and openly challenging the state—either today or in the long history of women's movements in China—lies beyond the realm of political plausibility.

Today, as in the past, most Chinese feminists, including the Feminist Five, believe that their agenda is consistent with the Chinese Communist Party's long-standing official policy and the Chinese constitution's guarantee of "equal rights for men and women." The Feminist Five's activism aimed to turn that goal into reality, but it never escalated into an attempt to contest the legitimacy of party rule. Rejecting strategies such as the protests and demonstrations used by Western feminists, they chose the mild tactics of performance art to express their ideas. They seldom directly critiqued government policies; instead, they submitted proposals to China's legislature, advocated a new law on protecting women, and skillfully referred to China's ratification of international agreements, such as the Convention on the Elimination of All Forms of Discrimination Against Women. They deliberately chose topics, such as domestic violence, on which their positions were in the line with national policy. If there is a betrayal involved in this

story, it is one committed by the Chinese Communist Party, which cracked down on young feminists who were only trying to advance its official agenda.

#### **DAUGHTERS AND CITIZENS**

As Hong Fincher describes it, the basic story of her book is a "conflict between the patriarchal, authoritarian state and ordinary women who are increasingly fed up with the sexism in their daily lives"—a conflict pitting good feminists against a bad party-state (which she generally reduces to "the government"). Although this narrative offers a sense of moral clarity, it requires limiting the cast to two main actors (feminist activists and the state), flattening out both in the process, and omitting other relevant actors: corporations, nongovernmental organizations, and communities such as villages and neighborhoods.

In this way, the book's plot recalls classic tropes of the Cold War: a cruel, power-hungry communist party-state, unwilling to brook any popular challenge to its authority, oppresses its people and provokes heroic resistance. There is an undeniable element of truth to such stories today, as the harsh authoritarian regime of Chinese President Xi Jinping cracks down on dissidents and rights advocates of all sorts. In Xi's China, the invisible line that separates what is permissible from what is impermissible is moving; with every new arrest, the party-state seems to shift it. The Feminist Five believed that their activities fell on one side of the line. For reasons that are hard to know for certain, the state security apparatus concluded otherwise.

The trouble with accounts of this kind, including Hong Fincher's, is that they tend lionize their subjects and rob



*Silenced: portraits of the Feminist Five at a protest in Hong Kong, April 2015*

them of their distinctive personalities. By framing the women only as courageous, heroic activists, Hong Fincher's book obscures more complex feelings of frustration, conflict, and uncertainty that also motivated their actions. By hanging her story on a great divide between the state and society, the author also ignores ways in which the two are mutually constituted. These young women do not position themselves outside of and in opposition to the state. Instead, their ideas, their dreams, their fears—their very identities—have been heavily influenced since childhood by the politics and practices of the party-state.

One cost of ignoring this dynamic is that Hong Fincher struggles to convincingly explain why her subjects turned to gender-based activism in the first place and came to identify as “feminists”—a label that was, until recently, distinctly unpopular in China. She finds the answer

in victimization. According to her, the women's early childhood experiences of being mistreated and physically abused set them on a path to feminist advocacy. That was the case for one of the five, Li Tingting (who also goes by the name Li Maizi), and Hong Fincher implies that Li's experience was typical. Yet many of China's young feminists, including some featured in the book, were not abused in their youth—far from it: they were treasured as only daughters. And Hong Fincher's analysis sits uneasily with the findings of other specialists on Chinese feminism. For example, one of the authors of this review (Wang) has conducted extensive interviews with more than 20 victims of domestic violence in China, many of whom had also endured childhood abuse. These women tended to normalize the abuse, trivializing their suffering by seeing it as simply their fate. Neither their

childhood trauma nor the domestic violence they suffered as adults made them more likely to become feminists.

Rather than looking for clues in her subjects' childhoods to understand why they rose up, Hong Fincher would have done better to attend to the historical context in which they came of age and flesh out the larger forces that shaped their lives. Most of today's young female activists were born in the 1980s. As the first generation born under China's one-child policy, they were the precious daughters of their families, and they reaped the rewards of huge investments made by the state and by Chinese professionals seeking to create a cohort of healthy, well-educated, sophisticated young people to lead China to prosperity and power. They benefited from a massive expansion of the educational system and typically excelled at top universities; quite a few went abroad for advanced degrees. Many gained a feminist consciousness by taking courses in gender and feminist studies or by joining projects organized by women's rights organizations. Eyes opened, it became difficult to tolerate the pervasive discrimination and the glass ceiling they encountered in the workplace. Rather than accept a life of disappointment, they rejected the plans their parents and teachers had for them—landing a good job, finding a good husband, and becoming mothers—as too limited. They chose instead to take the risky step of making their voices heard. They were aided in no small part by the rapid expansion of the Internet and the rise of social media. By skillfully documenting their activities and spreading their messages via social media, they were able to closely coordinate their actions

in different major cities, multiplying their impact.

Hong Fincher also relies on an essentially psychological explanation to account for the party-state's reaction to the feminist challenge. She portrays this highly complex, internally differentiated institution as a monolith populated by male leaders whose emotions (primarily fear) led them to crack down on the activists. "The Chinese government . . . reduces women to their roles as dutiful wives, mothers and baby breeders in the home, in order to minimize social unrest," she writes, adding later that "China's all-male rulers have decided that the systematic subjugation of women is essential to maintaining Communist Party survival."

Gender subordination is indeed a fundamental aspect of Chinese governance; however, many actors within the system don't seem to be aware of it. That includes those in power and most male elites and intellectuals, who seem to believe that gender equality was achieved long ago. A more satisfying analysis than Hong Fincher's would begin by acknowledging the centrality of what Chinese intellectuals starting in the late nineteenth century referred to as "the woman question" in China's political history, and would then examine the many laws, policies, and programs that the state has enacted over the years to advance women's rights and gender equality. Recent laws run the gamut, from the Law on the Protection of Women's Rights and Interests (1992), to the Law on Maternal and Infant Health Care (1994), to the Anti-Domestic Violence Law (2016). These statutes have many flaws, including limited enforcement, but at least they put worthy goals on the books.

Hong Fincher also fails to recognize the internal diversity and contradictions of a state made up of multiple bureaucracies, some of which push for women's social, economic, and political advancement, and others that push against it. She focuses on parts of the state that have brutally harmed women, primarily the security forces and the birth-planning apparatus. She is right to fault the abuses of such forces, which in the latter case include the forcible imposition of often unwanted birth-control measures, especially in the 1980s and 1990s. But Hong Fincher casts even positive steps these state agencies have taken in a negative light. For example, she notes that the Birth Planning Association has gathered nationwide statistics on sexual harassment but dismisses the effort because the association is "nongovernmental." In fact, it is a party-led organization, and its efforts show that some parts of the party-state are actively seeking to assess and address the problem of sexual harassment and promote women's status and well-being.

#### **HALF THE SKY?**

Perhaps the best way to understand *Betraying Big Brother* is as a political tract, a feminist call to arms for women everywhere to join together to fight the patriarchy. This comes through most clearly in the many instances when Hong Fincher claims "sisterhood" with the book's subjects, women whose life experiences are profoundly different from her own. In a related misstep, she sometimes treats the category "Chinese women" as undifferentiated, as though all women living in China were of a kind. Although she acknowledges that

**Not all readers  
are leaders,  
but all leaders  
are readers.**

*- Harry S. Truman*

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the young, college-educated women she profiles are a privileged group, she nonetheless uses their experiences to stand in for those of “all Chinese women” or even “all women.” This neglects a fundamental insight of feminist thought: that women’s identities are multiple and overlapping and that such intersectionality can produce meaningful divisions based on race, ethnicity, class, age, and sexual orientation, among others. Women often form political alliances across such divisions, but the multiplicity of their identities must be recognized, and individuals must be allowed to define and articulate their own identities.

Of course, shared experiences and a common purpose can serve to justify collective action. Without such claims, there would be little basis for joint action. But although a worldwide feminist uprising against the forces of patriarchy may sound like an admirable goal, it relies on assumptions that have little merit: that sexism and misogyny take similar forms everywhere, for example, or that women everywhere face common obstacles. That is why most Western feminists gave up on the idea of a global struggle decades ago.

What, then, are the prospects for the fight for gender equality in China? The state’s crackdown on the Feminist Five deepened the divides between overtly state-aligned feminists (such as those affiliated with the All-China Women’s Federation), gender-studies scholars, and younger feminists. Some senior gender experts have blamed the Feminist Five for making their work more difficult, as the topic of women’s rights has become politically sensitive and less legitimate since 2015. Gender studies, especially sociological work on

current issues, has been further marginalized; the top journal on women’s and gender studies now prioritizes articles on historical issues and cultural critiques rather than discussions of contemporary affairs. The women’s federation, for its part, has turned its focus to “family values,” emphasizing women’s roles as mothers, wives, and daughters—a far cry from the egalitarian Mao-era slogans, such as “Women hold up half the sky.”

In the meantime, on some measures, the situation facing China’s women (not to mention people of nonnormative genders and sexualities) has become grimmer. On the World Economic Forum’s Global Gender Gap Index, China fell from 63rd out of 115 countries in 2006 to 103rd out of 149 countries in 2018. The term “feminism,” once a battle cry, has become a pejorative. The Chinese mass media depict feminists as the most undesirable women in society, and feminist writings are routinely attacked and censored online. In this climate, feminist scholars and activists have little choice but to bide their time, strategically deploying safer terms—“gender perspective,” “gender equality,” “gender mainstreaming”—to advance the cause until the political environment changes and feminism (or something similar) becomes a politically safe and supported project again. 🌐

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# How Should a Liberal Be?

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Walter Bagehot and the Politics of Progress

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*Sebastian Mallaby*

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*Bagehot: The Life and Times of the Greatest Victorian*

BY JAMES GRANT. Norton, 2019, 368 pp.

**I**n James Grant, it sometimes seems, the nineteenth century has been resuscitated. Towering, gaunt, bow-tied, and pinstriped, he writes with a sly wit that recalls the novels of William Thackeray. His signal achievement is a fortnightly cult publication bearing the antique title *Grant's Interest Rate Observer*. He is a nostalgic believer in the nineteenth-century gold standard. He eyes modern banking innovations with stern, starch-collared suspicion, as though peering at them through a monocle. Even traditional financial instruments elicit a wry scorn. "To suppose that the value of a common stock is determined purely by a corporation's earnings," Grant once wrote, "is to forget that people have burned witches, gone to war on a whim, risen to the defense of Joseph Stalin and believed Orson Welles when he told them over the radio that the Martians had landed."

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Now, Grant has written a delightful biography of Walter Bagehot, the great nineteenth-century Englishman in whom Grant perhaps recognizes a grander version of himself: the would-be Victorian sage is paying tribute to the authentic one. From 1861 until his death in 1877, Bagehot served as the third and most famous editor of *The Economist*. He was a confidant of William Gladstone, the dominant liberal politician of the era, and his words exercised such sway over successive governments that he was regarded as an honorary cabinet minister. After Bagehot's death, a contemporary remarked that he might have been the most fascinating conversationalist in London.

Like Grant, Bagehot was a vivid wordsmith and a cult figure. Unlike Grant, Bagehot was generally a modernizer, a believer in progress, and therefore an opponent of the gold standard. (Bagehot's views on certain matters, such as gender and race, were far from enlightened.) In his slim 1873 volume, *Lombard Street*, Bagehot explained how central banks should quell financial panics by printing currency and lending it liberally—"to merchants, to minor bankers, to 'this man and that man,' whenever the security is good." To Grant's evident dismay, this formulation has proved wildly influential ever since. In his memoir of the 2008 financial crash and the bank bailouts that followed, Ben Bernanke, the former chair of the U.S. Federal Reserve, cited Bagehot more than any living economist.

If the tension between the hard-money biographer and the soft-money subject permeates Grant's book, it is not the only theme that captures one's attention. For just as Bagehot was the



*Liberal lion: a line engraving of Bagehot, 1877*

father of the lender-of-last-resort doctrine, so was he a progenitor of a wider political tradition. What U.S. President Bill Clinton and British Prime Minister Tony Blair called “the Third Way” and what others sometimes label “the radical center,” Bagehot summed up in his favorite political watchword: “animated

moderation.” He believed, as Grant writes, “in progress, religious liberty, limited government, clean elections, non-entanglement in foreign wars, [and] free trade.” Like other liberals of the time, he “opposed the brutal laws to punish free speech, crush delinquent debtors, hang shoplifters, and maim poachers.” Even as

he defined the political center, Bagehot rejected the mystical traditionalism of conservatives and the leveling democratic ideals of revolutionaries. For the modern reader, living at a time when classical liberal values are in retreat, it is instructive to contemplate a giant who embodied them.

### **LIBERAL REALISM**

Although Bagehot has much to teach his political heirs, his liberalism was often selective—a reminder that even the greatest liberals are not always right and not always liberal.

Bagehot believed in progress and change but did not fancy too much of them. As a young man in Paris in the early 1850s, he witnessed Louis-Napoléon, the French president and a nephew of Napoleon I, disband Parliament and take the title of “emperor.” Bagehot defended the crackdown and the attendant executions, regarding them as a necessary response to the red specter and claiming that they commanded support among the “inferior people.” As Grant summarizes Bagehot’s perspective, “The overexcitable French were incapable of governing themselves in a parliamentary system; their national character did not allow it.” Democracy be damned. France needed a tyrant.

Nearly a dozen years later, at the onset of the American Civil War, Bagehot’s liberal values had apparently not deepened. He sided with the Confederates, partly because the Union’s tariffs on British manufacturers irked him. Claiming to abhor slavery, he nonetheless wondered if there were “any grounds for assuming that, as a body, the negroes would prefer being their own masters with Northern treatment to being cared

for and occasionally maltreated by their Confederate owners.” After President Abraham Lincoln issued the Emancipation Proclamation, Bagehot accused him of encouraging a slave uprising. “To arm savages against your antagonist is to make war like savages, and to descend to the level of savages,” he wrote.

Contemptuous of slaves, Bagehot was also heartily misogynistic. Addressing the question of the economic role of women, he declared himself “very favorable to their employment as laborers or in other menial capacity.” But he doubted that the female temperament was capable of taking on responsibility. “I am sure the nerves of most women would break down under the anxiety,” he asserted. In a prelude to his biography, Grant quotes the British historian G. M. Young, who saw in Bagehot “the most precious element in Victorian civilization, its robust and masculine sanity.” The second adjective was perhaps more fitting than the first.

Yet there is a lesson in Bagehot’s failings. For him, gradualism was a virtue: the iniquities of the status quo had to be balanced against the risks of rapid change, which might outstrip the human capacity for adaptation. In the cases of slavery and women, Bagehot got that balance very wrong. It was true that white Northerners in the United States abused free black laborers, but it certainly did not follow that slavery was more desirable; and one wonders what Bagehot’s contemporary Florence Nightingale, the pioneering British nurse known for her bravery during the Crimean War, would have had to say about the allegedly frail nerves of women. But in other instances, Bagehot balanced continuity and change in a



more defensible way, proving the vital principle that there is more to wisdom than principles.

Thus it was with the Victorian debate over the franchise. The democratic principle logically implied that everyone should have the vote; Bagehot nonetheless feared that a universal franchise would undermine democracy in practice. He favored relaxing the requirement that voters own property, but gradually. It would be counterproductive to extend rights to those who were not ready to exercise them. In 1866, when Gladstone, then the chancellor of the exchequer, introduced a bill that would allow more working-class men to vote, Bagehot criticized the proposal as overreach. The bill, he charged, would “enfranchise a very large number of persons who will consider their votes, and whose wives will consider their votes, as so much saleable property.” This was not a frivolous concern. Grant recounts a hilarious interlude in which Bagehot stood unsuccessfully for Parliament. Despite Bagehot’s express instructions that he wanted a clean race, his election agents bought votes on his behalf and then brazenly demanded repayment.

Herein lies an uncomfortable message for today’s liberals. A policy can be attractive in principle but mistaken in practice. Consider the 2003 U.S. invasion of Iraq: in principle, removing a dictator and replacing him with a democratic regime might have been a good idea; in practice, it was not. Following the same logic, if Bagehot were alive today, he might favor immigration restrictions in advanced democracies. In principle, liberal immigration policies enhance individual freedom and promote economic growth. In practice, too

much of a good thing can sour the public on the project of an open society. Likewise, trade and technological progress are the drivers of prosperity, but their benefits must be weighed against the fact that citizens resent upheaval. A system that permits financiers to price and insure risk should serve economic growth, yet such a system can collapse under its own weight, with society suffering the consequences.

Liberalism, in other words, should not consist only of fealty to liberty, equality, and fraternity, the seductive abstractions of the French Revolution. It should also be about outcomes. A liberal has a responsibility to ask what works, what is efficient, and what produces results. Unless a political credo improves society’s fortunes, it deserves to be discarded.

### **BAGEHOTIAN BANKING**

Bagehot’s pragmatism—his focus on what worked rather than what principle dictated—underlies his most lasting intellectual contributions. It runs through *Lombard Street*, Bagehot’s financial treatise, whose defense of bailouts so deeply offends Grant’s hard-money standards. Grant scolds Bagehot for “his embrace of the dubious notion, so corrosive to financial prudence, that the central bank has a special obligation to the citizens who present themselves as borrowers and lenders, investors and speculators. No other class of person enjoys access to the government’s money machinery.” Grant also has a soft spot for Bagehot’s contemporary antagonist, the justly forgotten Thomson Hankey, who worried about the moral hazard created by central banks acting as lenders of last resort. “The most mischievous doctrine ever broached,” Hankey called it.

In principle, of course, Grant and Hankey have a point. It seems offensive that the Federal Reserve should bail out Wall Street fat cats and yet allow hard-pressed homeowners to suffer the disaster of foreclosure. It seems evident that bailouts only weaken borrowers' incentives to restrain themselves, thus compounding the fragility of finance. But the answer to these arguments is that in practice, bailouts work: by furnishing a panicked system with money, they prevent a freeze in payments that would cause a depression. For this practical reason, governments repeatedly suspended the gold standard during financial crunches, even as the authorities, acknowledging that the likes of Grant and Hankey were correct in principle, fervently pretended that each suspension was a one-time exception. The British government made supposedly one-off exceptions in 1847, 1857, and 1866. Even in 1971, when U.S. President Richard Nixon abandoned the dollar-gold link, his administration claimed that the break was temporary.

Back in the 1870s, Bagehot's contribution to this debate was to observe what was happening, rather than comment on what theoretically ought to be happening. In principle, a gold standard that ruled out the possibility of bailouts might be expected to deter reckless financial risk-taking. In practice, it did not: "In a great country like this," Bagehot remarked, "there will always be some unsound banks, as well as some insolvent merchants." Because reckless behavior persisted, the central bank had to respond. And respond it did, even as it refused to admit that it was bound to do so—"though the practice is mended the theory is not," as Bagehot put it.

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The stability of the financial system thus depended on the actions of a central bank that formally denied responsibility for it.

It would be better, Bagehot urged, to recognize reality. Banks would inevitably need bailing out, so the important question was how to do it properly. To this end, Bagehot propounded his famous formula: central banks should lend liberally but at high interest rates and against good collateral. To an extent that Grant is unwilling to acknowledge, this formula has worked well. Even the Fed's enormously openhanded 2008 bailouts were made on terms that were sufficiently Bagehotian to generate a profit for taxpayers.

#### GRACE NOTES OF DEMOCRACY

Bagehot's second lasting achievement was his 1867 book, *The English Constitution*. As he had done with central banking, he took aim at a phenomenon that had not been codified (the British having never adopted an official constitution) to explain how it actually functioned. Bagehot's central observation was that the British government consisted of two parts: the "efficient" and the "dignified," or "theatrical." The efficient segment—the cabinet, administrative departments, and the committees of Parliament—did the work. The theatrical segment—the queen, the nobility, and the decorative rich—might appear, "according to abstract theory, a defect in our constitutional polity," but these apparently superfluous adornments played the vital role of inspiring deference from the "vacant many." The wisdom of learned statesmen—here Bagehot was no doubt thinking of himself—could be turned into government policy thanks to the narcotic properties of bejeweled duchesses.

Which brings one back to the liberalism of the present. Bagehot's ruminations on the theatrical branch point to the role of emotion in politics. The United Kingdom's largely ornamental monarchy mattered precisely because it bypassed reason, making it devilishly potent. "So long as the human heart is strong and the human reason weak," Bagehot explained, "royalty will be strong because it appeals to diffused feeling, and republics weak because they appeal to the understanding." If that judgment is accurate, this century's largely postmonarchical democracies are in trouble. Today's most potent emotional manipulation comes not from scenic royals but from online provocateurs and conspiracy theorists. Their efforts serve not to legitimize sages like Bagehot but to sow skepticism about the expert establishment.

Grant has written a gem of a book: entertaining, wry, and gloriously eccentric. Readers learn that the mud in London was 57 parts horse dung and that Bagehot played "zestful games of cup-and-ball" wearing—yes—a monocle. Along the way, they get a nasty feeling that even the greatest liberals have feet of clay and that the Victorian version of the radical center enjoyed a deference that is inconceivable today. But there is also a positive lesson to be drawn, one that is less about policies than about temperament. Liberals, as Bagehot himself put it, should be "heedless of large theories and speculations." Their duty, above all, is to be right—not theoretically but practically. 🌐

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# The Last War— and the Next?

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## Learning the Wrong Lessons From Iraq

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*Jon Finer*

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*The U.S. Army in the Iraq War. Vol. 1, Invasion, Insurgency, Civil War, 2003–2006, and vol. 2, Surge and Withdrawal, 2007–2011*

EDITED BY JOEL D. RAYBURN AND FRANK K. SOBCHAK. Strategic Studies Institute and the U.S. Army War College Press, 2019, 742 and 716 pp.

**E**arlier this year, the U.S. Army published two volumes that amount to the most comprehensive official history of the Iraq war. They cover the conflict's most important episodes: the U.S. invasion in 2003, the death spiral into civil war that took shape in the aftermath, the more hopeful period that began with the surge of U.S. forces in 2007, and the withdrawal that saw the last U.S. forces leave Iraq at the end of 2011.

Blandly titled *The U.S. Army in the Iraq War* and based on 30,000 pages of newly declassified documents, the study recounts a litany of familiar but still infuriating blunders on Washington's

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part: failing to prepare for the invasion's aftermath, misunderstanding Iraqi culture and politics and sidelining or ignoring genuine experts, disbanding the Iraqi army and evicting Baath Party members from the government, ignoring and even denying the rise of sectarian violence, and sapping momentum by rotating troops too frequently.

Years in the making and admirably candid, the study has largely been ignored by the media and the policy community. That may be because of its daunting length and dry, "just the facts" narrative. Or because some understandably prefer independent accounts to authorized after-action reports. Or because, compared with other major conflicts in U.S. history, so few Americans experienced this one firsthand. Or because the study declines to focus on more timely and contested questions, such as whether it was ever in the realm of possibility to invade a large and diverse Middle Eastern country—one that posed no direct threat to the United States—at an acceptable cost. But the study also comes at a time when many of the supposed lessons of Iraq are increasingly contested, with significant implications for a debate that is raging between and within both major political parties over the most consequential foreign policy choice any country faces: when and how to use military force.

In this critical debate, the Iraq study does seem to take a side, intentionally or otherwise. For that reason, and to better understand what the institution charged with fighting the controversial war believes it has learned, two of the study's claims are worthy of further reflection, particularly for those who believed that the Iraq debacle would lead to an era of American military restraint. The first

claim, which runs through the study like a subplot, is that the war's "only victor" was "an emboldened and expansionist Iran," which gained vast influence over its main regional adversary when Iraq's dictator was toppled and replaced by leaders with close ties to Iran. Washington "never formulated an effective strategy" for addressing this challenge, the study concludes, in part because it imposed "artificial geographic boundaries on the conflict" that "limited the war in a way that made it difficult to reach its desired end states." Put more succinctly: the United States erred not by waging a war far more expansive than its national interests warranted but by failing to take the fight far enough, including into neighboring Iran.

The study's second notable claim, mentioned only in passing in its penultimate paragraph, is even more controversial: that "the failure of the United States to attain its strategic objectives in Iraq was not inevitable." Rather, it "came as a by-product of a long series of decisions—acts of commission and omission—made by well-trained and intelligent leaders." In other words: the failure of the Iraq war—which cost somewhere between \$1 trillion and \$2 trillion, led to the deaths of nearly 4,500 Americans and perhaps half a million Iraqis, spawned a grave humanitarian crisis, and incubated the most virulent terrorist franchise the world has ever seen, all with no clear strategic benefit—was one of execution, not conception.

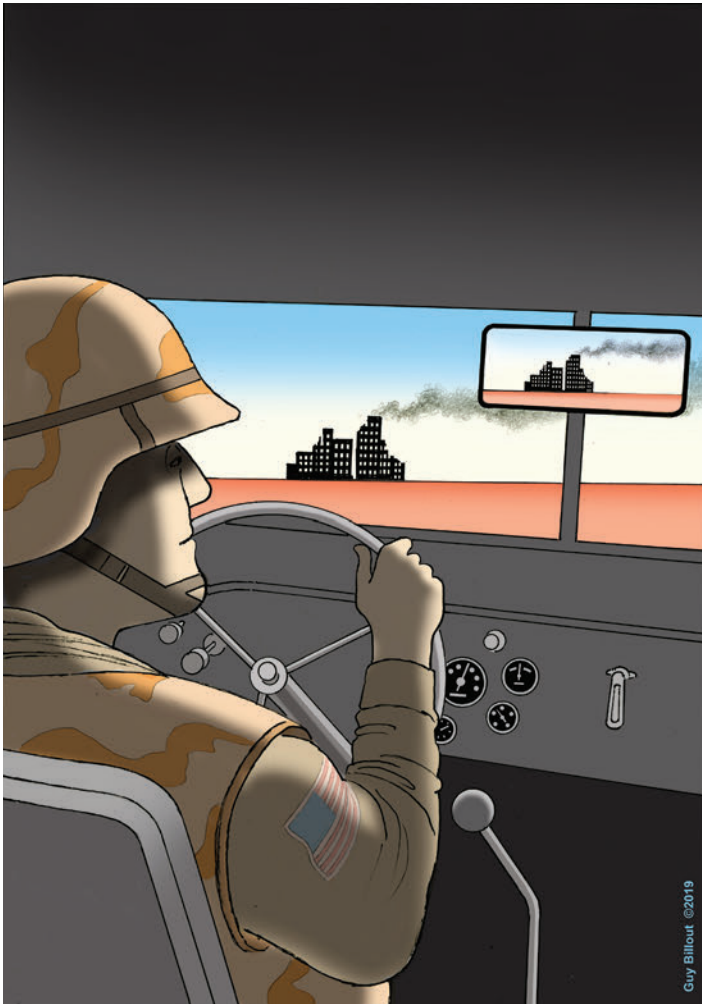
Couched as impartial assessments, these claims—about how the United States' military restraint empowered its main regional adversary and about the supposed feasibility of fighting a better war—contribute to the deliberate and

systematic erosion of what was once conventional wisdom: that, in the future, the United States should be far warier of potential conflicts like the one in Iraq. An alternative view of the Iraq war has flourished since the arrival of U.S. President Donald Trump, driven by both some of his most ardent critics and some of his closest advisers. And it may help bring about the next U.S. conflict in the Middle East.

### **MUNICH, SAIGON, BAGHDAD**

What policymakers learn from history is of more than mere academic interest. Just as generals reputedly prepare to fight the last war, foreign policy officials lean heavily on historical analogies in addressing current threats. U.S. officials frequently use—and often abuse—history to help bolster their arguments during critical debates. In doing so, as the historian Ernest May put it, they become "captives of an unanalyzed faith that the future [will] be like the recent past."

The British appeasement of Hitler in 1938 has been particularly compelling in policy debates, with allusions to "another Munich," referring to the city where European powers acceded to some of Hitler's earliest territorial claims, providing an easy caricature of supposed weakness. In 1965, as President Lyndon Johnson considered whether to deploy 100,000 U.S. troops to Vietnam, the National Security Council held a fateful meeting. His team in the Cabinet Room was divided on the issue, until the U.S. ambassador in Saigon, Henry Cabot Lodge, Jr., effectively ended the debate: "I feel there is a greater threat of World War III if we don't go in. Can't we see the similarity to [the British] indolence at Munich?"



By the 1970s, the Vietnam quagmire that resulted in part from that reading of history began to compete with Munich as the dominant historical analogy. Just as Munich became a shorthand for policy approaches that were overly passive, Vietnam became a warning against those deemed too interventionist. Reluctant to plunge the United States back into conflict, President Jimmy Carter pursued *détente* with the Soviet Union. In response, critics attacked him for “tapping the cobblestones of Munich” and fostering a “culture of appease-

ment.” In the decade that followed, President Ronald Reagan sought to overcome what he and others called “the Vietnam syndrome” and shake the United States free from what he believed was an excessive reluctance to confront global threats. But it was not until 1990 that the United States faced an act of aggression so stark that the debate shifted again.

In August 1990, Saddam Hussein’s Iraq invaded and occupied Kuwait. “International conflicts attract historical analogies the way honey attracts bears,” noted Alexander Haig, a former U.S. secretary of state and former supreme allied commander of NATO, in a *New York Times* op-ed that December. “Which

analogy, Munich or Vietnam, . . . has more to tell us?” His answer was the former, which meant that Saddam had to be confronted. Rather than ignore or contest the Vietnam analogy, Haig twisted it to suit his purposes. And to leave no doubt, Haig also drew a somewhat contrarian lesson from Vietnam, arguing that it suggested the United States should not stop at liberating Kuwait: it must destroy the Iraqi regime entirely. “The Vietnam analogy instructs us not that we should refrain from using force,” he wrote, “but that if

our purposes are just and clear, we should use it decisively.”

In the end, President George H. W. Bush followed only half of Haig’s advice, evicting Saddam’s army from Kuwait but stopping short of marching on Baghdad. In his victory speech, Bush boasted, “We’ve kicked the Vietnam syndrome once and for all.”

### **WHICH IRAQ LESSON?**

That cure cemented the United States’ status as the world’s sole superpower but had some unforeseen side effects. The country has now spent nearly three decades engulfed in Iraq in various ways. Iraq has provided the leading historical analogies for foreign-policy makers in the past four U.S. administrations and has informed their understanding of the extent and limits of American power, even as other crises have flared and faded.

President Bill Clinton quietly continued the conflict with Saddam after the end of the 1990–91 Gulf War by bombing Iraqi targets throughout his tenure, imposing unprecedented sanctions, and shifting the United States’ official policy to regime change. His secretary of state, Madeleine Albright, coined the phrase “the indispensable nation” to justify further U.S. intervention in Iraq. A few years later, to bolster the case for an invasion, officials serving President George W. Bush used his father’s supposed strategic error of not proceeding to Baghdad, along with a healthy dash of the Munich analogy. They also massively exaggerated the threats posed by Saddam’s weapons programs and the Iraqi leader’s purported ties to terrorist groups.

Repulsed by that sales job and the fiasco it helped promote, President Barack

Obama, whose rise was fueled by his early opposition to the Iraq war, drew new lessons from his predecessor’s failures in Iraq. Obama’s understanding of what had gone wrong encouraged his wariness of wielding U.S. power, especially in the Middle East; his commitment to diplomacy as the tool of first resort and openness to engaging even the most difficult adversaries; and his conviction that U.S. military action should come only as part of the broadest possible coalition and in accordance with international law.

Those lessons guided Obama’s approach to the two most difficult problems he faced during the last several years of his term—the mounting Iranian nuclear threat and the Syrian conflict. On Iran, Obama resisted the drumbeat of another reckless war and instead made a deal that removed an immediate nuclear threat from the world’s most volatile region without the United States having to fire a shot. In Syria, Obama avoided a major military escalation in favor of a varied approach, with elements of diplomacy, humanitarian assistance, and force, which ultimately failed to quell a devastating conflict. In each case, the Iraq war weighed heavily in internal debates.

### **A BIG, FAT MISTAKE**

Although it would be hard to imagine a presidential candidate more different from the incumbent he sought to replace, Trump also argued that the United States should avoid Middle Eastern “quagmires” and called the Iraq war “a big, fat mistake.” As president-elect, he told an audience at Fort Bragg of his commitment to “only engage in the use of military force when it’s in the vital national security interest of the United

States,” pledged to “stop racing to topple . . . foreign regimes that we know nothing about,” and promised to end what he termed a “destructive cycle of intervention and chaos.” Early in his presidency, he called the 2003 invasion “the single worst decision ever made.”

By the end of 2016, an aversion to military adventurism in the Middle East seemed a rare area of bipartisan consensus. The lessons of Iraq were relatively clear, and the prospects for another U.S. war in the region remote.

Since then, however, the Trump administration’s policies and personnel choices have helped erode that consensus and have raised the specter of another conflict. In January 2018, Secretary of State Rex Tillerson delivered a speech explaining why keeping U.S. troops on the ground in Syria, and possibly increasing their numbers, was essential to national security. He put forward a standard set of arguments in favor of a U.S. presence: the need to conclusively defeat the Islamic State (also known as ISIS), help end the Syrian civil war, counter Iranian influence, stabilize Syria so that refugees could return, and rid the country of any remaining chemical weapons.

He then made a more counterintuitive case for deploying more U.S. forces to Syria, where they would be in harm’s way, operating under dubious legal authority, and tasked with a mission arguably far more ambitious than their number could achieve: to “not repeat the mistakes of the past in Iraq.” One could be forgiven for believing Tillerson had somehow misspoken by invoking the Iraq war as an argument for, rather than against, further U.S. military intervention in a controversial conflict. He had not.

His comments reflected a view commonly expressed by critics of the Obama administration—many of them Iraq war proponents: that by withdrawing from Iraq in 2011, after the Iraqi parliament declined to endorse legal protections for U.S. troops, Obama had committed a politically motivated blunder that robbed the United States of a durable success, if not victory. The withdrawal, such critics allege, allowed al Qaeda in Iraq to metastasize into ISIS and take control of nearly a third of Iraq’s territory, including Mosul, the country’s third-largest city.

The U.S. Army’s official history of the Iraq war makes a version of that same argument:

At one point, in the waning days of the Surge, the change of strategy and the sacrifices of many thousands of Americans and Iraqis had finally tipped the scales enough to put the military campaign on a path towards a measure of success. However, it was not to be, as the compounding effect of earlier mistakes, combined with a series of decisions focused on war termination, ultimately doomed the fragile venture.

This conclusion neglects a few inconvenient facts. The troops were withdrawn pursuant to a George W. Bush-era status-of-forces agreement between Washington and Baghdad. Under its own internal pressure to end the war, the Iraqi government would not even consider allowing anything beyond a relatively small number of U.S. forces in a non-combat role. ISIS’ rise had less to do with the absence of U.S. troops than with the civil war that erupted next door in Syria, just as American forces were withdrawing. And whatever one thinks of the deci-



sion to withdraw U.S. troops, that would hardly seem to negate the original sin of invading Iraq in the first place. Still, this revisionist argument has gained adherents over time and has also spawned a new, unlikely lesson of Iraq: that an aversion to military force in 2011, rather than a fetish for it in 2003, was to blame.

This belief sits uneasily with Trump's professed distaste for military adventurism in the Middle East, and it has led to a fierce tug of war inside the Trump administration over the use of force in the region. Trump's more hawkish advisers have often carried the day. As a result, despite his noninterventionist instincts, Trump has escalated the U.S. military's involvement in every theater of conflict he inherited: Afghanistan, Libya, Niger, Syria, Yemen—and even Iraq itself.

Last spring, Trump appointed as his national security adviser John Bolton, a man who remains perhaps the Iraq war's most fervent and least repentant champion. (As recently as 2015, Bolton said that toppling Saddam was the right thing to do.) Tillerson, a relative moderate, was replaced as secretary of state by the far more hawkish Mike Pompeo. Elliott Abrams, George W. Bush's top Middle East adviser, is now Trump's special envoy for Venezuela. And Joel Rayburn, one of the editors of the U.S. Army's study of the Iraq war, left that role to take two senior positions in the Trump administration, first in the White House and then in the State Department.

Ironically, Trump has resurrected Iraq hawks on both sides of the polarized debate about his presidency. Among his most prominent critics are "Never Trump" Republicans—many of whom were staunch supporters of the

2003 invasion. It was precisely Trump's discomfort with military intervention—and concern that it could lead to a new period of isolationism—that first turned off many of his hawkish critics, such as Max Boot of the Council on Foreign Relations and David Frum of *The Atlantic*. Through their criticism of Trump, many Never Trumpers have regained some of the prominence they lost in the wake of the Iraq disaster, as has the view that the Iraq war was noble in purpose, waged poorly by Bush, salvaged by the surge, and then ultimately lost by Obama.

It is little wonder, then, that Americans' ideas about what lessons their country should take from the Iraq war may be shifting. According to polls, in 2008, five years after the invasion, 56 percent of the country had decided that the war—which had by then claimed hundreds of thousands of lives, displaced millions, and badly damaged the United States' global standing—was a mistake. By 2018, however, that number had fallen to 48 percent. By comparison, a majority of Americans continue to believe that the U.S. war in Vietnam was a mistake. By 1990, 17 years after the Paris Peace Accords formally ended the conflict, that number had reached 74 percent.

### MAXIMUM PRESSURE

The most immediate test of this ongoing debate about Iraq is the emerging crisis between the United States and Iran. Although the Iraq analogy was once a trump card for opponents of U.S. intervention, today it is also invoked by those portraying Iran as unfinished business of the earlier conflict. As the historian Arthur Schlesinger, Jr., once

wrote, for policymakers pursuing an agenda, history is “an enormous grab bag with a prize for everybody.”

Just over two years ago, a war with Iran in the near term seemed almost unthinkable. The Obama administration saw Iran’s nuclear program as the greatest threat and sought to take it off the table, which would also make addressing other threats from Iran less risky. The 2015 nuclear agreement locked up Iran’s program for more than a decade. And Iran adhered to the deal.

One of the clearest and most immediate consequences of the 2016 U.S. presidential election, however, was a reversal of U.S. policy toward Iran, including the decision to withdraw the United States from the nuclear deal and resume sanctions against Iran and its business partners. The Trump administration is now pursuing a strategy it calls “maximum pressure.” In April, Trump designated Iran’s Islamic Revolutionary Guard Corps as a terrorist organization, the first government entity to earn that distinction. In May, the administration announced that any nation importing Iranian oil—the lifeblood of Iran’s economy—would be sanctioned, with the aim of eliminating Iranian exports.

Trump and his officials have indulged in rhetoric that gives the distinct impression that the administration’s goal is regime change, by force if necessary. Last July, after Iranian President Hassan Rouhani warned the United States not to “play with the lion’s tail” by increasing pressure on Iran, Trump tweeted, “Iranian President Rouhani: NEVER, EVER THREATEN THE UNITED STATES AGAIN OR YOU WILL SUFFER

CONSEQUENCES THE LIKES OF WHICH FEW THROUGHOUT HISTORY HAVE EVER SUFFERED BEFORE. WE ARE NO LONGER A COUNTRY THAT WILL STAND FOR YOUR DEMENTED WORDS OF VIOLENCE & DEATH. BE CAUTIOUS!”

In February, Pompeo, who had advocated regime change in Iran as a member of Congress, told a group of Iranian Americans that the administration is “careful not to use the language of regime change,” but he has also pointed to supposed signs that U.S. pressure “will lead the Iranian people to rise up and change the behavior of the regime.” In May, he admitted on a podcast that better behavior on the part of the regime was unlikely and upped the ante, arguing, “I think what can change is the people can change the government.” And last year, he named 12 issues that Iran would need to agree to discuss in any future negotiation, which included steps unthinkable under Iran’s current leadership, such as abandoning all uranium enrichment and support for militant proxies.

Iran draws on its own historical lessons when it comes to dealing with the United States, starting with the U.S.-backed coup against its elected prime minister in 1953. To the surprise of many, after Trump pulled the United States out of the nuclear deal, Iran first adopted a form of strategic patience. It seized the moral high ground by working with the same Asian and European partners that had once sat on Washington’s side of the table during the negotiations on the nuclear deal and that still strongly support the agreement.

But in May, after Washington took a series of provocative steps, Rouhani announced that Iran would begin reducing its adherence to some of its commitments under the deal, particularly with regard to the stockpile of enriched uranium it is allowed to maintain, and would set a two-month deadline for countries to provide Iran with relief from U.S. sanctions. He also said that Iran was not abandoning the deal and remained open to negotiations.

Although Trump has also said that he is open to talks, the prospects of a conflict between the United States and Iran are now as high as they have been since early 2013, before the nuclear negotiations began to progress, when there were frequent reports that both countries (and Israel) were preparing for a military clash. It is easy to imagine any number of incendiary scenarios. U.S. forces are currently deployed in relatively close proximity to Iranian troops or their proxies in at least three countries: Iraq, Syria, and Yemen. A missile strike from Iranian-backed forces in Yemen that killed a large number of Saudis or a fatal rocket attack against Israel launched by Iranian proxies in Lebanon or Syria would lead to heavy pressure on Washington to retaliate, perhaps against Iranian targets.

There are also profound similarities between the current situation and the period that preceded the U.S. invasion of Iraq, starting with an impressionable president, inexperienced in world affairs. In the aftermath of the 9/11 attacks, the Bush White House pushed the intelligence services to look for evidence of Iraqi involvement—none materialized, and there had been hardly any reason to suspect it would—

and to draw the most hawkish conclusions possible from the mixed evidence on Iraq's pursuit of weapons of mass destruction. Today, the Trump administration is reportedly pressuring the intelligence community, which has long judged that Iran is in strict compliance with the nuclear deal, for assessments that would bolster the case for a firmer approach. "The Intelligence people seem to be extremely passive and naive when it comes to the dangers of Iran. They are wrong!" Trump tweeted earlier this year. In May, with the administration pointing to intelligence indicating that Iran might be planning attacks against U.S. forces, anonymous U.S. officials warned that the threat was being hyped. "It's not that the administration is mischaracterizing the intelligence, so much as overreacting to it," one told the *The Daily Beast*. In addition, as in 2003, the United States is increasingly isolated from all but a small handful of countries that support its approach.

It is unclear whether this brinkmanship will lead to conflict, stalemate, or renewed dialogue. Regardless, some contemporary realities should drive decision-making. Iran is roughly four times as large as Iraq in terms of territory and has roughly four times the population Iraq had in 2003. Iran's geography is more complex than that of Iraq, and its governance is at least as challenging. Although Iran menaces its neighbors and funds terrorist proxies, Washington has yet to articulate any threat to the United States severe enough to justify a war and lacks clear legal authority to wage one. For these and other reasons, not even the most bellicose proponents of confronting Iran have suggested a full-scale assault.

But for those who believe that a smarter war plan in Iraq would have produced better results, a limited war with Iran, perhaps designed to restore U.S. deterrence supposedly forfeited during the Iraq war, remains firmly on the table. In mid-May, the Pentagon was reportedly drawing up plans for the deployment of 120,000 troops to the region, about two-thirds of the total number sent to Iraq during the 2003 invasion.

Distorting the lessons of the Iraq war may also be the best way to convince a U.S. president with anti-interventionist instincts of the wisdom of confronting Iran. “During the Iraq War, Iran was most aggressive when the U.S. failed to respond with strength to Iranian malfeasance,” claimed one of the editors of the army’s Iraq study in a recent op-ed he co-authored in *The Hill*. The authors added: “History makes clear there must be consequences for Iran when Tehran attacks Americans. Otherwise, we should expect more of the same.” It isn’t hard to imagine that argument, which hinges on notions of strength and weakness, appealing to Trump.

But such claims ignore something else that U.S. policymakers should have learned from recent conflicts: once under way, wars evolve and escalate in unforeseen ways. To see how even a war with expressly limited objectives can spiral out of control, look no further than the Obama administration’s experience in Libya. In the case of Iran, perhaps the biggest wildcard is how the Iranians might respond to U.S. force. Unlike Iraq in 2003, Iran has the ability to wage asymmetric war against American forces, diplomats, and allies across the Middle East and beyond. That is

especially true in Iraq, where, in response to mounting tensions in mid-May, the United States ordered the departure of all “nonemergency” government personnel and Germany reportedly suspended its military training program.

Some variation in how analysts view Iraq may be inevitable, since they draw on different experiences of the war. As a journalist covering the invasion and the descent into civil war for *The Washington Post*, I became convinced that the Iraq cause was hopeless one evening in late 2005, when my Iraqi driver asked me to call the U.S. Army officer in charge of his Baghdad neighborhood and request that he stop delivering candy to the driver’s daughter, because if she told her friends about it, his family could be branded as collaborators. It was a stark lesson in the futility of good intentions.

The authors of the U.S. Army’s official history of the Iraq war warn that “above all, the United States must not repeat the errors of previous wars in assuming that the conflict was an anomaly with few useful lessons.” Although history is often abused and all conflicts are different, that still seems to be sound advice. But following it requires, at a minimum, some agreement on what those lessons are. Eroding the tenuous consensus on what went wrong in Iraq makes another damaging conflict more likely. 🌐

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# Ready for Robots?

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## How to Think About the Future of AI

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*Kenneth Cukier*

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*Possible Minds: Twenty-five Ways of Looking at AI*

EDITED BY JOHN BROCKMAN.  
Penguin Press, 2019, 320 pp.

In 1955, John McCarthy coined the term “artificial intelligence” (AI) in a grant proposal that he co-wrote with his colleague Marvin Minsky and a group of other computer scientists seeking funding for a workshop they hoped to hold at Dartmouth College the following summer. Their choice of words set in motion decades of semantic squabbles (“Can machines think?”) and fueled anxieties over malicious robots such as HAL 9000, the sentient computer in the film *2001: A Space Odyssey*, and the cyborg assassin played by Arnold Schwarzenegger in *The Terminator*. If McCarthy and Minsky had chosen a blander phrase—say, “automaton studies”—the concept might not have appealed as much to Hollywood producers and journalists, even as the technology developed apace.

But McCarthy and Minsky weren’t thinking about the long term. They had a much narrower motive for coming up

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with a new phrase: they were reluctant to invite Norbert Wiener to the program. Wiener was one of the founders of the nascent field, a child prodigy who had graduated from college at age 14 and received a Ph.D. in philosophy from Harvard four years later. To describe his work on how animals and machines rely on feedback mechanisms for control and communication, Wiener had chosen to use the word “cybernetics,” a term that derives from the ancient Greek word for “helmsman.” He titled his 1948 book *Cybernetics*, and after it became a surprise bestseller, other researchers began applying the term to their attempts to get computers to process information much in the way that a human brain does.

There was no question that Wiener was brilliant. The trouble was that he also happened to be a pugnacious know-it-all who would have made the summer at Dartmouth miserable. So McCarthy and Minsky avoided Wiener’s term, in part to make it easier to justify shutting him out. They weren’t studying cybernetics; they were studying artificial intelligence.

It wasn’t only Wiener’s personality that was a problem. The Dartmouth program was aimed at practitioners, and Wiener’s work had in recent years taken a more philosophical bent. Since the publication of *Cybernetics*, Wiener had begun to consider the social, political, and ethical aspects of the technology, and he had reached some dark conclusions. He worried about Frankenstein monsters, composed of vacuum tubes but endowed with sophisticated logic, who might one day turn on their creators. “The hour is very late, and the choice of good and evil knocks at our door,” he wrote in 1950. “We must cease to kiss the whip that lashes us.”



*Thought experiment: an AI robot at a summit in Geneva, Switzerland, June 2017*

Wiener later backed away from his most apocalyptic warnings. But today, as AI has begun to invade almost every aspect of life in developed societies, many thinkers have returned to the big questions Wiener started asking more than half a century ago. In *Possible Minds*, 25 contributors, including a number of the most prominent names in the field, explore some of the eye-opening possibilities and profound dilemmas that AI presents. The book provides a fascinating map of AI's likely future and an overview of the difficult choices that will shape it. How societies decide to weigh caution against the speed of innovation, accuracy against explainability, and privacy against performance will determine what kind of relationships human beings develop with intelligent machines. The stakes are high, and there will be no way forward in AI without confronting those tradeoffs.

DENIS BALBOUSE / REUTERS

### **A MIND OF ITS OWN?**

Ironically, even though McCarthy and Minsky's term entered the lexicon, the most promising AI technique today, called "deep learning," is based on a statistical approach that was anathema to them. From the 1950s to the 1990s, most of AI was about programming computers with hand-coded rules. The statistical approach, by contrast, uses data to make inferences based on probabilities. In other words, AI went from trying to describe all the features of a cat so that a computer could recognize one in an image to feeding tens of thousands of cat images to an algorithm so the computer can figure out the relevant patterns for itself. This "machine learning" technique dates back to the 1950s but worked only in limited cases then. Today's much more elaborate version—deep learning—works exceptionally well, owing to staggering

advances in computer processing and an explosion of data.

The success of deep learning has revived Wiener's fears of computer monsters running amok, and the biggest debates in AI today revolve around safety. The Microsoft founder Bill Gates and the late cosmologist Stephen Hawking famously fretted about it. At a conference in 2014, the technology entrepreneur Elon Musk described AI as "summoning the demon." Others, such as the AI researchers Stuart Russell and Max Tegmark, along with the engineer Jaan Tallinn, believe that AI represents a serious threat to humanity that requires immediate attention.

Broadly speaking, there are two types of AI. The first is artificial general intelligence, known as AGI: systems that can think, plan, and respond like a human and also possess "superintelligence." An AGI system would know much of the information that exists, be able to process it at lightning speed, and never forget any of it. Imagine Google with a mind (and maybe a will) of its own. The second form of AI is narrow AI: systems that do discrete tasks very well, such as self-driving cars, voice recognition technology, and software that can make medical diagnoses using advanced imaging. The fear about AGI is that it may evolve on its own, outside of human control. The worry about narrow AI is that its human designers will fail to perfectly specify their intent, with catastrophic consequences.

No consensus exists among experts about whether AGI is even possible. But those who believe that it is worry that if an AGI system did not share human values (and there is no inherent reason why it would), it might cause trouble. "Humans

might be seen as minor annoyances, like ants at a picnic," writes W. Daniel Hillis, a computer scientist, in his contribution to *Possible Minds*. "Our most complex machines, like the Internet, have already grown beyond the detailed understanding of a single human, and their emergent behaviors may be well beyond our ken."

The trouble comes in how to specify such a system's goal, or what engineers call its "value alignment." The fear is not necessarily that AI will become conscious and want to destroy people but that the system might misinterpret its instructions.

Russell has dubbed this "the King Midas problem," from the ancient Greek myth about the king who received his wish to turn everything he touched into gold—only to realize that he couldn't eat or drink gold. The canonical illustration of this in the literature is an AGI system that is able to perform almost any task that is asked of it. If a human asks it to make paper clips and fails to specify how many, the system—not understanding that humans value nearly anything more than paper clips—will turn all of earth into a paper clip factory, before colonizing other planets to mine ore for still more paper clips. (This is different from the threat of narrow AI run amok; unlike AGI, a narrow AI system programmed to produce paper clips would not be capable of doing anything more than that, so intergalactic stationary products is out.) It's a ludicrous example, but one that's bandied about seriously.

### **MAKING AI SAFE FOR HUMANS**

On the other side of the debate are critics who dismiss such fears and argue that the dangers are minimal, at least for now. Despite all the optimism and

attention surrounding them, current AI systems are still rudimentary; they've only just begun to recognize faces and decipher speech. So as Andrew Ng, an AI researcher at Stanford, puts it, worrying about AGI is similar to worrying about "overpopulation on Mars": it presupposes a whole lot that would need to happen first. Researchers should be trying to make AI work, he contends, rather than devising ways to stunt it.

The psychologist Steven Pinker goes a step further, arguing that the dire concerns over AGI are "self-refuting." The bleak scenarios, he argues,

depend on the premises that (1) humans are so gifted that they can design an omniscient and omnipotent AI, yet so idiotic that they would give it control of the universe without testing how it works; and (2) the AI would be so brilliant that it could figure out how to transmute elements and rewire brains, yet so imbecilic that it would wreak havoc based on elementary blunders of misunderstanding.

The idea that an out-of-control AGI system would harm humanity depends on speculation as much as science; committing substantial resources to preventing that outcome would be misguided. As Pinker notes, dystopian prophecies ignore the role that norms, laws, and institutions play in regulating technology. More convincing arguments take those factors into account and call for basic safeguards, implemented rigorously. Here, the history of cybersecurity offers a useful parallel. When engineers created the Internet, they overlooked the need to build strong security into the software protocol. Today, this poses a major vulnerability. AI designers should learn from that mistake

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and bake safety into AI at the outset, rather than try to sprinkle it on top later.

Russell calls for “provably beneficial AI,” a concept that can be applied to both AGI and narrow AI. Engineers, he writes, should provide AI systems with a clear main purpose—for example, managing a city’s power grid—and also explicitly program them to be uncertain about people’s objectives and to possess the ability to learn more about them by observing human behavior. In so doing, the systems would aim to “maximize human future-life preferences.” That is, a power-grid AI should find ways to lower power consumption instead of, say, wiping out humans to save on electricity bills. Thinking in these terms “isn’t scaremongering,” writes Tegmark. “It’s safety engineering.”

The cognitive scientist Daniel Dennett proposes a more creative solution to the safety conundrum. Why not require AI operators to be licensed, just as pharmacists and civil engineers are? “With pressure from insurance companies and other underwriters,” he writes, regulators could “oblige creators of AI systems to go to extraordinary lengths to search for and reveal weaknesses and gaps in their products, and to train those entitled to operate them.” He cleverly suggests an “inverted” version of the Turing test. Instead of evaluating a machine’s ability to imitate human behavior, as the test normally does, Dennett’s version would put the human judge on trial: until a person who is highly trained in AI can spot the flaws in a system, it can’t be put into production. The idea is a thought experiment, but a clarifying one.

The benefit of such standards is that systems would undergo inspections to

prevent mistakes. It would be hard to know, however, when to make these extra safety steps obligatory. Surely, the algorithms that guide a self-driving car should be regulated in this way. But what about the ones that determine which videos a website such as YouTube will recommend to users? Yes, regulations could offer societal benefits—such as the downgrading of Flat Earth Society videos on YouTube—but if an algorithm commissar had to approve every line of a company’s code, it could start to feel like overreach.

Missing almost entirely from *Possible Minds* is any discussion of another dilemma relating to the regulation of AI: how to weigh privacy against efficiency and accuracy. The more data an AI system has access to, the better it performs. But privacy regulations often discourage the collection and use of personal data. Minimizing the quantity and type of data that can be used in AI systems may seem wise in an era when companies and countries are vacuuming up all the personal data they can and paying little attention to the risks of misuse. But if regulations winnowed the amount of data that was processed, leading to less accurate performance for products such as medical diagnostics, society might want to reconsider the tradeoff.

## INTO THE UNKNOWN

Another tension in AI, and one that runs through *Possible Minds*, is the transparency and explainability of how AI systems reach their conclusions. This is actually a technical concern, not an epistemological or normative one. That is to say, the question is not whether people are clever enough to understand

how a system works; it is whether the system's operation is knowable at all. As Judea Pearl, a major figure in computer science and statistics, writes in his contribution: "Deep learning has its own dynamics, it does its own repair and its own optimization, and it gives you the right results most of the time. But when it doesn't, you don't have a clue about what went wrong and what should be fixed."

Nontransparent systems can reach correct answers: human minds occasionally do get things right, after all. But with AI, if the system fails, it might do so in unexpected, mysterious, and catastrophic ways. If we cannot understand how it works, can we fully trust it? This is different from AI's "black box" problem, in which bias in the data may lead to unfair outcomes, such as discriminatory loan, hiring, or sentencing decisions. That's a problem that is possible to fix by requiring, as a first step, that such systems are open to inspection by a competent authority. But the fundamental unknowability of AI systems presents a deeper, more unsettling problem. The scientific project emerged in the seventeenth century when empirical evidence was placed above knowledge based on faith, which at the time was usually sanctioned by the Catholic Church. Does the advent of AI mean we need to place our trust once again in a higher power that we cannot interrogate for answers?

The trouble is that the mathematics behind deep learning is inherently obscure. Deep-learning systems (also known as "neural networks," since they are loosely modeled on the neurons and connections in the brain) have many nodes arranged in layers that are all interconnected. Such a system models reality at a basic level of abstraction and

then moves to more specific features. It might start to analyze an image by identifying an edge, and then identifying a shape, and then identifying spots on the surface of the shape. In this way, it can eventually detect the contents of an image. After pattern matching from an enormous batch of previously inputted images (whose contents are usually identified and labeled), the system can predict the contents with a high probability of success. Hence, a deep-learning system can identify a cat without having to be told which specific features to look for, such as whiskers or pointy ears. Those features are captured by the system itself, through a series of discrete statistical functions. The system is trained by the data, not programmed. Its answers are inferences.

And it works. That's the good news. The bad news is that the mathematical functions are so complex that it is impossible to say how a deep-learning machine obtained its result. There is such a jumble of different paths that can lead to a decision that retracing the machine's steps is basically infeasible. Moreover, the system can be designed to improve based on feedback, so unless one freezes its performance and prevents such changes, it is impossible to review how it reached its output. As George Dyson, a historian of computing, writes in his essay, "Any system simple enough to be understandable will not be complicated enough to behave intelligently, while any system complicated enough to behave intelligently will be too complicated to understand." Although a lot of research is going into "explainable AI," so far the math bears out what might be named "Dyson's Law."

The implications are significant. Society faces a tradeoff between performance and explainability. The dilemma is that the most obscure systems also offer the best performance. Sadly, this matter is poorly treated in *Possible Minds*. Many of its contributors vaunt transparency as a value in itself. But none delves into the complexity of the issue or grapples with the notion that transparency might create inefficiency. Consider a hypothetical AI system that improves the accuracy of a diagnostic test for a fatal medical condition by one percent. Without the technology, there is a 90 percent chance of making an accurate diagnosis; with it, there is a 91 percent chance. Are we really willing to condemn one out of 100 people to death just because, although we might have saved him or her, we wouldn't have been able to explain exactly how we did? On the other hand, if we use the system, nine out of 100 people might feel they've been misdiagnosed by an inscrutable golem.

This raises deeper questions about the relationship between humans and technology. The reliance on ever more complex technological tools reduces our autonomy, since no one, not even the people who design these tools, really understands how they work. It is almost axiomatic that as computing has advanced, humans have become increasingly divorced from "ground truth," the reality of the world that data try to represent but can do so only imperfectly. The new challenge is qualitatively different, however, since AI technolo-

gies, at their most advanced levels, do not merely assist human knowledge; they surpass it.

### BRAVE NEW WORLD

A sense of respect for the human mind and humility about its limitations runs through the essays in *Possible Minds*. "As platforms for intelligence, human brains are far from optimal," notes Frank Wilczek, a Nobel laureate in physics. At the same time, the book is filled with a healthy deprecation of the glistening new tool. "Current AI machine-learning algorithms are, at their core, dead simple stupid. They work, but they work by brute force," writes the computer scientist Alex Pentland.

So AI is good, but bad, too. It is clever but dim, the savior of civilization and the destroyer of worlds. The mark of genius, as ever, is to carry two contradictory thoughts in one's mind at the same time.

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### FOR THE RECORD

"The New Revolution in Military Affairs" (May/June 2019) misstated the company at which the author, Christian Brose, works. It is Anduril Industries, not Anduril Strategies.

"A World Safe for Capital" (May/June 2019) incorrectly referred to Geneva as the Swiss capital. The capital of Switzerland is Bern.

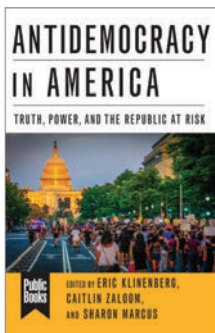
Nicolas van de Walle's review of *Secessionism in African Politics* (May/June 2019) misstated the year in which the island of Anjouan rejoined the Comoros. It was 2001, not 2002. 🌐

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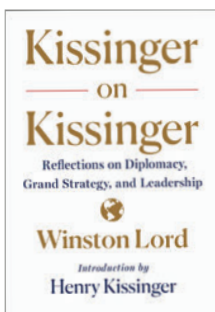
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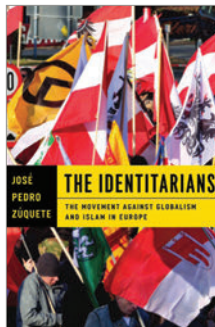
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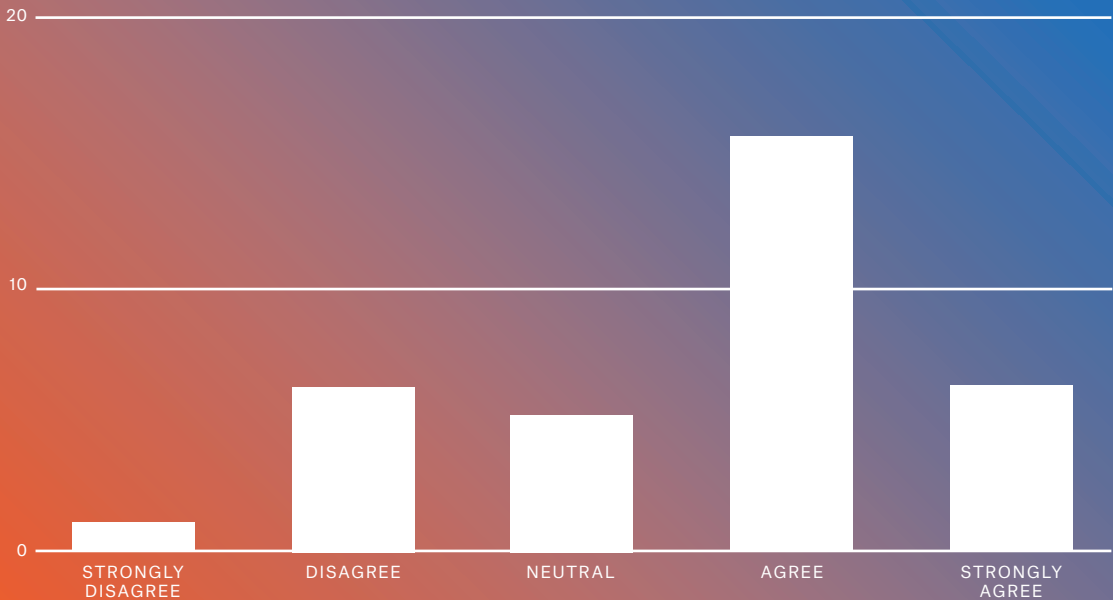
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**Elizabeth Rosenberg**

Senior Fellow,  
Center for a New American Security,  
and former Senior Adviser,  
U.S. Department of the Treasury

“The increasingly intensive use of U.S. sanctions over the last decade has been a powerful means for cultivating economic leverage, building coalitions of like-minded partners, and signaling policy objectives to adversaries.”



**STRONGLY AGREE, CONFIDENCE LEVEL 9**  
**Henry Farrell**

Associate Professor of Political Science and  
International Affairs,  
George Washington University

“The current use of sanctions grossly overestimates U.S. power and underestimates the likelihood that non-U.S. countries and firms will find or create alternative payment channels.”

→ See the full responses at [ForeignAffairs.com/USSanctionsUse](https://ForeignAffairs.com/USSanctionsUse)